

# World Economic Forum on Africa

From Vision to Action, Africa's Next Chapter

Cape Town, South Africa 4-6 May 2011



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# Contents

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Preface	Page 3
Executive Summary: From Vision to Action, Africa's Next Chapter	Page 4
Shaping Africa's Role in the New Reality	Page 6
Fostering Africa's New Champions of Growth	Page 10
Building Partnerships for Inclusive Development	Page 14
Acknowledgements	Page 18
Contributors	Page 20









## Preface

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**Katherine Tweedie**  
Director, Head of Africa

The World Economic Forum celebrated 21 years of partnership and engagement in Africa with a successful meeting in Cape Town, South Africa which brought together more than 900 leaders representing 60 countries worldwide.

This year's theme *From Vision to Action: Africa's Next Chapter* reflected the positive momentum across the continent largely driven by global demand and domestic dynamism. Discussions focused on specific actions, policies and innovative new partnerships that have made Africa one of the fastest-growing regions in the world. The meeting was also an important platform for leaders to assess key challenges and risks, as well as the underlying components of the region's competitiveness.

Sessions under the first thematic pillar, *Shaping Africa's Role in the New Reality*, examined the major shifts, trends and developments of the global economy and their implications for the continent. Discussions focused on how Africa's voice and leadership role is getting stronger in global governance platforms such as the G20 and COP 17 and facilitating greater South-South relations with the BRICS and other emerging economies.

The second pillar, *Fostering Africa's New Champions of Growth*, was a review of the industries, companies and trends behind Africa's compelling economic forecasts. Sessions such as *Africa's New Consumer* explored how 1 billion people and an emerging middle class are facilitating a new consumer-led growth story. Key emphasis was placed on the need for greater industrial diversification, regional integration and major infrastructure investment as important elements of future competitiveness.

The third pillar, *Building Partnerships for Inclusive Development*, explored the subtle shift which is taking place on the aid and development agenda. In particular, innovative new partnerships are being created between business, government and other key stakeholders. A key highlight was the new Water Partnership for South Africa, launched by Minister of Water and Environmental Affairs of South Africa Edna Molewa and Chairman of Nestlé and Chairman of the Water Resources Group, Peter Brabeck-Letmathe, which will address critical water issues in South Africa. Twelve months after its launch in Dar es Salaam, President Kikwete and others spoke to the success of the New Vision for Agriculture Initiative, an ongoing partnership with the government of Tanzania, local and multinational business, development agencies and smallholder farmers.

The overall discussions and debate were supported by the launch of several key reports including *The Africa Competitiveness Report 2011* and the World Economic Forum's report *Scaling up Renewables: Developing Renewable Energy Capacity*. A number of organizations took the opportunity of the meeting to profile important findings such as the annual report of the Africa Progress Panel chaired by Kofi Annan. An exciting new fellowship programme was also launched by Aliko Dangote, President and Chief Executive Officer of Dangote Group to support the participation of young African leaders in the World Economic Forum's Young Global Leaders programme.

Overall, the consensus from the meeting is that a new chapter of growth and development is being written in Africa by a new generation of leaders from government, business and civil society who are dismissing long-standing Afro-pessimists. They are translating Africa's overly discussed *potential* into tangible results through creative businesses models, responsible leadership and new partnerships.

The World Economic Forum welcomes your thoughts and suggestions as it continues its engagement on the continent and in particular as preparation for the 2012 World Economic Forum on Africa in Addis Ababa, Ethiopia. Building on more than 20 years of successful partnership in Africa, the Forum remains committed to action-oriented dialogue with its multistakeholder community; together we aspire to continuing to serve as an important platform for effecting positive change on the continent.



# Executive Summary: From Vision to Action, Africa's Next Chapter

At the opening session of the 21st World Economic Forum on Africa, South African President Jacob G. Zuma set the tone for the meeting when he told more than 900 business, government and civil society leaders from 62 countries that it is no longer possible to talk about the "old Africa". Driven by high growth and an expanding middle class, Africa has entered a new chapter, Zuma declared. The countries on the continent must change the way they relate to the rest of the world and to each other.

"We need to develop very urgently partnerships that are different from the past, relationships that benefit Africa more," President Zuma reckoned. "If Africa is one of the fastest-growing regions and has a billion people, then we need to think differently about how we interact with the world. We also need to consider how we interact among ourselves. And we need to develop a common approach to the problems of the continent."

In a nutshell, Zuma outlined the broad challenge that African countries face as they make their way in a fast-changing world of multiplying risks and opportunities: how to deepen regional integration and at the same time carve out a wider space for the continent on the international stage. "We are in a world of velocity, change and volatility," meeting

Co-Chair Timothy Flynn, Chairman, KPMG International, USA, said.

Africa, especially its more diversified economies, weathered the global financial crisis better than countries in the developed world. But as globalization touches more parts of the continent, Africa's vulnerability to the stresses of the global economy will only increase. To prepare for even more tests, African countries will have to build on the improvements in governance and accountability that they have already achieved.

Africa's "next chapter" is just beginning. "There is now consensus on the idea of Africa as a meaningful growth opportunity that can be harvested at scale," meeting Co-Chair P. Mpho Makwana, Chairman, Eskom Holdings, South Africa, said at the opening plenary. "We used to deal with Africa as a developmental case but it is now a sizeable market."

To succeed, Africans and their leaders will have to focus on fostering the opportunities offered by the new reality and addressing the many risks they face, participants concluded. Africa's agenda for change is clear. At the brainstorming session on the first day of the meeting, participants stressed how critical it is for Africa to forge partnerships among stakeholders, both public and private,

to achieve equitable income distribution and the sustainable use of resources. Technology will be an important enabler of those ambitions. A key priority will be to ensure that growth is inclusive, benefiting in particular the most vulnerable groups including women, youth and the physically challenged.

Against the backdrop of the protests that have recently roiled North Africa and the Middle East, countries on the continent will have to focus on creating jobs and opportunities by diversifying their economies and ensuring that, as Africa takes off, its people, especially the youth and dispossessed, enjoy access to quality education, decent healthcare and food and energy security. "The mood has changed from thinking of Africa as a forgotten continent to Africa as a continent that holds hope," said meeting Co-Chair Linah K. Mohohlo, Governor of the Bank of Botswana, in the closing session. But, she warned: "We cannot afford to be complacent."

The 21st World Economic Forum on Africa was organized under three thematic pillars: "Shaping Africa's Role in the New Reality", "Fostering Africa's New Champions of Growth" and "Building Partnerships for Inclusive Development". Following are some of the **key outcomes and conclusions** that emerged.



**"We also need to improve our educational system and ensure that we have the skills to pursue opportunities."**

**Jubril Adewale Tinubu**, Group Chief Executive, Oando, Nigeria; Young Global Leader; Co-Chair of the World Economic Forum on Africa



## Shaping Africa's Role in the New Reality

- To shape its role in the new reality of a fast-changing world of multiplying risks and opportunities, African countries must work to achieve unprecedented levels of regional cooperation across a range of sectors and issues.
- Africa faces three immediate critical tests of its countries' resolve to carve out this new role on the world stage: how it addresses the infrastructure gap, how to achieve greater value for its economies from its engagement with China and limit its dependence on China-driven growth, and how to confront global warming and promote an international framework on climate change.
- Success in these tasks will require more innovative partnerships that bring together governments, business, labour and civil society in practical programmes that focus on specific challenges such as increasing agricultural productivity and growth in a particular geographic region of a country.

## Fostering Africa's New Champions of Growth

- Regional integration and improved trade facilitation will help to build internal markets, as well as make exports more competitive. Governments need to address urgently non-tariff barriers and infrastructure deficits.
- Creative public-private partnerships are essential to tackle the challenges and harness the opportunities of rapid urbanization in Africa.
- Tourism is a rapid generator of jobs. To leverage the opportunities inherent in this sector, countries need to form regional tourism hubs rather than competing nationally; they need to ease visa restrictions, honour open skies agreements already signed and create an enabling environment for private sector investors to thrive.
- Strong and independent institutions are vital underpinnings of growing democratic states. Countries need to put these building blocks in place to create business confidence and a level playing field.

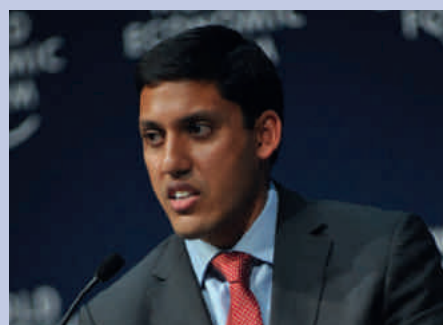
## Building Partnerships for Inclusive Development

- Africa must focus on inclusive and sustainable growth. But governments cannot work alone. They must work in effective, cross-sectoral partnerships with the private sector and civil society.
- Africa's burgeoning population jeopardizes progress. Political leaders need to have the courage to speak to citizens about the demographic dividends of lowering fertility rates.
- Hard and soft infrastructure must be developed collaboratively. Financial institutions should encourage the private sector to invest and governments must create an enabling environment.
- Progress must be measured by tangible improvements in people's lives rather than in GDP, trade growth and foreign direct investment.



**“The first question is whether Africa’s economic boom will allow it to break the cycle of poverty.”**

**Peter Brabeck-Letmathe**, Chairman of the Board, Nestlé, Switzerland; Member of the Foundation Board of the World Economic Forum; Co-Chair of the World Economic Forum on Africa; Global Agenda Council on Water Security



**“We have seen real improvement in governance and accountability.”**

**Rajiv J. Shah**, Administrator, US Agency for International Development (USAID), USA; Young Global Leader; Co-Chair of the World Economic Forum on Africa



# Shaping Africa's Role in the New Reality

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- To shape its role in the new reality of a fast-changing world of multiplying risks and opportunities, African countries must work to achieve unprecedented levels of regional cooperation across a range of sectors and issues.
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The new reality signalled by the global economic crisis is a world of deeper, more complex interconnections. While this means mounting risks from instability, extremism and unpredictable threats such as the earthquake and tsunami in Japan, it also means multiplying

opportunities created by new connections, technology, innovation, entrepreneurship and the growing awareness of social responsibilities.

Economies have to find ways to take the best advantage of opportunities offered by globalization, while mitigating the varied risks that globalization poses. The challenge: every country has to balance global and regional responsibilities with national priorities and domestic politics at a time of unprecedented volatility and velocity of social and technological change.

Modern Africa is coming of age in this complicated context where there is neither time for the luxury of deliberation nor room for errors or even a spell of bad governance that could set a nation back years.

Among participants in the 21st World Economic Forum on Africa, there was general agreement that the continent is taking off. Africa is clearly on investors' radar screens, poised to reap major benefits so long as countries can sustain improvements in governance and accountability, and meaningfully address persistent problems including poverty, corruption, poor infrastructure, income gaps, health deficiencies and the lack of regional cohesion and competitiveness.

While there is consensus on what needs to be done to launch Africa's

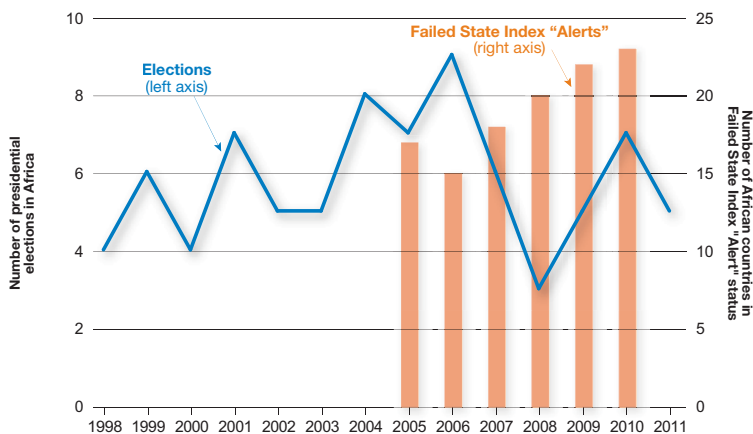
next chapter, turning blueprints into reality is what is important. Many African economies, particularly the more diversified ones, weathered the crisis well. Yet the continent is, and will be experiencing, many other stresses that could easily lead to serious ruptures – rising food and energy prices, unemployment especially among young people, the impact of climate change and water scarcity, to mention a few. To address them will require innovative partnerships that bring government, business and civil society together; regional cooperation of a depth to which African countries are unaccustomed to reaching; and extraordinary efforts to ensure inclusivity, with special attention to the needs of women, youth and the physically challenged.

The cascade of political upheaval that has swept through North Africa and the Middle East in recent months suggests that success in economic development does not guarantee political instability and that putting off political growth to focus on making economic progress is not a sustainable approach. While rapid social and economic amelioration might previously have brought a regime that delivered results, time and the quiescence of its citizens, in the age of social media institutional rigidity cannot hold back popular aspirations, both for a better economic life and for a greater say in policies. No leader either in government or business can rest easy now that people, especially youth who have little patience for bureaucracy and corruption, are discovering that they have power and numbers. Fear barriers are falling.

There are clearly some immediate areas where African leaders will be severely tested in their resolve to respond to the challenges posed by the new reality. The deficiency in infrastructure is perhaps the most critical because its impact is far-reaching. Without good roads, ports and airports, without adequate and reliable power grids, water supply and telecommunications networks and without the skills and human resources to manage all of these, the health, education and feeding of Africans are severely compromised. Children cannot go to schools or hospitals, agricultural products cannot

## Presidential elections have not reduced the number of failed states

Elections and failed states in Africa



Note: Failed States "Alert" status indicates highest vulnerability to collapse or conflict. 2011 data are n/a for Failed States Index and through mid-April for number of elections.

Source: The Fund for Peace (2011); IFES Election Watch (2011)



reach local and overseas markets and businesses and industry cannot be competitive.

To address the infrastructure gap and ensure that this problem does not continue to be a major bottleneck to growth will require African governments to create partnerships with donor countries and organizations, the private sector and each other. Because of Africa's geography, with many landlocked states and its economies at varying stages of development, countries on the continent must take a coordinated approach to this crucial task. The North-South Corridor initiative that is connecting eight countries in eastern and southern Africa is an example of such a joint project.

Another important test for Africa will be how it improves the terms of its engagement with China, which has become the continent's main trade and investment partner, and a prime driver of growth. The China-Africa relationship has to mature beyond the investment-for-resources basis that has been criticized as mercantilist and imbalanced. Africa cannot rely forever on China-driven growth because China's appetite for raw materials and energy is likely to moderate if China is unable to rein in inflation. Chinese demand for natural resources should also cool in the long run as China shifts to a more consumption-driven economic growth model.

In view of this, African countries must diversify their economies to take maximum advantage of fresh opportunities in emerging sectors such as tourism (especially with the rising numbers of Chinese travellers) and technology. For Africa to derive greater value from its ties with China, the continent will have to shape a joint approach that will give its countries greater leverage and bargaining power.

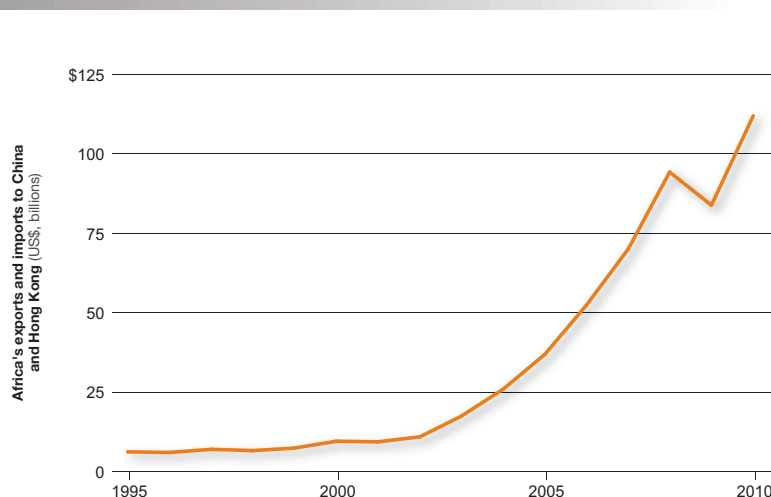
A third immediate challenge for Africa in the new reality is how the countries on the continent approach the threat of climate change. South Africa is hosting the 17th Conference of the

Parties (COP 17) of the United Nations Framework Convention on Climate Change in Durban in November 2011. At the World Economic Forum on Africa, the leaders of South Africa, Gabon and Kenya vowed that Africa would speak with one voice at this important event where participating countries will try to settle a legally binding agreement on how to address global warming that would replace the Kyoto Protocol, set to end in 2012.

South Africa's role as Africa's largest economy and host of COP 17 will be significant. For the conference in Durban to be a success, African governments led by South Africa will

### Africa's trade with China has risen sharply since 2000

Trade with China



Source: IMF Direction of Trade Statistics (2011)



need to ensure that there is strong support for their positions among the business community and civil society. Industry and business leaders are concerned that any agreement should not compromise competitiveness, growth and efforts to alleviate poverty and unemployment.

While the business community is worried about the impact of setting hard targets for greenhouse gas emission reductions, environmental groups are pressing for bold action, arguing that climate change is already affecting the livelihoods, health and safety of poor people, especially women and children. African political leaders have to reconcile these positions and forge a Team Africa strategy with broad support. Without a coordinated and robust global post-Kyoto framework, Africa's ambitions to become a breadbasket for the world would be undermined. African countries must take a common approach in Durban. They must also drive home to partners in the developed world the importance of sharing technology and resources that could help the continent achieve a low-carbon future.

To tackle these three critical tasks – addressing the infrastructure gap, maturing its relationship with China and confronting the challenge of climate change – Africa will have to deepen regional cooperation beyond any level that it has so far achieved. There is an overwhelming need for more innovative partnerships among willing governments, businesses, labour and civil society groups, especially at a time of limited financial resources and economic stress. Programmes such as the public-private Alliance for a Green Revolution in Africa (AGRA) chaired by former UN Secretary-General Kofi Annan, are working to reinvigorate Africa's agriculture sector and position the continent to achieve food security and take full advantage of the opportunities generated by the strong demand for food around the world, which has driven up prices.

Finally, for Africa to shape a vital role in the new reality, the continent will have to stake out wider space on the international stage. South Africa recently joined the BRICs created



by Brazil, Russia, India and China to foster cooperation among those large emerging economies. South Africa's successful hosting of the World Cup in 2010 and its pivotal role as a member of the G20 and as COP 17 host are additional steps to shaping a bigger role for Africa in world affairs. Ethiopia, chair of the New Partnership for African Development and Equatorial Guinea, chair of the African Union, have been invited to participate in the G20 Business Summit that France is hosting in November 2011. As Africa gains weight in the global economy, its nations should be at the decision-making tables and its leaders must speak with a strong, single voice.

# Fostering Africa's New Champions of Growth





- Regional integration and improved trade facilitation will help to build internal markets as well as make exports more competitive. Governments need to address urgently non-tariff barriers and infrastructure deficits.
- Creative public-private partnerships are essential to tackle the challenges and harness the opportunities of rapid urbanization in Africa.
- Tourism is a rapid generator of jobs. To leverage the opportunities inherent in this sector, countries need to form regional tourism hubs rather than competing nationally; they need to ease visa restrictions, honour open skies agreements already signed and create an enabling environment for private sector investors to thrive.
- Strong and independent institutions are vital underpinnings of growing democratic states. Countries need to put these building blocks in place to create business confidence and a level playing field.

Africa's current growth trajectory is undisputed. Seven of the 10 fastest-growing economies over the next five years will be in sub-Saharan Africa. Many African countries proved to be resilient in the face of challenges raised by the global financial crisis that started in the West. Continental



growth figures look set to return to the pre-crisis performance level of 5-6% average annual real GDP growth.

The continent's competitiveness is increasing with reforms in key economies such as Nigeria and Angola and other countries improving their business environments. Rwanda, Zambia and Cape Verde were singled out by the World Bank in its latest *Doing Business* report for improvements in their business climates, while Mauritius remains in the top 20 global rankings.

A key driver of Africa's relatively high continental growth in recent years has been the extractive resources sectors, reflecting the rising demand for commodities from an energy-hungry global south. But that is not the whole story.

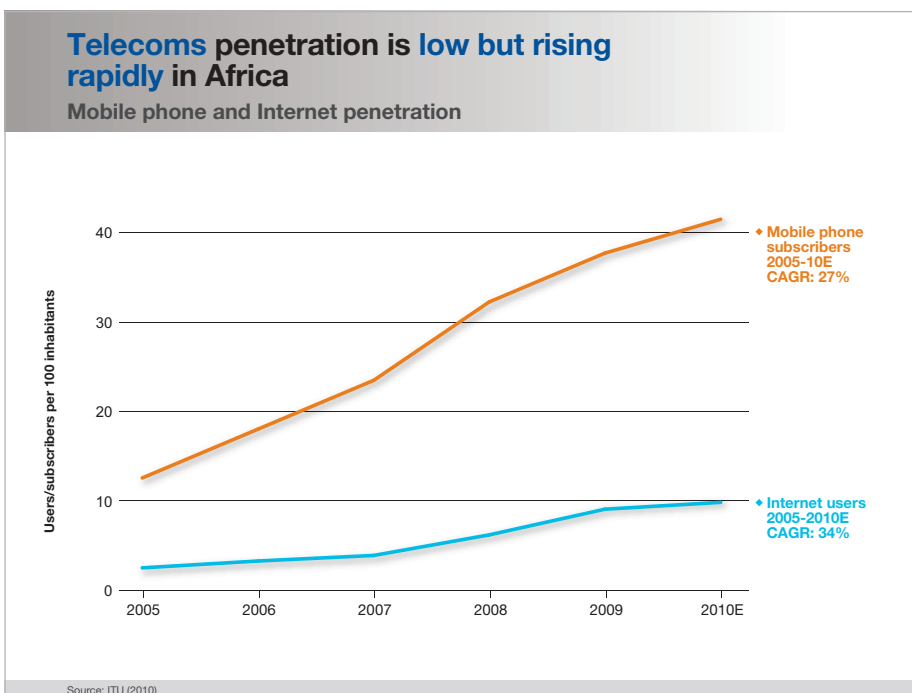
African consumer markets are also growing on the back of sustained GDP growth, rising incomes and a growing middle class with changing needs, aspirations and habits. The

African Development Bank estimates that 30% of Africa's 1 billion people can now be considered middle class. An important outcome of this growth is new investment in consumer industries and expansion of existing companies in the sector by global multinationals which are, in turn, creating new jobs.

African markets are benefiting from the return of professionals to the continent, drawn by new opportunities created by the continent's new champions – African-owned conglomerates, multinationals, franchisees and even entrepreneurs building businesses at the bottom of the pyramid.

These companies are becoming role models for aspirant African professionals. But there are still challenges. For example, many young people associate power, prestige and money with politics rather than business. High-quality education and skills training as well as financial and mentoring support for young entrepreneurs will help to alleviate growing unemployment by enabling young people to become economically productive and, in time, possibly the next wave of business champions.

Information and communication technology (ICT) has become a "conveyor belt" into Africa's new middle class. Farmers use their phones to determine best market prices; schools use computers to access added content, families use e-books for home education, retailers source new products on the Internet and new technology jobs are being created daily through international investment in this fast-growing industry. ICT is not only a growth sector in itself; it is also enabling economies to become more efficient and global.



The rise of African megacities is a significant opportunity for the continent. Nearly half the African population is forecast to live in cities by 2025. Already in 2010, 14 African cities had a population of more than 3 million. There is an urgent need for new products, finance and technology in areas such as infrastructure, housing, water, waste and energy to deal with the challenges created by these rapidly growing urban populations.

African nations are in a favourable position right now within the global economy to drive their industrial development, given the international interest in the continent's commodities, land and consumer markets. Manufactured goods constitute just 14% of the continent's exports and there is an opportunity to increase this share through beneficiation agreements with new investors and the concerted removal of impediments to Africa's competitiveness in the global value chain.

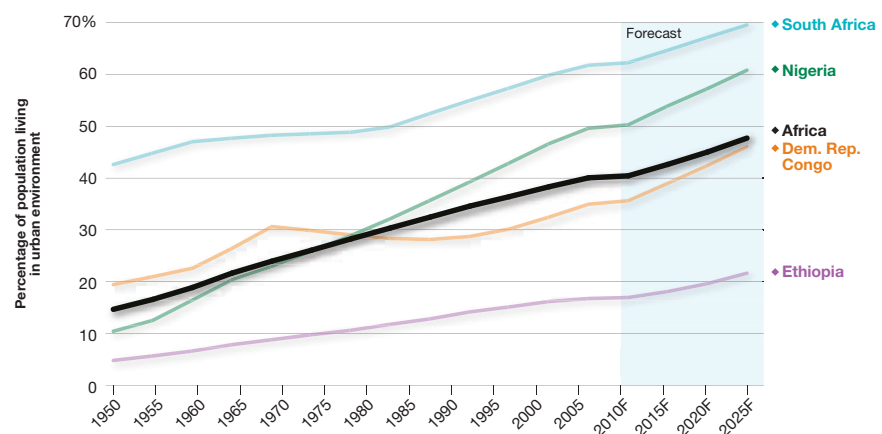
Governments need to articulate a coherent industrial policy and deepen regional alliances to create the market numbers that make sense for the building of large manufacturing plants and the creation of regional hubs to leverage competitive advantage.

Effective regional integration is pivotal to increasing competitiveness, particularly for landlocked countries. Even within regional groupings, many trade barriers exist that are making African companies uncompetitive, a situation that is compounded by infrastructural barriers. Effective trade facilitation may be more important to the continent in the short term than building the regional superstructures required by progression to larger economic free trade areas and customs unions.

The benefits of integration need to be highlighted to Africans and the governments that sign up to free trade agreements. The East African Community (EAC) is a champion of regional integration, showing the potential benefits for member states. For example, five years ago Tanzania exported US\$ 90 million worth of goods to Kenya; since the formation

## Nearly half the African population is forecast to live in cities by 2025

Urbanization in select African economies



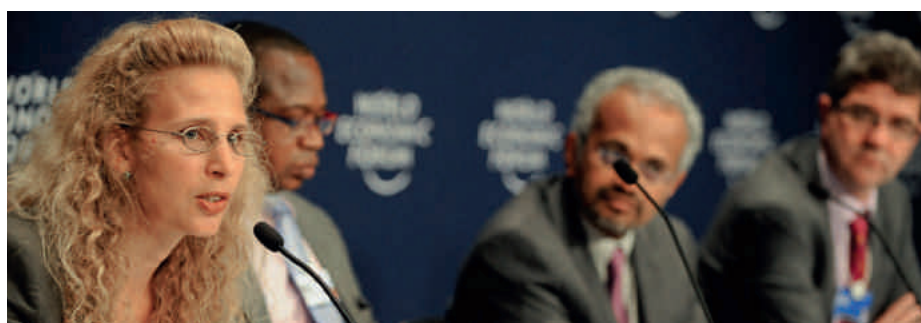
Source: UN Population Division (2009)

of the EAC, this figure has risen to US\$ 400 million. This has allayed fears of smaller countries in the region that integration benefits only large economies.

Tourism is an area for Africa to champion going forward, given the sector's potential for rapid job creation. The region has just a handful of international tourist destinations. This could be expanded by increasing regional tourism collaboration rather than building small competing destinations. But tourism's potential is undermined by resistance to open skies in most of Africa, multiple visa requirements and duplication of tourism products. Leadership is critical. Governments with their hands on the levers of regulation and control must drive progress. Tapping into China's burgeoning appetite for travel is a must for Africa. It is estimated that there will be 800 million more airline passengers globally by 2014 and 350 million of those will be from China.

It is also vital that Africa's public institutions support the momentum of international codes and conventions that have increased the accountability of multinationals and ensured greater tax compliance in foreign jurisdictions. Having local companies comply with national measures on corruption and taxation is necessary to ensure a level playing field for business.

Strong state institutions are needed to underpin the new champions of growth among industries, countries and people. People-centred constitutions and independent institutions that safeguard democracy, economic rights and provide a watchdog role to prevent corruption and misuse of public funds are critical to sustainable growth in Africa. However, they are only effective if they are perceived as legitimate, have the capacity to deliver and have effective strategies. Institutions in African countries are typically weak and there needs to be dialogue and engagement between all stakeholders to build these building blocks for the future.







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# Building Partnerships for Inclusive Development

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- Africa must focus on inclusive and sustainable growth. But governments cannot work alone. They must work in effective, cross-sectoral partnerships with the private sector and civil society.
- Africa's burgeoning population jeopardizes progress. Political leaders need to have the courage to speak to citizens about the demographic dividends of lowering fertility rates.
- Hard and soft infrastructure must be developed collaboratively. Financial institutions should encourage the private sector to invest and governments must create an enabling environment.
- Progress must be measured by tangible improvements in people's lives rather than in GDP, trade growth and foreign direct investment.

On the surface, Africa appears to be on the road to economic recovery. Impressive growth rates average 5%, but the numbers mask deep – and growing – inequalities across the continent and within nations. Burgeoning unemployment, a growing youth bulge, extreme poverty, hunger, high infant and maternal mortality rates, lack of education, lack of opportunity, weak institutions, corruption and environmental degradation threaten to turn Africa's huge potential for economic growth and sustainable development into liabilities.

Africa's challenge is to make growth inclusive and sustainable. To accomplish this, governments must work in partnership with the private sector and civil society. Creating a vibrant middle class, where the economic benefits of development are shared, will be no easy task. But participants in this year's World Economic Forum on Africa agreed that it is time to move from vision to action. Africa's next chapter must be shaped within innovative partnerships that engage all stakeholders.

There is no time to waste. The economies of many African countries are growing – particularly those blessed or cursed with natural

resources – but many people are sinking deeper into poverty. With the rise in new social media, unheard voices are speaking out against corruption, political tyranny, social inequality, injustice and demanding accountability. The events unfolding in Tunisia, Egypt, Libya, Syria and Morocco are a searing reminder of what can happen when governments do too little, too late. In the next five years, the number of youths living in sub-Saharan Africa is expected to increase by almost 20 million. Business, government and civil society must collaborate to create jobs for them.

Inclusive growth is the major challenge of our times – it is important to redefine the concept of inclusive growth to reflect African values. Aspiration must be transformed into action, particularly for young girls and women who need to be healthy and educated if they are to fully participate economically and politically.

High fertility rates are driving rapid population growth, jeopardizing Africa's potential for inclusive and sustainable growth. Globally, women have an average of 2.5 children. The average Africa woman has nearly 4.5 children – and over 6 children in four countries. As a result, 40% of Africa's population is under 15 years old. African leaders should speak to their citizens about the demographic dividend of lowering fertility rates. Educating young girls is paramount.

There are formidable challenges ahead, but they are not insurmountable – Africa has options. There is no magic bullet, no one-size-fits all for building partnerships. A portfolio of instruments must be customized for each country within an enabling environment that government must create in consultation with all stakeholders.

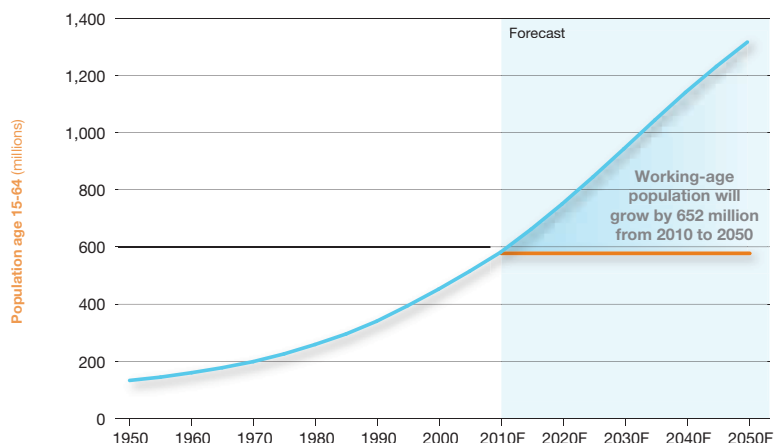
Africa desperately needs better hard and soft infrastructure. The annual infrastructure spending requirement for sub-Saharan Africa is about US\$ 93 billion, almost twice the current spend. Poor infrastructure cuts growth by as much as 2% per year, resulting in a business efficiency loss of about 40%.

One way to reduce the infrastructure deficit is to more efficiently coordinate its delivery. Instead of building in the typical piecemeal and sporadic manner, South Africa is experimenting with simultaneous delivery. The Development Bank of South Africa is helping to construct 8,000 schools and 18 hospitals in this way.

This coordinated approach could open up possibilities for public-private partnerships that everyone agrees are critical. But partnerships are fraught with difficulties because of the time scales of infrastructure projects, which can easily span the lifecycle of successive governments and thus incur political risk. However, recent research shows returns on investment in infrastructure are excellent. For

### Africa's working-age population is forecast to double in number over the next 25 years

Working-age population in Africa



Source: UN Population Division (2009)

telecommunications, the return is 30-40%, for power 40% and for roads 80%.

A huge trust gap must be bridged for public-private partnerships to scale up and power Africa's economic growth. The private sector fears political risk, while the public sector distrusts companies' profit motivation, underscored by unhappy experiences with privatization and job losses under past structural adjustment programmes.

Sectors such as water, sanitation, education and health do not provide quick returns. Other barriers include unstable or overly bureaucratic regulatory environments and a lack of government investment in core or network infrastructure on which private projects and operations can be leveraged. Successful partnerships depend on clearly defined roles for each partner, understanding the mutual benefits of working in partnership and exercising flexibility.

The major challenge in hard and soft infrastructure is financing – the costs are huge. Companies call for greater government action in convincing financial institutions to support projects that have national and continental benefit. In South Africa, efforts are being made to allow public sector savings such as pension funds to be used to underpin infrastructural development. The Public Investment Corporation is considering devoting

5% of its investments in this way – a move that is expected to encourage private sector participation.

The G20's Seoul Declaration calls for action and reform to ensure inclusive and sustainable economic growth and resilience in developing and low-income countries by focusing on nine pillars, one of which is infrastructure. The private sector is expected to engage and play a pivotal role across all pillars.

Today, 1 billion people lack adequate nutrition. With population growth, food production must double by 2050. Developing African agriculture is vital to economic development. With 50% of the world's arable land in Africa, there is a new paradigm and opportunity for partnerships to jump-start the sector. However, given the uncertainties of weather and climate, banks consider agricultural loans extremely risky and default rates are high. Risk-sharing mechanisms, such as crop failure insurance, are needed.

Innovative finance is imperative. One example is impact investing, which over the next decade could hit the US\$ 1 trillion mark globally in sectors such as clean water, energy and education. Social impact investments require participation by governments and philanthropic foundations. Banks must design products that meet the needs of the poor and are affordable. Mobile financial services are an example.

This year's World Economic Forum on Africa set the stage for more innovative partnerships. Government, civil society and business acknowledged the need for partnership and announced a Declaration of Partnership between the Department of Water Affairs of South Africa and the Water Resources Group, an influential public-private global network on water supported by the Forum and the International Finance Corporation.

#### *The Policies and Collaborative Partnership for Sustainable Aviation*

report was launched during the meeting, which points the way for the aviation industry to reach the ambitious goals to which it has committed – carbon-neutral growth from 2020 onward and 50% net carbon reduction by 2050 compared to 2005 levels. The report culminates a year of collaboration among leaders in the aviation, energy and financial services industries, governments, universities and international organizations.

Tanzanian President Jakaya M. Kikwete described how his government is working with farmers, local and international businesses, donors and civil society to develop the Southern Agricultural Growth Corridor, a public-private initiative to drive growth and productivity in Tanzania's breadbasket region.

Finally, more than 30 Young Global Leaders (YGLs) from Africa will benefit from a fellowship programme established by Aliko Dangote, President and Chief Executive Officer of the Dangote Group, Nigeria.

### Africa's urban water needs

**17% of Africa's 400 million person urban population lacks access to clean water...**

**...and the urban population will rise to 1.23 billion in 2050.**

Source: UN Millennium Development Indicators Report 2010; "Green Hills, Blue Cities", UNEP (2011)





# Acknowledgements

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