Growth Trends and Trajectories.

African countries have, over the past 1½ decades, posted an impressive GDP growth rate of about 6 percent; nearly double the growth rates recorded in the previous decade, and four times the current average growth rate of Europe. This growth pattern, while tampered by developments in the global economy, is expected to be sustained through to 2018.

Africa is therefore now the fastest growing continent in the world. It is also expected that 19 of the 30 fastest growing economies in the next five years, will be African.

These numbers by themselves provide great cause for celebration.

But despite good progress in tackling extreme poverty, persisting poverty remains a pressing issue in most African countries.

Economic growth is also often tied unequivocally to a correlating improvement in employment levels. But increases in growth in most African countries have not resulted in expected comparable increases in numbers of new jobs.

Recent growth has also not benefited all groups equally; and has been characterized by widening inequality.

What is Inclusive Growth?

Perhaps the first question I should ask is what is inclusive growth?

Inclusive Growth has become a central idea in development. Inclusive Growth comprises both participation and benefit-sharing. Even though growth still remains the most important component of any poverty reduction attempt, it is now widely acknowledged that poverty and inequality constrain growth. This focus is in some ways an attempt to address the deficiencies of prioritising solely economic growth, and an attempt to ensure instead that the benefits of growth are more widely experienced. Equity can and should be a part of the growth process.
Inclusive growth should reduce poverty and inequality and benefit the most marginalised. It allows opportunities for everyone to participate in the growth process while making sure that benefits are shared. Growth that is shared contributes to making it more sustainable.

The poor face challenges that impair their conditions and limit their opportunities. To be inclusive, growth should benefit everyone while reducing the disadvantages faced by the poor, both in terms of benefits enjoyed and, especially, in terms of access to opportunities for participation.

What are the dangers of growth that is not inclusive?

Rising inequality matters because it affects how growth acts on well-being and poverty.

Inequality has also been linked to increased economic instability and dampened growth, social unrest and political instability. North Africa is a classic example.

What should countries consider when pursuing inclusive development?

There are many elements for countries to consider in pursuing inclusive development. A vital one is how to create productive and gainful employment.

Better opportunities for wage- and self-employment have a significant positive impact on inclusive growth. Conversely, a lack of job opportunities reduces the ability of households to improve their well-being. Sustainable poverty reduction achievements are mostly related to improved labour market engagement.

Jobs are also transformational in providing household income, raising economic productivity, providing resources to invest in children's health and education, changing social and power relationships and providing a sense of dignity and well-being.

Indeed, national development plans of many Africa countries, recognize that growth should tap Africa’s demographic dividend. Efforts to absorb young people onto the productive economy will require, among other things, revisiting the structure and curricula of education systems on the continent to ensure that skills match growth patterns. This sometimes entails revamping technical vocational training as an integral part of higher education.

Aside from interventions to improve the quality of the labor force, job-creating growth strategies may also entail structural transformation away from capital-intensive, or commodity-based, growth paths. Transformation is intricately linked to the need to enhance African firms’ participation in regional and global value chains, by supporting not only their integration into these value chains,
but also, their capacity to move up the chain. In many cases, the binding constraints are infrastructural, which explains why development finance institutions, including the African Development Bank, now place such strong emphasis on infrastructure development.

Another important element of inclusive growth is **addressing legislative exclusion** through revision of discriminatory laws. Such efforts are particularly relevant in efforts to include women’s benefits and participation. Revision of gender discriminatory laws can have strong and immediate effects of women’s access to finance, and reduce the vulnerability to economic shocks for low-income female-headed households.

**Strong institutions** are also important for inclusive growth. The inclusive growth agenda requires accountability of leaders to citizens. It requires prudence in public finance management to support macroeconomic stability and facilitate the establishment of social security systems for vulnerable members of society. It require peace and security, for without these, economic gains are unsustainable, and vulnerability of marginalized groups is exacerbated. It requires taking a regional view to problems and solutions. Regional cooperation what is seen as politically sensitive, yet important steps, to addressing the challenges of issue such as the free movement of skills.

**The forum has brought together key thought leaders and policy makers to come up with innovative ideas of how to promote inclusive growth.**

Thought leaders will focus new ideas and narratives towards the advancement of an inclusive economies approach with key African institutions and influencers. The participation of thought leaders will also help us develop analytical and operational tools that will support Africa’s journey towards broad-based economic development.

Social inclusion, productive employment, and sustainable development are not straightforward by-products of economic growth policies. Policy makers need to intentionally shape and channel market forces into context-specific interventions that may lead to large positive welfare impacts for those who are mostly affected by inequality and exclusion.

**Key issues and questions to be addressed during the Forum**
• How can Africa invest in/promote inclusive growth?
• How can regional integration promote inclusive growth?
• How can private sector contribute to inclusive growth?

**What is the African Development Bank’s contribution to inclusive growth?**

Distinguished participants, the African Development Bank attaches great importance to inclusive growth. The goals of the Bank’s Ten Year Strategy 2013-2022 are: inclusive growth and sustainable economic development (transition to green growth). The current scale of threats to sustainable development from climate change and other forms of environmental degradation means that economic growth now needs to be both socially inclusive and environmentally sustainable to achieve long-term human development benefits.

The Bank Strategy also places emphasis on three cross-cutting areas – agriculture and food security, fragility, and gender – all central to the delivery of the twin objectives of inclusive and environmentally sustainable growth.

The core operating priorities of the Bank’s Strategy were also carefully selected to produce outcomes that will contribute to inclusive growth.

(i) Infrastructure: Infrastructure projects in the energy, transport and water sectors financed by the Bank are contributing to creating opportunities for employment and job creation, and improving access to social services.

(ii) Private sector development: More than half of Africa’s working adults are excluded from formal financial services. In some countries the figure exceeds 80 percent. Including them in the formal economy is critical to reducing poverty and inequality, and attaining inclusive growth. The Bank is promoting financial inclusion to ensure that businesses and in particular, SMEs, have access to and can effectively use a broad range of financial services that are provided at reasonable cost.

(iii) Governance: Well-designed fiscal policies – the way a government collects and spends public resources – can play a major role in stimulating growth and reducing poverty. If growth is to benefit all, governments need to be committed to uphold the rights and opportunities of all their citizens and to counter vested interests that might stand against change to make economies fairer and more inclusive. Governments also need to be efficient and capable of financing and providing basic services to all. Good governance also
entails multiple stakeholder commitment to overcome corruption which acts as a barrier to employment creation and firm productivity. Governments also need to be proactively and publicly committed to developing, implementing and monitoring inclusive growth strategies over the long term.

(iv) Skills development: The Bank is supporting skills development and technology transfer to match the demands of the labour market. Investment in human capital is universally recognised as a key pillar of achieving inclusive growth. Investments in health and education have been statistically linked to better economic development outcomes and to how inclusive growth is in practice. As labour is their main asset, a good level of health and education enables poor men and women both to participate in, and benefit from, economic growth.

(v) Regional integration: Regional integration creates opportunities for trading across borders and supports a large number of the self-employed in African countries. The Bank, through support to regional infrastructure development (particularly, energy and transport) is facilitating trade which is enhancing employment opportunities. Indeed, it is important that the design of regional integration agreements should be welfare enhancing to all participating countries.

I am confident that this gathering will develop a common and dynamic understanding on how to develop and implement policies that will promote inclusive economies in Africa.

Thank you