

AFRICA RISING: THE NEW GROWTH AGENDA

AFRICA GROWTH FORUM 2015
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HOSTED BY
IGC ETHIOPIA

CO-HOSTED BY
ETHIOPIAN
DEVELOPMENT
RESEARCH INSTITUTE
(EDRI)

IGC
International
Growth Centre

The Africa Growth Forum is an annual conference bringing together researchers, academics and policymakers affiliated with the IGC. The IGC Ethiopia team co-hosted the conference with the Ethiopian Development Research Institute (EDRI) in Addis Ababa, Ethiopia.

Foreword by the Executive Director

There is no one ‘big’ answer to how growth can be generated; instead we must break down the question, piece-by-piece, in search of the many smaller answers that together can produce transformational change for growth.

The International Growth Centre (IGC) helps countries find these answers through a “co-generation” approach. We bring leading researchers together with policymakers and stakeholders to enhance the ability of our 14 partner countries to find solutions to their own growth policy challenges. This collaborative approach is built on a unique model that combines a global network of top researchers with embedded country teams across Africa and South Asia. The IGC’s country teams develop long-term relationships with senior policymakers and provide a platform for engaging researchers. The Africa Growth Forum also serves as an opportunity for the sharing of ideas, both big and small, among the IGC’s network of regional and global experts. As an annual event, the forum is a space to bring together researchers and policy-makers to forge new relationships and create the foundation for high-level, co-generated research and policy solutions to the most pressing development challenges facing African economies today.



Jonathan Leape
Executive Director
IGC



Attendees at Africa Growth Forum 2015



Executive summary

The Africa Growth Forum (AGF) is an annual conference bringing together the research and policy communities to discuss the challenges and opportunities to fostering sustainable development in Africa. The AGF also serves as a platform, showcasing research and ideas that have been or are currently being tested and implemented throughout the International Growth Centre's (IGC's) network. Highlighting innovative methods and approaches that are being used in various development contexts creates a space for match-making between researchers and policymakers on the basis of shared challenges and opportunities. The forum also facilitates the transfer of knowledge and ideas within the IGC network and beyond.

Emerging from three days of lectures, panels and framework sessions in Addis Ababa, Ethiopia, the overarching message of AGF 2015 was the importance of identifying the mechanisms and policies that must be in place for Africa to rapidly industrialise and urbanise. These twin challenges require innovative research and policy engagement across all four of the IGCs thematic areas: **State, Firms, Cities, and Energy**.

Careful understanding of the contextual factors that can best deliver growth in Africa will require collaboration between academics and policymakers for the co-generation of both research questions and the design of innovative solutions. Avenues for future collaboration include the following areas:

- Identifying mechanisms to strengthen state effectiveness and governance, including an emphasis on the use of effective recruitment, incentives and monitoring strategies for service delivery.
- Creating jobs within existing sectors and expanding industrial bases to encourage job-creation in higher-value sectors. Investments in high-value production chains can facilitate integration of African firms into global supply chains.
- Designing instruments to facilitate careful urban planning is essential to generate financing for urban growth that fosters the development of productive and liveable cities. Importantly urban planning must account for increased pressure on services that will arise from continuing urban migration flows of low-income workers.
- Encouraging demand-side alternatives for energy generation such as incentives that encourage consumer payment for electricity consumption.



Shopfront in Addis Ababa, Ethiopia (Creative Commons)

Challenges

Industrialisation

Three key ingredients for industrial growth include:

1. Firm productivity
2. Economies of agglomeration
3. Competitive market structures

Much of the challenge for Africa, going forward, will be improving the scale and productivity of domestic firms. High-productivity, high-growth industrial development will offer African firms more opportunities to enter higher-value global supply chains. Building into middle manufacturing requires improvements in technology, labour force skill, and firm management practices. Combining these two inputs will create opportunities for governments to attract greater foreign investment, particularly in higher-value manufacturing sectors, such as automobile manufacturing. These sectors can translate into meaningfully higher-wages for workers, and offer sustainable means of absorbing excess labour supplies that accumulate with increased rural to urban migration.

- Competitive market structures, allowing less efficient firms to exit the market.
- Competition encourages more efficient resource allocation between firms.
- Firm clusters create pockets of specialised labour and knowledge – resulting in faster diffusion of both technology and skills.

Five of the most rapidly industrialising countries in Sub-Saharan Africa are Ethiopia, Ghana, Tanzania, Zambia, and Mozambique. For these countries to sustain current growth rates will require efforts to both expand existing industries, and identify opportunities for further widening the industrial base. Lessons from the Ethiopian experience highlight the value of leveraging smart design and implementation of effective industrial policies.

Successful growth stories may provide a template for growth, but it is important to remember that the continent is made up of diverse states, each demanding a locally tailored approach. This requires governments to engage in sector-specific industrial policies to stimulate the emergence of productive clusters and to create environments that attract the right kinds of foreign investment. Improving both industrial technology and working practices can allow firms to better cater to demands of multinational buyers, helping ‘Made in Africa’ goods enter higher-value global supply chains.

Urbanisation

At current projections, 500 million Africans are expected to enter cities over the next 30 years. Despite the importance of urbanisation for creating productive forms of employment for ordinary citizens, fast rates of rural-to-urban migration are best accommodated by implementing forward thinking policies that encourage investments in adequate infrastructure and affordable housing. These two components are necessary for cities to attract productive workers while ensuring that increasing urban density remains liveable. Well-managed urbanisation in Africa will require consideration of both planning and financing for cities.

Planning

Urban forms are typically measured by density. Higher density cities facilitate more public service delivery and create transport infrastructure efficiencies, making cities liveable. Urban centres like New York (see: opposite¹) are examples of urban form with efficient vertical density, centred on an urban core. Rio De Janeiro on the other hand, has relatively constant levels of density, spread over a large metropolitan area. Without effective management and design, cities are less able to benefit from efficiencies of density. Poorly planned cities are characterised by horizontal density, often relegating low-income communities to slum dwellings. Horizontal density also reduces optimisation of public service delivery and infrastructure investments. The development of cities that are both productive and liveable requires investments in both residential and commercial building stock.

Financing

The biggest challenge, however, for developing city governments is not planning, but financing, particularly for investments in low-income housing and transport systems. Creating sustainable revenues to fuel urban infrastructure investments requires innovation from both private and public sectors. At its most basic, investments require the following:

- Property rights.
- Well-functioning capital markets.
- Policy regulation and enforcement capacity.

As a component of state-building, property taxes levied upon land value appreciation offer an effective means of raising tax revenues, without incurring land market distortions. However, again, this requires an effective functioning land registration office with efficient tax administration capacity.

Emerging research

To address each of these two broad challenges will require innovation and collaboration by researchers and policymakers. The conference was structured around individual framework sessions each focused on one high-impact research and policy area. The presentations showcased promising research ideas that have been implemented within the IGC's global network, and panel discussants used them to prompt and stimulate a broader discussion of the application of these ideas to different contexts, as well as to identify gaps and priority areas for further research.

Firm productivity

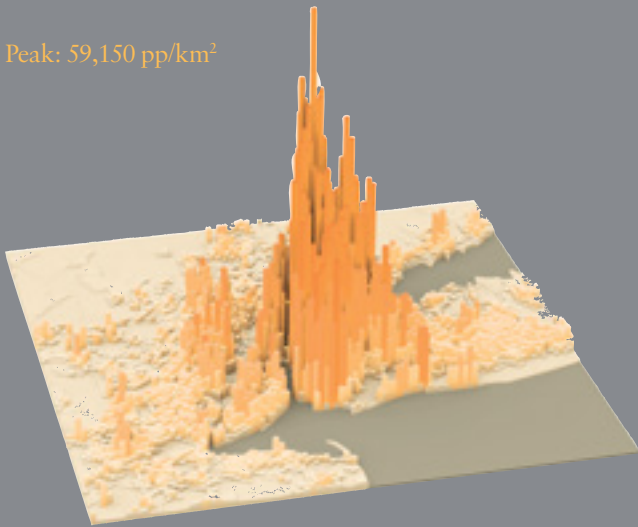
In addition to emphasising industrial-led growth, researchers and policymakers discussed agenda setting items for improving firm productivity, drawing largely on measures to improve market structures and management practices.

Dr Rocco Macchiavello from the University of Warwick opened the first framework session with the central premise that economic growth derives not simply from creating new jobs, but from creating jobs within higher-value sectors. Some of the gap, he argues, between developed and developing countries can

¹ Source: LSE Cities, City Transformations, Urban Age conference newspaper, October 2013.

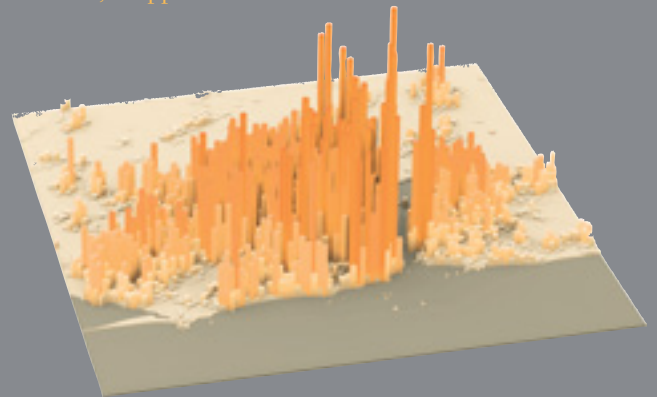
Population density

Peak: 59,150 pp/km²



New York

Peak: 42,300 pp/km²



Rio de Janeiro

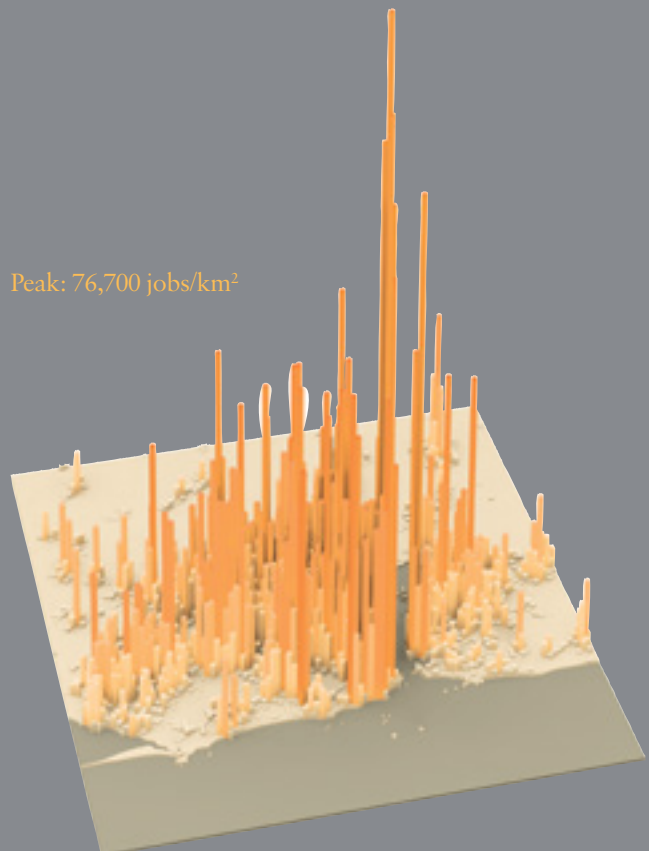
Employment density

Peak: 151,600 jobs/km²



New York

Peak: 76,700 jobs/km²



Rio de Janeiro

be explained by wider dispersions in productivity levels between multinational and national firms.

Reducing productivity dispersions is an important step in raising competitiveness of domestic firms on international markets. Highlighting additional IGC research on firm management, he also illustrated the challenge of scaling up firms without investing in managerial quality at the top. Evidence from India showed that adopting better managerial practices improved firm productivity and promotes increasing economies of scale through delegation.

Agricultural productivity

Despite advances in the industrial and services sectors, agriculture is still a significant driver of GDP in Africa, and remains one of the largest employment sectors. Graduating from subsistence towards more efficient and advanced forms of agriculture is vital for Africa's growth strategy. Researchers and policymakers discussed the challenge of encouraging adoption of advanced agricultural inputs such as fertiliser and hybrid seeds. From his study in Uganda, [Professor Jakob Svensson](#) noted that low adoption rates of fertiliser and hybrid seeds might be explained by the low quality of inputs being offered in local markets. A combination of adulteration, poor storage, and inappropriate handling procedures meant that inputs being sold to farmers at local markets were of such poor quality that farmers largely perceived them as unprofitable inputs. This supply-chain problem resulted in low-trust and low-adoption rates among Ugandan farmers. Avenues for further research must focus on improving market regulation to ensure input quality is preserved throughout the supply chain whilst remaining affordable.

Mobile money

Financial inclusion through mobile banking was highlighted as a promising avenue for growth in Africa. [Professor Pedro Vicente](#) discussed financial inclusion in the Mozambican context and [Professor Billy Jack](#) presented on Kenya's mobile money revolution. In addition to fostering household savings and remittances, both noted that access to mobile money helped spread risk, reducing household exposures to sudden shocks. Following from M-Pesa's popularity, other mobile products, including M-Shwari, a mobile savings and lending service, have now come into prominence. Despite the potential for mobile banking to transform productivity among previously unbanked communities, understanding how to regulate and protect consumers from fraud still needs further research.

Global energy and growth

The next panel discussion, led by [Professor Robin Burgess](#), focused on the challenge of procuring reliable energy access to fuel economic growth. The analysis of global energy consumption shows staggering levels of inequality between developed and developing countries. Whilst much of the traditional focus in research has looked at addressing supply-side deficits, new IGC research in Bihar explores the potential of stimulating demand, where policymakers and researcher have offered more hours of electricity as an incentive to communities that pay their electricity bills. Other areas for further research will include off-grid solar energy products for remote users.

Photo credit: Upasna Kaul

Market day
Lalibella, Ethiopia



Improving service delivery

The public sector has been plagued by low-skilled, poorly motivated workers. Co-generation of ideas from IGC researchers and policymakers has fostered an innovative portfolio of work on interventions for improving the recruitment of higher quality workers and the on-the-job performance of civil servants. As the core output of effective states, public service delivery in health and education directly shapes human capital formation and productivity, both essential components of inclusive growth.

In collaboration with the Zambian government, the IGC conducted a community health worker recruitment study, using incentives to attract the right kind of applicants for public health work. The study, presented by [Professor Oriana Bandiera](#), showed that offering career progression incentives could attract higher-quality applicants, without deterring pro-socially motivated applicants. Selection, it seems, may matter more than monitoring or on-going financial incentives.

Similar research in Sierra Leone will look at ways to improve public service delivery, including ‘task-shifting’ or training of lower-cadre health workers to affordably mitigate health worker absenteeism. Promising research looks at how stimulating demand could be a more cost-effective means of supporting health systems.

Similar challenges of accountability and absenteeism plague the education sector. In a Ugandan study on teacher attendance, [Dr Andrew Zeitlin](#) tested differential effects on teacher absenteeism of parental vs. head-teacher monitoring programmes for teacher attendance. The study found both monitors overstated teacher attendance, but that parent-led schemes were worse.

Taxation policy

Effective states require sustainable fiscal revenues to finance the provision of public services. Inefficient tax policies, weak administration and low levels of enforcement and tax morale all contribute to reduced tax capacity of developing states. The IGC’s work on tax uses a targeted micro-approach, testing incremental policy changes. [Dr Adnan Khan](#) presented research on tax collection in Pakistan, showing how offering financial incentives resulted in greater enforcement.

Policy discussants also pointed out the challenges faced by revenues authorities in their respective countries. As areas for further research, these included:

- Eliminating unnecessary tax exemptions for foreign investors.
- Improving tax administration capacity.
- Improving compliance in contexts with large informal labour markets.

All of these challenges currently undermine national tax to GDP ratios, and require careful contextually-based research solutions.

Managing crises

In response to the Ebola outbreak, the IGC has developed a specialised research portfolio to strengthen the health systems resilience in West Africa. In contrast to longer-term research commissioned by the IGC where research often involves multi-year data collection processes, responsive resilience programming requires fast turnarounds for rapid, implementable policy. [Dr Rachel Glennerster](#)

discussed the challenges of targeting assistance effectively during crises. Identifying that urgently need food aid, helped ensure that aid was properly targeted. On-going IGC Ebola research is now focused on accelerating economic recovery. Including:

- Achieving and maintaining zero-infections.
- Addressing socio-economic challenges.
- Restoring trust in governance structures.
- Fostering greater sub-regional integration.

Urbanisation

The creation of jobs, particularly in high-value sectors, requires governments to invest in policies that promote structural transformation and encourage the development of cities that are both productive and liveable. Identifying structural levers that produce good urbanisation will require research on how best to manage and protect against the negative effects of urban density.

Research by [Dr Gharad Bryan](#) showed how cash transfers, as little as the cost of a bus ticket, allowed poor households in rural Bangladesh to experiment with urban migration. These were households that otherwise experienced extreme deprivation during the hunger seasons, the period between planting and harvesting. The transfer enabled them to test the benefits of urban migration and search for jobs to better support their households during the hunger season through remittances. Other innovations include a transport subsidy project tested in Addis Ababa. The study found that a subsidised transport ticket allowing job seekers to travel into the city-centre improved job matching by increasing the intensity and duration of their job searches.

Given the importance of urbanisation to driving Africa's growth agenda, the panel showcased the potential of applying rigorous experimental methods to test and assess the impact of different patterns of urbanisation.

Transformational challenges

Africa's biggest transformational challenge will require effective policy being nurtured alongside interventions that broadly strengthen state effectiveness, improve public services, firm productivity and sustainably increase energy access and investments in urban infrastructure. The IGC remains committed to identifying opportunities for demand-led, co-generated ideas, addressing fundamental and emerging development challenges. Co-generation is an effective model for identifying research questions that produce high-quality, robust evidence for policy-making. The discussions that emerged over the course of the conference should serve as an introduction to the IGC's model of growth and as a means of forging new relationships between researchers and policymakers.

The IGC hosts a bi-annual 'Open Call' for proposals, allowing researchers and policymakers to bid for IGC funding in support of research relevant to growth. To date, the IGC has developed a network of over 1,000 world-class researchers that can be leveraged to support policymakers in designing and implementing innovative policies for growth. This model is built upon the understanding that effective, evidenced-based policymaking comes from initiatives that combine local knowledge with research innovations drawn from the frontier of development.



The International Growth Centre (IGC) aims to promote sustainable growth in developing countries by providing demand-led policy advice based on frontier research. The IGC directs a global network of world-leading researchers and in-country teams in Africa and South Asia and works closely with partner governments to generate high quality research and policy advice on key growth challenges. Based at LSE and in partnership with the University of Oxford, the IGC is funded by the UK Department for International Development (DFID).

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