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Unlocking Africa's growth for productive employment and poverty reduction: a dialogue on the research evidence and policy options

Conclusions and recommendations

CONTEXT AND ISSUES

After many years of stagnation, African economies have started registering rapid and, arguably, more sustained growth during the past couple of decades. The average real GDP growth rate was 4% in 2013 and further increased to 4.5% in 2014 (compared to 5.1% average for all developing regions).

About 25% of African countries have achieved growth rates of 7% or higher in 2014, and several of these countries are currently amongst the fastest growing countries in the world. This has created a high degree of optimism and expectation for Africa in overcoming the deep-seated poverty and meeting the aspirations of the African people in attaining multiple development goals.

Although there has been progress made in reducing extreme poverty and meeting global development goals, Africa still lags behind other developing regions, such as South Asia, South East Asia, and Latin America, and is generally not yet on track to end extreme poverty by 2030. According to the World Bank, 42.8% of the population in sub-Saharan Africa still lives on less than 1.25\$-a-day in 2015, compared to 56% in 1990. Accelerated economic growth in Africa, albeit necessary and crucial for economic development, has not yet generated significant employment opportunities. Rapidly growing numbers of job seekers mean that high levels of unemployment persist, especially for the youth and women.

This affirms that critical development challenges remain, especially in terms of translating economic growth into significant poverty reduction and better opportunities and prosperity for all. Along with accelerated poverty reduction, job creation will be a key issue and priority for policymakers – with continual rise in population growth and rural-urban migration and 11 million youth expected to enter Africa's labor markets each year over the next decade.

The key challenge for Africa, therefore, is how to sustain and translate rapid economic growth into inclusive growth that will help end extreme poverty, reduce inequality and create opportunities for productive employment and shared prosperity. As envisioned in the African Union's 50-year Agenda 2063, Africans aspire for a prosperous and united Africa based on inclusive growth and sustainable development. This will require identifying the underlying factors that limit job creation and hinder the

potential to overcome poverty – and how Africa’s new wealth and abundant natural resources and its institutions could be leveraged and strengthened to address its pressing social and economic needs. It is important and timely to review the evidence on growth, job creation and poverty reduction across African countries and draw lessons on best practices and policy options for the future.

THE EVENT

The special Policy Forum was organized by the Partnership for Economic Policy (PEP) in collaboration with [IDRC](#), [DFID](#), the [African Development Bank](#) (AfDB), the [African Capacity Building Foundation](#) (ACBF), the [World Bank](#) and [The Rockefeller Foundation](#). It brought together, from different regions, more than 160 participants, practitioners, researchers, academics, private sector, high level policymakers and non-state actors to reflect and share experiences on the evidence, best practices, knowledge gaps and policy options on how growth in Africa can be sustained and contribute more effectively to creating jobs and ending extreme poverty. The Forum started with a keynote presentation which provided a succinct overview of the evidence on growth and structural transformation and effects on poverty and job creation in Africa. This was followed by a series of special plenary sessions, hosted by a facilitator, involving a selected group of high level panelists to discuss key questions and policy options for the future. The discussion was enriched through comments and questions from participants. ([Consult detailed program](#)).

CONCLUSIONS & RECOMMENDATIONS

This brief summarizes the key issues discussed at the Policy Forum and the recommendations proposed by a panel of experts and participants on Africa’s inclusive growth for productive employment and poverty reduction.

1. Africa’s rising economic growth in the past two decades is mainly driven by high commodity prices, natural resource extraction, relatively abundant global liquidity, growing internal demand and private consumption, and provision of education beyond the primary level. Questions remain whether the high growth can be sustained in the coming years, especially if Africa is not able to diversify beyond primary commodities, increase productivity and competitiveness in agriculture and industrial sectors, and reduce conflict and maintain peace and security.
2. In addition, despite being the world’s third fastest-growing region in 2013-2014, per capita GDP growth in Sub-Saharan Africa remains modest and poverty has fallen more slowly than other regions in the world, and more slowly than needed to meet MDG-1. This reflects the region’s high population growth, low impact of growth on poverty and high levels of inequality as compared to the rest of the world. It is evident that the majority of the African poor, especially youth and women, did not benefit from the overall sustained economic growth.
3. The weak translation from economic growth to poverty reduction is also related to the uneven nature of the region’s growth and segmented labor markets, both across countries and across sectors within countries. Owing to high growth from mining (oil, natural gas and minerals), resource-rich countries in general performed well, but resource-poor countries also benefitted from high growth in construction and services sectors. Africa’s current structural transformation

process however bypassed the manufacturing sector which remains underdeveloped. Whereas services and industry are major sources of employment in other developing countries, in Africa the role of industry generally remains low while agriculture continues to employ the largest share of the population and more significantly the working poor. Due to higher unit costs of labor and under-developed industrial sectors, informal labor markets with low-productivity and non-salaried self-employment in micro- and small-scale enterprises and family businesses remain the dominant sources of employment across sectors.

4. Patterns of growth and the nature of structural transformation are important for poverty reduction and employment. In Africa, growth from agriculture and services sectors has generated significant reduction in poverty, while growth from industry and service sectors was more effective in reducing poverty in other developing countries. However, overall growth in the agricultural sector remains low and thus has a limited positive effect on poverty. Therefore, poverty-reducing structural transformation in sub-Saharan Africa needs to focus on promoting agricultural and informal sector productivity, creating employment and supporting policy for services sector, especially in terms of improving access to finance, power and business services for small and medium enterprises.
5. Structural reform requires public investment and engagement of private sector in education to provide skilled labor force to match demand and supply in labor markets. The reform also calls for immense infrastructure upgrading to provide reliable and affordable power, roads, telecommunication, transport and logistics – all very relevant for enhancing competitiveness and revitalizing manufacturing. In addition, effective targeting of social protection, resilience building, and access to social services in urban areas and townships are essential to address poverty, illiteracy, diseases, climate change, conflict, violence and other shocks.
6. In addition to addressing gaps and challenges, lessons from successful high-impact policies in various African countries provide examples of how inclusive growth can be achieved in a regional context and help in identifying areas for further action. Examples of high-impact policies include the promotion of independent and objective investment agencies to attract foreign investment; enhancing governance and accountability at all levels including people-centered development and decentralization; capitalizing on the emerging telecom and ICT sectors to overcome market failures (as in Kenya); and farmer training and extension programs (as in Ethiopia) to facilitate knowledge creation and dissemination to enhance performance in the agricultural sector.
7. Africa needs to diversify, accelerate and sustain growth. But growth also needs to be inclusive and pro-poor for it to generate significant effects on poverty and inequality and to reduce the associated risks of socioeconomic polarization and negative reactions from those who feel excluded and do not benefit from growth – fueling out migration, conflict and social instability. Further constraints to structural reform and sustained growth include low levels of industrialization, inadequate self-reliance and excessive effort to pursue and dependence on donor funds, and financial exclusion for the poor and small and medium enterprises.
8. Strong public-private partnership is essential to make meaningful investments in agricultural and services productivity and complementary infrastructure, to promote non-traditional exports, to support the formation of industrial clusters, to strengthen firm capabilities in order to maximize the domestic transformation of primary goods and add value in a way that

generates employment and business opportunities. Such partnerships are also critical to promote skill acquisition through technical and vocational education and training; to match demand and supply between skills and employment; to promote domestic innovation and seek opportunities for international technological transfer; and to make domestic and regional financial markets more inclusive.

9. Attaining inclusive growth and structural transformation will depend further on overcoming a number of knowledge gaps in order to implement evidence-informed policies. These will include new and effective approaches and policies to enhance institutional accountability, improving child nutrition and maternal health, addressing gender inequity, removing barriers to quality education and participation at all levels, enhancing teaching service delivery for quality education to build human capital with the right skills, and policies for motivating entrepreneurs to invest in low-skilled labor technologies and for stimulating demand to create jobs, especially for the youth and women who suffer from high levels of unemployment, to name a few.
10. Finally, unlocking Africa's growth for productive employment and poverty reduction will require strengthening the internal capacity to formulate and implement effective policies; building micro-macro resilience and improving institutional governance; deepening regional integration to create viable economic spaces with attractive markets for firms and investors; and creating policy space for the young generation to unleash their full potential and ingenuity. More importantly, the structural reform requires visionary leadership, commitment and capacity of policymakers to design and carryout sound economic plans and sensitive involvement and participation of the people, especially at the policy conceptualization stage.