

Economic Diversification an Important Buffer for Africa in Uncertain Global Environment

10 May 2013

Oliver Cann, Associate Director, Media Relations, Tel.: +41 (0) 79 799 3405; E-mail: oliver.cann@weforum.org

- Africa needs to forge a new model of growth based on inclusivity
- Companies are investing in their own continent
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Cape Town, South Africa, 10 May 2013 – Economic diversification is essential for African economies to build buffers against vulnerability in a volatile world, panellists told a World Economic Forum on Africa session on Africa ' s economic outlook.

Creating a savings culture and increased tax base to help fund intra-African trade and investment and reduce African countries ' dependence on customs revenues are other factors that could provide buffers against volatility and improve trade flows by lessening the incentive for countries to impose non-tariff barriers, participants said.

Sectors mentioned as being important for the future include agriculture, financial services, natural resource extraction, investment in IT infrastructure, housing, power supply and regional trading of electricity. Participants added tourism and healthcare as important sectors for Africa ' s development and job creation.

Ngozi Okonjo-Iweala, Coordinating Minister for the Economy and Minister of Finance of Nigeria, said Africa ' s growth rates are not a flash-in-the-pan as shown by the fact that, even in the uncertain economic climate globally, Africa continues to grow. But it is important to find ways to step up the growth and make it inclusive.

Her view was echoed by Pravin Gordhan, Minister of Finance of South Africa, who said it is not only the measurement of gross domestic product that is important, but the quality of that GDP. He said Africa needs to produce a new model of growth based on inclusivity and create new economic institutions both within and between countries to support it. The flow of capital out of the continent has to be stemmed to increase the availability of investible capital within Africa.

He said that, although foreign direct investment in Africa is growing, much of it is still going into the resources sector. The challenge of the next five years is to lay the basis for greater diversification based on countries ' comparative advantage. " The time has certainly come for Africa to start talking about what it is going to do for itself. "

Africans should take advantage of the increased confidence and interest in the continent by negotiating better terms of trade. However, he cautioned that the new self-confidence now evident in Africa itself should not lead to hubris. " We will be living in a risky world for some years to come. "

Benno Ndulu, Governor of the Bank of Tanzania, said natural resource wealth is a key opportunity for the future and, although past experience of leveraging it for development has been negative, lessons have been learned and the future is more positive. He added that Africa has a comparative advantage in its combination of cheap labour and a large youth population, which can help Africa to attract investment from Asia.

Okonjo-Iweala said that, while Africa is seeing increased FDI, increasingly Africans themselves are investing in Africa. She said that, for example, South African companies are among the biggest investors in Nigeria while

Nigerian companies are expanding rapidly across West and East Africa.

Linah K. Mohohlo, Governor and Board Chairman of the Bank of Botswana, said for Africa to progress, it is important that a greater commitment is made to productivity and competitiveness.

With the support of the Government of South Africa, the World Economic Forum on Africa is being held in Cape Town, South Africa, from 8 to 10 May. Over 1,000 participants from more than 80 countries are taking part. Under the theme Delivering on Africa ' s Promise the meeting ' s agenda will integrate three pillars: Accelerating Economic Diversification; Boosting Strategic Infrastructure; and Unlocking Africa ' s Talent.

The Co-Chairs of the World Economic Forum on Africa are Frans van Houten, Chief Executive Officer and Chairman of the Board of Management and the Executive Committee, Royal Philips Electronics, Netherland; Mo Ibrahim, Chairman, Mo Ibrahim Foundation, United Kingdom; Mustafa Vehbi Koç, Chairman of the Board, Koç Holding, Turkey; Frannie Léautier, Executive Secretary, The African Capacity Building Foundation, Zimbabwe; and Arif M. Naqvi, Founder and Group Chief Executive, Abraaj Group, United Arab Emirates.

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World Economic Forum, 91-93 route de la Capite, CH-1223 Cologny/Geneva
Tel. +41 (0)22 869 1212, Fax +41 (0)22 786 2744, <http://www.weforum.org>