TICAD V Thematic Session 2: Strengthening Sectoral Bases for Growth

2 June 2013

Summary Report:

This session covered the topic related to the “sectoral bases of growth”, which covered infrastructure, agriculture, human development and environment. Participants observed that over the last few years, Africa had demonstrated stronger growth with the African economy growing faster than population growth. This has been on a sustained basis for the first time in decades and at a time when the world economy is still recovering from the crisis of 2008. Indeed, six of the fastest growing economies in the world are in Africa, which is rapidly emerging as the fastest growing continent. The key question now is how to maintain this growth, make it more equitable, and indeed accelerate it.

There are three mega trends that will have a far reaching impact on the continent’s growth trajectory: These are a growing youthful population, a growing middle class and rapid urbanisation. Africa will need to take these into consideration as it addresses the various sectoral constraints to growth.

Infrastructure:

Most participants highlighted the need to bridge the wide infrastructure gap that still exists on the continent. No country in the world has sustained growth beyond 7% without addressing the infrastructure deficit in energy, transport and water sectors. The annual infrastructure gap is estimated at US$30 billion. Bridging this gap will require increased domestic efforts and better resource management. More importantly, it will require leveraging of capital markets. To that extent I mentioned that the AfDB is launching a special purpose vehicle, known as the Africa50Fund, with the support of the Africa Union. The Fund would leverage official development assistance and crowd-in private sector investment for African infrastructure and work on this initiative is under way. We will put the details of this proposal on the table in the next few months. To this extent, the priorities of PIDA and TICAD V go in the same direction.

The key note speaker emphasised the important role that the AfDB had played together with the Japanese-funded EPSA programme in financing African infrastructure and urged that this relationship continue.

But infrastructure is a means to an end, and the end is increased trade to facilitate increased employment. Therefore, while the priority is to work on hard infrastructure, especially those projects that have a strong regional dimension, the priority is also to focus on soft infrastructure such as one stop border posts, where the African Development Bank has been working closely with JICA, and to address other constraints that presently hamper the movement of goods, people and capital.

Agriculture:

Raising agricultural productivity is the first step to job creation, productive employment and exports, thereby creating a virtuous economic cycle. Due to growth in global demand for agricultural exports, there is an opportunity for smallholders to move up the value chain provided they can be supported with the right policy environment, supporting infrastructure, access to finance, access to technology and access to risk management tools. This will require high level political commitment.

An issue that was brought up but not concluded was that of Genetically Modified Organisms as a means for enhancing agricultural productivity. Although some participants urged the need for greater analysis before such varieties were adopted.

Human Capital:

The group observed that the current demographic dynamics point to the emergence of a youthful population on the continent. With the right education and training, this could result in a significant demographic dividend.

For TCAD V the key will be not only to focus on the delivery of low cost, high value education, but to leapfrog technology to address how education is provided.

Environment:

The ecological footprint of Africa has increased 240% between 1961 and 2008 and participants noted that episodes of drought, flooding and other natural disasters were happening more frequently now, required increase resilience to these changing phenomena. Participants observed that the stability of African growth implies environmental sustainability. Episodes of floods, drought and other natural disasters have become more frequent and are of concern in the present and not just for the future.

Both the public and the private sectors need to work together to take into account the value of natural capital and to address the sectoral drivers of degradation.

Conclusion:

Africa's priorities match those of TICAD V: growth, trade, investment, sustainability and leveraging external support. While there are obstacles, there are also tremendous opportunities - especially if there is full African ownership. We need to work together on this agenda in partnership so that we can leverage our collective resources, both human and financial to accelerate Africa's development.