

# Africa Growth Conference *Achieving and Sustaining 7% Growth in Africa*

5 – 7 July 2006

## Report



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## 1 Conference objectives and participation

The Africa Growth Conference was held at Forbes House, London on 5, 6 and 7 July 2006. The purpose of the Conference was to boost the effectiveness of DFID's delivery on promoting growth in Africa. Specific objectives included (i) to understand the 'big picture' Africa Growth issues; latest research on theoretical issues, country studies and drivers of growth; (ii) to share ways of working on promoting growth in Africa; and (iii) to identify next steps involved for delivery on promoting growth in Africa.

The 120 conference delegates included High Commissioners and Ambassadors of DFID Public Service Agreement countries, senior representatives from the African Development Bank, World Bank, private sector and non-governmental organisations, academic guests, DFID UK and Africa-based Advisers working on growth-related issues, DFID senior management staff and Business Action for Africa. The list of participants and the programme are attached at Annex A. The event was organised by the DFID Africa Policy Department Growth Team in close collaboration with Policy Division, and with the International Trade and Central Research Departments.

There was a high degree of enthusiasm, participation and commitment by delegates to work towards the Conference objectives. The event was very well-received by delegates. Many delegates agreed that the first objective (understanding the 'big picture') had been met, the second objective (sharing ways of working) mostly met and third objective (identifying next steps) partly met. The full evaluation report synthesis is attached at Annex B.

This report summarises the key messages which emerged from the Africa Growth Conference and the discussion points arising from individual sessions.

## 2 Key messages from the Africa Growth Conference

*Economic growth is the single most important way of pulling people out of poverty.*

Rt. Hon. Hilary Benn,  
Secretary of State for  
International Development,  
Opening remarks,  
5 July 2006

**Growth matters.** The Commission for Africa recommendations and G8 commitments are clear on the need to promote growth. DFID is committed to helping African countries achieve the sustained 7% growth needed over the next ten years to achieve the Millennium Development Goals. This has been affirmed in the recent White Paper. Promoting economic growth and participation in growth are mutually supportive and together can deliver poverty reduction. Building effective partnerships is key to progress. Long term predictability on donor aid will help African partner countries effectively engage in promoting growth. Growth is the exit strategy from aid.

**The Africa growth story is good.** Sub-Saharan Africa's growth rate has been higher than the world average for 5 years in a row. The story so far is good, but more is needed. The current 5.3% growth rate is less than the 7% generally agreed to be required to meet the Millennium Development Goals (MDGs). Looking at Africa as a whole masks variation among countries and within countries. Shared growth (growth that creates benefits throughout society, including the poor) is important and we must work with countries to turn extractive industry-led growth into shared growth. Labour markets have to work for everyone. A particular challenge is to ensure women participate in growth.

*"We have an important role as donors, to use our scarce aid money to reduce risk, to make it more attractive to invest. Consistency is key: we need clarity, consistency, and predictability for investors."*

David Stanton,  
Head of DFID Tanzania, 6 July  
2006

**Effective states require growth.** We know that better governed states tend to grow at higher sustained rates. Yet, evidence also shows that building effective states require economic growth to help drive state building. Growth creates incentives for building effective states. Countries often need to show higher levels of growth, with more people – initially primarily in the informal economy – getting a stake in the economy and how it is managed, prior to a fuller range of what constitutes ‘good governance’ being put in place. Thinking about growth – and growth in which the poor participate – is particularly important in fragile states.

### What are the key challenges for DFID in promoting growth?

**1. Climate change will impact on sustained growth in Africa in the long term.** Climate change impacts will affect everyone but Africa is already vulnerable to impacts of climate variability and has the least capacity to respond. Climate change will severely damage progress on development goals in Africa and will cause long term effects on growth (through adverse impacts on natural capital, the potential for migration and conflict, decreased investment and savings, negative impacts on labour supply and productivity and the risk of cumulative effects following extreme weather events and insufficient recovery periods).

**2. Scaling up of aid volumes without an increase in administrative resources will need DFID to be more effective in promoting growth in Africa.** DFID’s bilateral aid to Africa is set to double by 2010/11 and UK ODA as a whole (with a strong Africa focus) is set to reach 0.7% by 2013. Absorptive capacity for aid, expansion of programmes, adaptation of aid

*‘Growth and service delivery are mutually reinforcing priorities. 50% of our aid will go to basic services. We should ensure that the other 50% is devoted to growth.’*

Nemat Shafik, Director General, Country and Regional Programmes, DFID, 5 July 2006

instruments to deliver the increased aid and holding others to their commitments are all specific challenges associated with the scaling-up, further constrained by a lower staffing headcount.

**3. China is a growing player in Africa with the potential to add 1-2% to Africa’s growth in 2006.** The growing presence of China (and to the lesser extent India) has great potential for increasing growth and accelerating poverty reduction in Africa, while inevitably throwing up challenges as well. There is need to proactively engage with them in support of an African-led agenda, the NEPAD agenda of democracy, transparency, peace and economic growth.

**3. It will be increasingly important to provide complex, cross-cutting policy responses to address growth and trade issues.** In second generation poverty reduction strategies, there is a much stronger emphasis on growth but the links of growth to poverty reduction are not always well articulated (although there is some attention to unequal and vulnerable groups). There is also a stronger emphasis on agriculture and infrastructure, regional integration and trade, export development and market access in national strategies.

*‘The agenda to get growth going is wide and deep. We need to find ways we can simplify this agenda to ensure that it is demonstrably tractable’.*

William Kingmill, Head of the Growth and Investment Group, DFID, 7 July 2006

## TEN POINTS TO BOOST THE EFFECTIVENESS OF DFID'S DELIVERY ON PROMOTING AND SUSTAINING SHARED GROWTH IN AFRICA

### 1. Growth is complex but we need to tell a simple story.

This is a complicated debate and it is often difficult to determine the best place for engagement in that debate. Finding the right entry points will be important – these will be where there is African priority and energy. We need to be able to tell a simple story that demonstrates how changes we helped facilitate bring about tangible improvements in the lives of the poor. Are there more human interest stories that we can tell to support our work on growth?

*'If you haven't got a vision, get one. It will take time. ... There are implications around how we staff ourselves, how we use our expertise ... regional integration is really important.'*

Dave Fish,  
DFID Africa Director, 6 July  
2006

- 2. A focus on specific countries is appropriate but we need to think more about regional issues.** Africa has half of the world's landlocked countries—a regional perspective is important. We need to respond to African leaders' appetite for addressing issues at both country and regional levels, e.g. in response to role of regional economic communities, the AU/NEPAD Comprehensive African Agriculture Development Programme, the newly-launched Investment Climate Facility for Africa. The ICF is a public-private partnership to tackle obstacles to doing better business. Country and regionally specific approaches – dealing with common problems and specific contexts – will be adopted to facilitate inter-regional trade and investment.

- 3. DFID needs stronger, more complex networks.** One of DFID's comparative advantages is its ability to think in a joined-up way. Promotion of DFID's growth objectives will require an even greater joined-up approach - across country offices, Africa Division and other divisions and working across Whitehall with other government departments. In particular, focusing on the binding

*'African entrepreneurs have to drive African growth. The challenge lies in how to create an African middle class'.*

Professor Mushtaq Khan,  
SOAS, 5 July 2006

*'Fish don't know they are in water. Rich countries are in a growth environment. We need diagnostic tools to help identify binding constraints to growth.'*

Prof Ricardo Hausmann,  
Harvard University, 5 July  
2006

constraints to growth implies organising around specific outcomes. DFID will need to ensure a multidisciplinary approach to planning for outcomes. Is DFID currently set up in the right way to work in a joined-up way on growth? What are the incentives for taking forward the agenda – considering the political economy issues of where we work, and internal DFID organisational arrangements? We need to build further on links within and across DFID on promoting and sustaining shared growth in Africa. Strengthened and consistent partnership behind an African-led agendas are needed for focussing on the long-term.

- 4. We need to make an intelligent choice about the aid instruments in specific countries and regions.** DFID has a fuller and more flexible range of aid instruments than other donors and is capable of responding quickly and strategically when the opportunity to engage arises. Putting together the right mix of instruments, together with the appropriate skill mix for working on growth with partner country governments, is key.

*"We need to get away from the formulaic ... We need to do Analysis, Experimentation, Evaluation ..."*

John Page,  
World Bank Africa Region  
Chief Economist, 6 July 2006

- 5. A balanced portfolio can help us take on and manage risk.** A balanced portfolio is needed and tracking pro-poor spend to take account of growth may need a more sophisticated approach than at present. Managing risk requires space for intensive policy dialogue on growth

(even when not a big spender). Focusing on binding constraints to growth involves an innovative approach to using the mix of diagnostic tools and aid instruments, and the right entry points where our partners are motivated. Finding ways to relax those binding constraints will depend on experimentation and evaluation.

- 6. We need a multi-pronged approach to adaptation for climate change.** We need to support our partner country governments in helping them reduce vulnerability and to build capacity for adaptation by mainstreaming it in their development analysis, planning and action. We must take a long-term view with our partners, even when our planning cycles are shorter. Increased infrastructure for African countries will be more robust if it has had climate change risk analysis built into its design.

*'We want growth not just for its own sake but to be a positive force for the poor. Growth is about jobs but it's also about fairness. ... Both cooperatives and new technology have huge potential to help meet the millennium development goals.'*

Gareth Thomas,  
DFID Parliamentary Under  
Secretary of State,  
7 July 2006

- 7. China in Africa is an important issue for the DFID Africa Division and work on this needs to be reflected in all our country strategies.** In Tanzania, Zambia and Ghana, DFID has started to help bring Chinese counterparts into the mainstream dialogues.

- 8. We need a new way of working on agriculture, water and industry to promote growth.** Agriculture and infrastructure are high priorities for African leaders – an increased response is warranted. Africa is deeply 'water insecure'. Water security refers the acceptable level of risk to society of unpredictable water-related impacts and the reliable availability of acceptable quantity and quality of water for production, livelihoods and health. Investment in water infrastructure and institutions provide a minimum platform to achieve water security. DFID's more joined-up approach focused around outcomes can help find priorities and build necessary links across sectors, and between the country and regional dimensions.

- 9. Innovation is an important idea for DFID and its partners.** Productivity across a broad range of areas must grow. Foreign investment and some focus on exports can help tap innovation and put pressure for productivity gains. The private sector is the innovator around growth – this must be valued. Once the private sector got space, mobile telephones have helped Africa leapfrog a technological generation. How can we help further innovation to occur, particularly to bring benefits to African enterprise and the poor? A role for challenge funds and the African Enterprise Challenge Fund in particular? Sometimes we need to look again at recent experiences with what seem old ideas, such as cooperatives.

*'DFID is a strong institution on development. The partnership story is fundamental. If you want to be a good partner, the challenge is how to stick with your partner when things are not so easy.'*

Sir Nick Stern,  
Head of Stern Review on  
Economics of Climate Change,  
5 July 2006

*'I really welcome having more joined-up strategic links between Policy Division, Africa Policy Department and Country Offices'*

Catherine Martin, DFID  
Ghana,  
7 July 2006

- 10. We need to better understand the mutually reinforcing link between growth, political stability and social protection.** We need better analysis of the political economy in African countries: a better understanding of budget and political cycles, constituencies and communities, drivers of change and drivers for stability, and state-citizen relationships. Growth helps create incentives for the emergence of 'developmental' states.