



Authors



David Kennedy

Director General for
Economic Development
DFID

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DFID's approach to economic development

In today's blog, DFID's Director General for Economic Development, David Kennedy, makes the case for inclusive growth, highlighting the importance of better jobs, improved governance and infrastructure and the elimination of social and economic barriers faced by women and girls in low-income countries.

We know inclusive economic growth is the main driver of long term poverty reduction and shared prosperity.

The problem in low income countries is not a lack of jobs. Rather, it is a lack of good jobs. By and large, poverty is the result of earning too little. In low-income countries, this is explained by low wages, low labour supply (underemployment), or both. With the largest share of the world's' working poor engaged in agriculture, we need to find ways to raise the productivity of agriculture and agro-processing. Further, as the numbers of rural poor migrating to urban centres increases, it becomes increasingly imperative for us to grow the number of productive jobs available in higher productivity sectors such as manufacturing and services.

DFID's economic development portfolio has been growing over the past few years, such that it now comprises a fifth of our spending and significant staff resources.

We focus on interventions that aim to improve the investment climate and make markets work better. This requires catalytic investments in strategic sectors including for example, the CDC and the Private Infrastructure Development Group. Much of DFID's work is developed and supported by a complex network of core partners including IFIs, donors, think tanks, research institutions, and the private sector.

An important component of our approach is leveraging economic policy expertise to support growth strategies in partner countries. Working to spread innovative ideas, DFID has cultivated a global network of leading experts and practitioners to support the generation and exchange of innovative and transformative ideas that can promote better, more inclusive growth.

As part of our network, we fund institutions like the International Growth Centre (IGC) which, established in 2009, has become an important vehicle for this knowledge exchange. The IGC provides partner countries with high-quality, demand led policy advice to support economic growth. Bringing together world-leading academics, policymakers and

development practitioners to support better growth policy is done by undertaking innovative and rigorous academic research, capitalising on the UK's comparative advantage.

In January this year, DFID launched the *inclusive growth diagnostic exercise*, to identify where we should focus our economic development efforts going forward. This was designed to:

- Better understand the opportunities and constraints to inclusive growth in our focus countries, regionally, and internationally
- Analyse what actions we can take in response to these opportunities and constraints.

So far 25 country, 3 regional and 5 international level diagnostics have been completed and peer reviewed, with an incredible level of effort from well over 100 staff. This high-quality analysis provides a robust evidence base for economic development policy going forward.

The growth diagnostics re-emphasised the importance of more and better jobs, as well as reducing the barriers to inclusion, particularly those faced by girls and women. They also highlighted the need to understand political economy and governance constraints. As an agenda-setting exercise, the diagnostics have helped identified certain areas in which we need to step up our efforts including for example, energy, infrastructure and urbanisation.

The next stage is for us to move from the analysis to developing a set of comprehensive programmes to address the challenges identified. This will form a core component of the broader Bilateral Aid Review, currently underway.

Given where we are, I think DFID is well placed to become a leading player in supporting countries to unlock inclusive growth and reduce poverty. I am determined that we fulfil our potential to do this, and will be working hard with my teams and our partners to ensure we achieve these goals.