

# Preface

**Klaus Schwab**, Executive Chairman, World Economic Forum

Amartya Sen and others have noted the welcome shift in the debate on the key ingredients of a successful development strategy. Earlier neglect of “soft” concerns, such as the role of safety nets to protect the poor, or the provision of political and civil rights, has given way to an approach that recognises their key importance and actually tries to incorporate them into the design of aid programmes and development strategies. Even in the international financial institutions—long identified with the notion that macroeconomic stability was an indispensable condition for sustained growth—the focus appears to be gradually shifting to the creation of conditions for so-called “high quality growth.” This is a term that explicitly acknowledges the importance of policies aimed at reducing poverty, improving opportunity, tackling corruption, and protecting the environment. The importance of this broadening of intellectual horizons cannot be overestimated, for this more inclusive approach to development, which explicitly recognises the relevance of factors hitherto largely ignored, is likely to have vast implications for the success of development programmes. Nowhere are the implications of this shift in approach more consequential than in Africa, a continent that has yet to fulfil its enormous potential.

For over two decades now, the World Economic Forum has been firmly identified with the notion that just getting price signals right and adding some elements of liberalising, deregulating, and privatising to the policy mix will not suffice to create conditions for rapid growth and increase per capita income. The competitiveness indices produced by the World Economic Forum make

this clear. While readily acknowledging the importance of a stable macroeconomic foundation for the creation of an environment supportive of growth, the Forum has long argued that other elements are equally important. Whether the private sector and the business community can operate in an environment with reasonably well-run public institutions, in which the state allocates adequate resources to education, public health, and infrastructure, through mechanisms that are reasonably transparent—all make a tangible difference in a country’s ability to generate growth. In the age of globalisation it matters a great deal whether scarce public resources go to boost Internet penetration rates in the schools, or to finance unproductive expenditures.

The work done by the World Economic Forum in the area of competitiveness has repeatedly shown that countries that build up sound public institutions are better able to attract larger levels of investment and boost their growth potential. Weak rule of law, the absence of economic opportunities, poorly formulated spending priorities of governments—leading them to neglect the role of public services—represent, in some form or another, significant barriers to successful development.

The World Economic Forum’s Executive Opinion Survey and the associated annual compilation of individual country profiles identifying strengths and weaknesses in a broad range of areas, from the quality of public institutions, to a country’s technological readiness, to the macroeconomic environment, are an important contribution to a better understanding of the challenges

faced by policy makers and the international community in their efforts to better assist these countries.

The Forum's ability to do this meaningfully in Africa was boosted last year by a significant expansion in the coverage of our competitiveness work, which now includes a total of 25 African countries. This year's *Africa Competitiveness Report* is thus a more comprehensive attempt to place the continent in a broader international context. The Report also includes a number of analytical articles that address a broad range of issues at the heart of the debate on how to improve the quality of life for its citizens: from finding better ways to cope with HIV/AIDS, which continues to exact a heavy toll on Africa, to questions of infrastructure, trade, governance, and institution building.

The unfinished agenda which the international community confronts in Africa is complex and daunting. We approach these with a heightened sense of responsibility, painfully aware that the World Economic Forum's competitiveness work is a humble attempt to

cast light on some important aspects of development in the region. We will continue to broaden the coverage of our work in Africa, and to enhance the quality of the indicators we produce. Along the way, we expect to remain fully engaged in the region, a voice for better policies, improved governance, more intelligent aid efforts by the international community, and increased involvement of the private sector in finding solutions to African challenges.

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