

Financial development and trade crucial to making Africa more competitive and riding out current crisis

11 November 2010

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- The Africa Competitiveness Report 2009 released today by the African Development Bank, the World Bank, and the World Economic Forum takes stock of African competitiveness
- Financial development and free trade critical for riding out the crisis
- Improvements to infrastructure, health and education and governance remain the medium-term keys to increased competitiveness
- [Watch the video interview](#) with Jennifer Blanke, Head of the Forum's Competitiveness Network, [here](#)

Cape Town, South Africa 10 June 2009 – African businesses can become far more competitive, but African governments and their international partners will need to improve access to finance, resist pressure to erect trade barriers, upgrade infrastructure, improve healthcare and educational systems, and strengthen institutions.

The conclusions, released today at the launch of a major new report, The Africa Competitiveness Report 2009, reflect research efforts of three institutions – the World Economic Forum, the African Development Bank and the World Bank. Limited access to financial services remains a major obstacle for African enterprises, but underdeveloped infrastructure, limited healthcare and educational services, and poor institutional frameworks also make African countries less competitive in the global marketplace. The report also points to a number of success stories in the region that highlight steps countries can take to improve the business environment.

The jointly produced report was released today before the official opening of the World Economic Forum on Africa, from 10 to 12 June in Cape Town, South Africa. It is the second report on the region's business environment to leverage knowledge and expertise within the three organizations. The report also presents an integrated vision of the policy challenges African nations face as they build a foundation for sustainable growth and prosperity.

The report highlights two short-term and three longer term policy themes for improving the competitiveness of African economies. The two short-term themes are:

- 1) Increasing access to finance through market-enabling policies.** Africa's financial systems have been deepening and broadening in recent years, but the current global crisis threatens to reverse this trend and undermine recent progress. It is now even more important to upgrade the necessary frameworks for sound, efficient and inclusive financial systems
- 2) Keeping markets open to trade.** Protectionist forces are emerging in response to the global economic crisis, yet, such measures will further reduce demand and restrict growth. Africa's leaders must resist domestic political pressures to erect trade barriers that would make the region's recovery even more difficult

The three longer term themes are:

3) Infrastructure remains one of the top constraints to businesses in Africa. Energy and transportation are among the main bottlenecks to productivity growth and competitiveness in Africa. Investment in upgrading infrastructure would both place Africa on a higher growth trajectory as well as serve as a fiscal stimulus at a critical time

4) Inefficient basic education and healthcare systems constrain Africa's productive potential. This is perhaps the most urgent area in need of attention. Unless educational and healthcare systems are upgraded in Africa, firms will continue to be constrained in their move up the value chain, and economic development will be hindered

5) More examples of good governance and strong and visionary leadership are needed. Strong and transparent institutional environments have contributed to the success of Africa's most competitive economies. Much has been done in recent years to improve these structures; yet in many parts of the region, institutions

need to be more business-friendly to foster competitiveness. This is particularly important at present when the current global economic crisis threatens to induce reversals in governance reform

"This year's Africa Competitiveness Report is the second 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. particularly at this time of global economic crisis" said **Klaus Schwab**, Founder and Executive Chairman of the World Economic Forum.

"Investment in infrastructure with a regional focus would help cushion the impact of the crisis and position Africa to take advantage of the rebound of the global economy when it occurs," said **Obiageli Katryn Ezekwesili**, Vice-President of the Africa Region at the World Bank in Washington, D.C. "The countries that will reap the most benefit and limit the adverse impact of the crisis would be those that sustain reforms, strengthen governance, modernize local capital markets and make the investments needed to tap the immense resourcefulness and creativity of their people."

"The most critical issue for us at this stage is how we strike the balance between short-term crisis response, while remaining focused on the long-term issues, key for sustaining Africa's growth, such as the development of infrastructure, and a skilled labour force, as well as economic integration," said **Donald Kaberuka**, President, of the African Development Bank.

In addition to assessments of the competitiveness and costs of doing business on the continent, the report also includes an analysis of the depth and sophistication of the region's financial markets, the effective measures that the relatively smaller economies on the continent have introduced to promote their competitiveness and the extent to which African countries have put in place factors facilitating cross-border trade.

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

The Africa Competitiveness Report 2009 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.

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