

New Report Finds Education, Women's Entrepreneurship, Tourism and Trade Key to Africa's Competitiveness

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Cape Town, South Africa 4 May 2011 – African economies have made important strides in improving their economic environments in recent years, but much remains to be achieved to ensure that recent strong growth continues. In particular, African governments must better harness the region's resources through stronger integration into international trade and finance, improved educational systems, enhanced entrepreneurial opportunities for women and developing their tourism sectors. The conclusions, released today at the launch of a major new report, *The Africa Competitiveness Report 2011*, reflect research efforts of three institutions – the World Economic Forum, the African Development Bank and the World Bank. The jointly produced report is released at the start of the World Economic Forum on Africa, taking place from 4-6 May in Cape Town, South Africa.

"This year's *Africa Competitiveness Report* is the third comprehensive effort by our three organizations to place the continent in a broader international context and to shed light on the important aspects of development in the region, which are so critical to ensure sustained and shared growth for Africa's citizens" said Klaus Schwab, Founder and Executive Chairman of the World Economic Forum.

The report highlights the following areas on which Africa should focus to ensure strong, sustained and shared growth:

- 1) **Diversifying products and markets.** African countries have much to gain by diversifying exports and by further opening up regional trade. Trade raises income through specialization, increased competition and the exploitation of economies of scale. It also increases the variety of products and services available in the market and promotes technological innovation. Despite improving over recent decades, Africa's share in world trade remains low, it is heavily concentrated in natural resources and intra-African trade is particularly limited. Regional integration can help African countries become more competitive and resilient to external shocks, as the recent experience of East Africa during the global financial crisis illustrates.
- 2) **Upgrading managerial skills and higher education.** Even though African countries generally spend relatively large proportions of their national resources on education, higher education enrolment remains extremely low by international standards. The areas of higher education undertaken by a majority of African students are not in the fields of science, engineering technology and business as is the case in rapidly growing economies such as Korea and China, but more often in social sciences and the humanities. The result is a skills mismatch – university graduates remain unemployed, while African countries continue to face shortages of skilled labour.
- 3) **Expanding women's entrepreneurship.** The rate of women's entrepreneurship is high in Africa – higher than in any other region. However, this is not necessarily a sign of economic empowerment. This is because women are concentrated in the informal, micro, low-growth, low-profit areas. There are two main explanations for this. First, women's education has continued to lag behind men's,

including areas of particular relevance to running a business such as financial literacy and management training. Second, while business laws are generally gender blind, family, inheritance, labour and land laws are often not, limiting control over assets within the household and decision-making authority. The report shows that while women are less likely to be operating larger firms in higher value-added sectors, those who do so in fact manage firms that perform equally well as those run by men. What is critical is not to increase entrepreneurship per se, but rather to enable women to move into higher value-added activities.

- 4) **Reaping the full benefits of tourism.** Africa's rich natural and cultural resources represent a major unexploited endowment through travel and tourism, with the potential to generate significant employment, growth and poverty reduction. The region has many advantages on which to build its tourism industry, including price competitiveness, a strong affinity for tourism and rich natural resources supported by efforts towards environmental sustainability. However, a number of obstacles remain to develop the sector, notably improving safety and security, upgrading health and hygiene levels, developing infrastructure and access to African sites, and fostering the region's human capital. Improvements in these areas would greatly enhance Africa's ability to reap the enormous potential benefits of tourism.

"Africa must focus on the policies and strategies that are key for the sustained economic recovery and inclusive growth of the continent, such as higher education for skilled manpower and entrepreneurship development, and financial instruments that will support vibrant private sector development and regional integration and trade," said **Mthuli Ncube**, Chief Economist and Vice President, African Development Bank.

In addition to assessments of competitiveness, trade performance and the ability to attract productivity-enhancing FDI in the region, the report also includes an analysis of what is needed to upgrade higher education in Africa, how to best expand women's economic opportunities on the continent and the extent to which African countries have put into place environments that make it attractive to develop the travel and tourism sector.

Also included in the report are detailed competitiveness profiles, providing a comprehensive summary of the drivers of competitiveness in each of the countries covered by the report.

The Africa Competitiveness Report 2011 is an invaluable tool for policy-makers, business strategists and other key stakeholders, as well as essential reading for all those with an interest in the region.

Further information on this report is available at www.weforum.org/acr, www.worldbank.org/africa/acr or www.afdb.org.

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