

Africa Competitiveness Report 2011

This document is a summary of a report published in 2011 by the World Economic Forum. It was released by InterInnov on 20 May 2011.

The Africa Competitiveness Report 2011 comes out as the world emerges from the most significant financial and economic crisis in generations. One of the reasons that Africa was less affected by the crisis than some other regions was its limited integration, especially of its financial markets, into the global economy. Despite Africa's generally solid performance, much needs to be done to ensure that the growth continues into the future. African economies must continue to develop economic environments that are based on productivity enhancements to better enable them to ensure solid future economic performance. This means keeping a clear focus on strengthening the institutional, physical, and human capital prerequisites for a strong and competitive private-sector-led development. In today's globalized world, a country's trade performance and export sophistication and diversification are critical indicators of its competitiveness and are drivers of economic performance.

Themes for improved competitiveness

In order to improve their economic performance, many African countries took important measures: they put in place more sustainable fiscal policies, controlled inflation, and managed their debt. Investors both domestic and foreign welcomed these reforms, and foreign direct investment (FDI) in particular increased from US\$2.4 billion in 1985 to US\$53 billion in 2008. But to further boost competitiveness and increase volume and sophistication of exports, Africa must tackle much tougher second-generation reforms. Two strategies can help the continent achieve this goal: diversifying its product and market base, and capitalizing on its own underutilized resources.

Diversifying products and markets

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. FDI inflows play an important role in improving competitiveness in African firms (both producers and suppliers) through advancing their managerial skills and technological capacities. Similarly, services in most of Africa need to be further developed since the service sector is both an important input into the competitiveness of manufactures and an engine of growth.

Managerial skills and higher education

No country can thrive without a capacity to generate, transmit, and utilize new knowledge. The stock of human capital with a higher education in Africa continues to be very low by international standards. Besides, research shows more and more that it is cognitive skills and learning, not years of schooling that makes the difference. The reason is that cognitive skills could foster innovation and promote technology diffusion by equipping the workforce with the ability to absorb, process, and integrate new ideas into production and service delivery. The areas of higher education undertaken by a majority of African students are not in fields such as science, engineering, technology, and business, as is the case in rapidly growing emerging economies of Korea and China, but often in social



sciences and the humanities. However, the thriving telecommunications sector in many African countries can facilitate information transfer, knowledge, and learning.

Women's entrepreneurship

The ability of women to participate fully and productively in the labor market is constrained in many regions, both by women's lower educational levels relative to men's and by social norms. Although there are no performance gaps between men's and women's enterprises once differences in size, sector, and industry are taken into account, research shows that women are concentrated in the informal, micro, low-growth, low-profit areas. Thus the agenda for expanding women's economic opportunities is to enable women to move into higher-value added activities, both in terms of taking the step from self-employment to being an employer, and in the types of activities in which the women entrepreneurs engage.

Cultural and natural resources

Africa is blessed by rich natural and cultural resources, which include a great deal more than the continent's vast supply of natural minerals. This unexploited endowment has great potential for employment generation, growth, and poverty reduction. However, a number of obstacles remain to improving the region's competitiveness, notably improving safety and security, upgrading health and hygiene levels, developing various forms of infrastructure, and fostering the region's human capital.

Framing the competitiveness agenda: National competitiveness councils

The government plays a crucial role in fostering competitiveness within the African continent. African governments need to be committed to fostering their economies' competitiveness by incorporating competitiveness more broadly and effectively into their national development strategies. Businesses and civil society also have their roles to play. The common denominator of successful approaches is close cooperation among the public sector, business, and civil society, the three key actors. Over the past few years, national competitiveness councils (NCCs) have proven to be one of the most successful approaches to institutionalizing public-private dialogue on competitiveness. Yet at present only a few African countries have established active NCCs. Going forward, the creation of NCCs in Africa can play an important role in institutionalizing the ongoing process of reform and improvement, and also the sharing of best practices across the continent.