World Economic Forum on Africa
Shaping Africa’s Transformation

Addis Ababa, Ethiopia 9-11 May 2012
The 22nd World Economic Forum on Africa brought together over 700 leaders from business, government, civil society and academia from more than 70 countries worldwide. Against a backdrop of a heightened interest in Africa as the next global growth pole, participants addressed the decisions, actions and partnerships needed to transform the region’s growth spurt into shared opportunities for current and future generations.

This was the first time that the meeting was held in Addis Ababa, Ethiopia. As one of sub-Saharan Africa’s fastest-growing economies and home to the second largest population, Ethiopia is a prime example of what can be achieved through successful macroeconomic and political reforms while embodying the entrepreneurial culture that has begun to take root in the region.

The overarching theme of the meeting, Shaping Africa’s Transformation, captured the current enthusiasm and ambition to capitalize on Africa’s growth opportunities while addressing ongoing challenges. This year’s meeting emphasized the role of youth in Africa’s development and saw the launch of the Forum’s Global Shapers Community in Africa. In Addis Ababa, the Forum launched the One Year One Change online campaign to invite members of the public to address participants by putting forward suggestions that could bring measurable improvement to Africans’ lives. This engagement with the public was a great success and helped to shape the dialogue at the meeting.

In a variety of session formats, including New Solutions sessions and An Insight, an Idea interviews, participants discussed emerging leadership challenges and investment opportunities, and debated critical topics such as political stability, regional integration, infrastructure, food security and innovations for development. Additionally, the Forum’s public-private partnerships for addressing food security, infrastructure investments, green investing, the role of finance and responsible mineral development all made headway. In particular, the Grow Africa partnership convened a historical Agricultural Investment Forum that engaged 270 high-level leaders in Addis Ababa, and the outcomes of that meeting were placed on the agenda of the G8 in Washington DC in May 2012.

This report summarizes the insights and outcomes that emerged from the 2012 World Economic Forum on Africa. The World Economic Forum is grateful for the engagement of the meeting’s co-chairs and its Members and communities in shaping Africa’s outlook. As this year’s gathering once again demonstrated, attaining Africa’s aspirations in a shifting global environment requires a new generation of leaders willing to pursue bold, actionable and scalable ideas. Overall, the consensus from the meeting is that Africa is well on its way to achieving new heights in economic growth and structural transformation. Further regional integration, innovation and collaboration will play a key role in ensuring that the current growth trajectory will be transformed into a sustainable and inclusive future for the continent.
01: Elsie S. Kanza, Director, Head of Africa, World Economic Forum
02: Bekele Geleta, Secretary-General, International Federation of Red Cross and Red Crescent Societies (IFRC), Geneva; Co-Chair of the World Economic Forum on Africa
03: Josette Sheeran, Vice-Chairman and Member of the Managing Board, World Economic Forum
04: Ebuka Obi-Uchendu, Senior Partner, Knight & Sheriff, Nigeria; Global Shaper
05: Olusegun Obasanjo, Founder and President, Obasanjo Holdings Nigeria Limited, Nigeria
06: Dyborn Charlie Chibonga, Chief Executive Officer, National Smallholder Farmers’ Association of Malawi (NASFAM), Malawi
07: Donald Kaberuka, President, African Development Bank (AfDB), Tunis; Co-Chair of the World Economic Forum on Africa; and Monhla Hlahla, Chairperson, Industrial Development Corporation of South Africa (IDC), South Africa; Co-Chair of the World Economic Forum on Africa
08: Abdullah Suleiman Alrubaian, Ministry of Agriculture of Saudi Arabia; and Waleed A. M. Ekhereij, Director-General, Grain Silos and Flour Mills Organization, Ministry of Agriculture of Saudi Arabia
09: (From right to left) Pascal Lamy, Director-General, World Trade Organization (WTO), Geneva; Goodluck Ebele Jonathan, President of Nigeria; and Nahas Gideon Angula, Prime Minister of Namibia
No doubt, Africa is on the brink of a major transformation – the continent is home to seven of the world’s 10 fastest growing economies with a projected growth rate of 6% in 2012. While the rest of the world, particularly developed regions, grapples with an embedded financial crisis and uncertainty, Africa is ballasted by macroeconomic and political stability, rich natural resources, a growing consumer base, strong retail markets and a young population. Around the globe, companies and countries are turning to Africa’s promise.

The three-day meeting was charged with energy, optimism and hope for the present and for the future. Fuelled by Africa’s promise, this diverse group of participants tackled the continent’s important economic and social challenges: resource and commodity price volatility, inadequate hard and soft infrastructure, a weak manufacturing sector, corruption, youth unemployment, food insecurity and persistent poverty, as well as inadequate access to healthcare and education.

Africa needs leadership with clear plans and priorities to overcome structural problems.
“If we don’t use this window of opportunity to transform our economies, particularly the manufacturing sector, we will be lost,” Zenawi pointed out.

As African leaders focus on kick-starting industrial-led growth by boosting the manufacturing sector, domestic and foreign investors seek a competitive business environment. Africa’s weak infrastructure is undermining economic and social development. The most daunting challenge is de-risking investment if the private sector is to help close the continent’s infrastructure gap, which comes with a hefty price tag – an estimated US$ 90 billion annually.

Political energy and private sector engagement are required to boost intra-African trade. Africa’s trade landscape is characterized by a patchwork of rules and regulations that make cross-border trade cumbersome and, at times, impossible. The regulatory environment across the continent must be harmonized if Africa is to realize its potential as a global trade powerhouse. Jaidev R. Shroff, Chief Executive Officer, United Phosphorus (UPL), India, warned, “Until governments make the business environment more competitive, it is going to be very difficult to achieve. And, unless you capture regional markets, you cannot be a global player.”

Well-managed foreign direct investment (FDI) is critical, as China has learned. “We are learning from Africa about development, not just growth,” said Gao Xiqing, President and Vice-Chairman, China Investment Corporation (CIC), People’s Republic of China; Co-Chair of the World Economic Forum on Africa. “We are learning from our large population like China. And, we are learning from our ecosystem – Africa and China have a lot to learn from each other.”

African agriculture is undergoing a transformation, opening up new opportunities for farmers and investors. This potential should be exploited using technology to harness the entrepreneurial spirit of the poor, develop innovative tools and technologies and use the power of the marketplace. Already, the development of mechanized agriculture is playing a critical role in growing Ethiopia’s economy by creating jobs.

Effectively leveraging ICTs has been shown to contribute to a 50% increase in productivity. This is extremely important because productivity increases GDP and a 5% increase in GDP can double the standard of living of a country in 40 years. By 2020, an estimated 150 million new jobs could be created in this sector for young Africans.

Africans are more likely than others to use mobile devices to browse the Internet. By 2020, an estimated 150 million new jobs could be created in this sector for young Africans.

For innovation to really change lives, however, access to technology is not enough. Bright Simons, President, MPedigree Network, Ghana, said that innovation has to challenge paradigms worldwide and remain mindful of global imbalances and local equity. “[African innovators] are cutting across lines of difference and increasingly creating models. [These] innovations will address fundamental economic, political and social issues,” he said. In the wake of the financial crisis, many questions are being asked, including political questions about power. “Africa is poised to answer these questions.”

Africa’s burgeoning growth has certainly been impressive. But pervasive poverty, ballooning unemployment and restricted access to healthcare and education persist. Young people are the most affected. They are the largest group of the continent’s population – half the population is younger than 20. If policy-makers ignore Africa’s youth, it will be at their peril. The lessons of the Arab Spring are fresh – disenfranchised, marginalized and frustrated citizens have the power to topple leaders.

“[We need to] harness the energy of our youth and create the jobs they need,” advised Kofi Annan, Chairman, Africa Progress Panel (APP), Switzerland, and Co-Chair of the World Economic Forum on Africa. “We need to think seriously about generational change [and integrate] young people into politics and decision-making to prepare them for the future.”

Since 1949, we have done more to make our society more equitable and fair. But the difference between the rich and the poor has grown tremendously. The government is trying to address this. Africa has a large population like China. We are learning from our mistakes. Wouldn’t it be much better if you just start out in the right way?

Gao Xiqing, President and Vice-Chairman, China Investment Corporation (CIC), People’s Republic of China; Co-Chair of the World Economic Forum on Africa

World Economic Forum on Africa
News from Addis Ababa

Transforming Healthcare

New health initiatives in Africa have come up with cost-effective solutions to cut mortality rates and to meet local needs. Examples abound, among them the following.

Pharmaceutical company Novartis has introduced an “SMS for life” programme to monitor malaria treatment stocks using mobile phones, SMS messages and electronic mapping technology.

North Star Alliance is helping to prevent the spread of HIV/AIDS by offering tests and services for truck drivers in roadside clinics.

In Sudan, Gihad Elsadig Yagoub Abunafeesa of the Mother Nile Project has a simple but effective approach. She travels to rural areas with other university students to talk to young women about health issues, such as HIV and female genital mutilation.

Read the full session summary here: http://wef.ch/africasummaries

Honouring African Social Entrepreneurs

Five African innovators have been named the 2012 Social Entrepreneurs of the Year in Africa by the Schwab Foundation for Social Entrepreneurship. The awards were presented by Klaus Schwab, Founder and Executive Chairman of the World Economic Forum, in the presence of President Ali Bongo Ondimba of Gabon, President Goodluck Ebele Jonathan of Nigeria, Prime Minister Nahas Gideon Angula of Namibia, and Prime Minister Meles Zenawi of Ethiopia.

The five winners are:
Bethlehem Tilahun Alemu, soleRebels, Ethiopia
Sameer Hajee, Nuru Energy Group, Rwanda
Paul Scott Matthew, North Star Alliance, South Africa
Andrew Muir, Wilderness Foundation, South Africa
Seri Youlou and Thomas Granier, Association la Voute Nubienne, Burkina Faso

For more information, visit www.schwabfound.org.

01: Linus Igwemezie, Executive Vice-President and Head, Malaria Initiative, Novartis Pharma, Switzerland
02: Hailemariam Desalegn, Deputy Prime Minister and Minister of Foreign Affairs of Ethiopia
A Brighter Future

Innovation and investments are essential to solving Africa’s energy challenges.

A portable LED light device which can be charged by a pedalled motor is one small step towards helping to solve Africa’s energy problems. Developed by Nuru Energy Group, the device is particularly useful in areas where 90% to 99% of rural households use kerosene as their primary energy source.

Private equity funding is also playing an important role. Africa Enablers, for example, is working on a US$ 200 million fund specifically focused on energy in Africa. The company is collaborating with African governments and multilateral funding institutions to reduce the high cost of electricity transmission to scattered rural settlements.

Read the full session summary here: http://wef.ch/africasummaries

One Year One Change

What change do Africans yearn for on their continent? The Forum’s One Year One Change campaign asked social media followers to submit a change they would like to see in Africa by 2013. Among the 100 desired changes submitted were:

– Make vocational training a priority and a reality
– Create financial infrastructure so investment can fuel growth
– Increase support for the development of African women leaders
– Provide clean water to the furthest points of Africa
– Empower youth so they become agents of positive change
– Enable intergenerational dialogue among emerging and elder leaders
– Teach women at the grass-roots level about their basic rights and worth

Participants at the World Economic Forum on Africa responded to the public visions for change. View their answers at: youtube.com/davos

Boosting Ethiopia’s Competitiveness


The report also exposes weaknesses in key strategic areas that require immediate attention to strengthen the country’s competitiveness:

– Low educational attainment
– Underdeveloped infrastructure
– Low uptake of new technologies
– Financial market development

The issue of low uptake of new technologies is particularly worrisome because technological readiness is key to increasing productivity. The government’s Growth and Transformation Plan 2010-2015 addresses these shortfalls by facilitating the industrial sector to take the lead in Ethiopia’s development.

Africa is on the brink of a new era of opportunity, growth and development, and its leaders will play a crucial role in ensuring their countries are ready to take up this challenge. Seven of the fastest growing countries in the world are in Africa and, in 2011, 36 sub-Saharan African countries implemented regulatory reforms to promote growth and increase the ease of doing business.

But much more needs to be done. Most countries face structural and endemic problems. Courage and vision are required from Africa’s leaders to transform economies to enable them to play a more prominent role in today’s changing global order.

"Sometimes our leaders see themselves and their interests as above the state. A leader must be brave and bold enough to work in the interest of [his or her] country."

President Goodluck Ebele Jonathan, President of Nigeria

Strengthening Africa’s Leadership
Honesty, vision, clear priorities, responsibility, accountability, courage and perseverance are characteristics needed by Africa’s leaders as they face new challenges and opportunities presented by today’s changing global order and unprecedented interest in the continent’s assets and markets.

Africa has experienced the best decade of the past 50 years, but there are still challenges that need to be tackled, said Donald Kaberuka, President, African Development Bank (AfDB), Tunisia, and Co-Chair of the World Economic Forum on Africa. “We should not confuse economic growth with economic transformation.” The structure of African economies has not changed fast enough and countries remain vulnerable to external shocks.

There is a need for policy reforms to create a more conducive investment environment and to ensure that strategic partnerships for development are built to create more inclusive growth, rather than just more rapid growth. Leaders should learn from the mistakes of other emerging markets such as China where the focus on growth lead to problems such as high wealth inequality and environmental problems that they are only now starting to tackle.

Building strong institutions that will enable successive governments to offer a more predictable investment and political environment is a priority. It is also important for countries to put in place policies that will enable them to move up the value chain.

The slow diversification of economies means that African countries are still exporting their natural resources and are yet to move up the value chain. Efforts to move in this direction are undermined by infrastructure deficits, particularly in energy.

Partnerships with the private sector are pivotal to addressing the massive infrastructure deficits that are constraining the continent’s growth. A priority in this regard is providing energy, which can transform economies and people’s lives. However, this cannot happen in the absence of regulatory frameworks and policies that will attract investment, as governments alone cannot shoulder the high costs of power infrastructure and other infrastructure such as airports, ports and highways.

The new crop of Africa’s leaders needs to be more strategic in their engagement with new emerging markets, which are rapidly becoming major trading partners but are largely focused on the continent’s resources. It is in a strong position to extract more value from these relationships and to reshape relationships with traditional investors from developed markets.

More inclusive governance that includes greater transparency in investor deals and budgetary priorities would be a good basis for political stability and people-centred decision-making in an era where social media is giving citizens a greater voice. African youth constitute the largest group of the continent’s population but remain the most affected by poverty, unemployment, HIV/AIDS and gender-based violence. Despite their large representation, they are largely marginalized in governance issues. This has implications for political stability and security.

Kofi Annan, Chairman, Alliance for a Green Revolution in Africa (AGRA) and the Africa Progress Panel (APP), Switzerland, and Co-Chair of the World Economic Forum on Africa, said government policies need to create equal access to opportunities to avoid dissatisfaction in the future. “We cannot talk of growth when millions of people are left behind.”

We must define our own future.

Nahas Gideon Angula, Prime Minister of Namibia

We need to work together as Africans to build a united Africa, but not a united Africa of weak states. To achieve this, leaders should not put themselves above the law.

Ali Bongo Ondimba, President of Gabon

01: Nahas Gideon Angula, Prime Minister of Namibia; and Goodluck Ebele Jonathan, President of Nigeria
It is important for leaders to strengthen the building blocks of youth empowerment through greater investment in health and education and better support mechanisms for small and medium enterprises to ensure young people can create their own jobs and companies. This is particularly critical with African countries facing rapid population growth and urbanization.

Another priority is removing bottlenecks to regional trade. Deeper regional integration is crucial for addressing the challenges presented by Africa’s small markets and low levels of intra-African trade. Bigger markets and greater economies of scale will make Africa more attractive to investment. Greater political will and a regional, rather than national, focus is required to drive this process.

“Regional integration requires a shift in the mindset of politicians who tend to favour sovereign issues over regional priorities and to plan according to election cycles. This is out of alignment with the long-term view required to drive integration and to develop crucial cross-border infrastructure that often requires planning to be done on a 10- to 20-year scale.

Agriculture is another priority. Although Africa has 60% of the world’s available arable land, the majority of countries are net importers of food. Not only is the development of agriculture a market opportunity, it is also key to employment and to creating linkages to other job-creation activities such as manufacturing.

Exhibit 1: Natural resources comprised two-thirds of sub-Saharan exports in 2008
Sub-Saharan Africa’s natural resource exports
Source: UNCTAD

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Sub-Saharan Africa’s natural resource exports
Source: UNCTAD

As a leader, you need to be professional and know what you are doing. That is brains. Your soul gives you a direction; it is a compass and a vision. Your heart brings passion and compassion. [To meet today’s challenges of] velocity, complexity, transparency and interconnectivity, to remain agile, you need good nerves.

Klaus Schwab, Founder and Executive Chairman, World Economic Forum
Climate change and adapting to green economies are emerging challenges that will require new models and a greater commitment to preserving the environment while managing high growth levels.

Strengthening the capacity of institutions such as the judiciary, law enforcement and civil society will transform governance and help to fight corruption. Greater, and honest, collaboration between the different tiers of government, the private sector and civil society will also lead to governance transformation. Africa’s entrepreneurial class has a big role to play as well.

Leadership is not only about political leadership but also about leadership at the levels of business, civil society, churches and other key stakeholders in society. At each level, leaders are starting to work together to tackle the challenges that are holding back Africa’s development. It is these partnerships that will allow the inclusive, broad-based development that Africa needs.

The new Africa and the new momentum identified at this meeting have the potential to power the continent’s transformation. However, transformation can only be achieved and be sustainable if it is inclusive. Participants generally agreed that the gender gap must be addressed, but diverged on how to achieve it.

There was consensus that mentoring is critical – by both women and men – to women and girls. Women in powerful positions, whether in business or in politics, have an obligation to open the door to other women. Some argued for legislation and better access to finance, healthcare and education. Others from the audience urged women just to get on with it.

When it comes to women taking leadership roles in politics and business, there are a lot of “cultural cop-outs”. Hard-core scientific research shows that Africa cannot move forward without women.

So why do women still have to try to convince political and business leaders that they have to invest in women and that it is in their interest?

The only way to get women into the political and business sectors is through legislation. Quotas in Finland, Sweden, South Africa and other countries were implemented, they were enforced and they worked. Businesses should face sanctions if they do not comply with legislation.

There will be a pool of female talent to draw on only if young girls are as equally educated and as healthy as men and boys. When a girl is malnourished as an adolescent, she is likely to continue to be malnourished during childbearing years. Statistics show that the female child is 40% more likely to die before the age of five and she stands a 10% chance of dying during childbirth.

It is important to start early to ensure that the girl has equal chances at health and education. A girl who spends an extra year in high school will earn 10% more than one who does not. She will become a spender and a consumer.

All panellists agreed that men must be involved and that awareness is key to bridging the gender gap. Sheila Sisulu, Deputy Executive Director, United Nations World Food Programme (WFP), Rome, said, “Women mobilizing to have a voice is not contradictory to having men involved... But we need men in our corner, not because we are being apologetic, but because it is 50-50.”
Increasing Competitiveness through Regional Integration

Africa’s small markets mean that the continent must develop greater economies of scale through deeper regional integration in order to be competitive and more attractive to investors. This requires a range of critical interventions such as removing nontariff barriers, fast-tracking infrastructure to link countries more effectively and developing the political will to drive regional projects.

“Let us get neighbouring countries to move faster, more into free-trade area customs unions, and then use these for launching the continental [free-trade area],” suggested Erastus J. O. Mwencha, Deputy Chairperson, African Union, Addis Ababa.

Pravin Gordhan, Minister of Finance of South Africa, said a better balance between national and regional interests is required. “We have to recognize our limitations as Africans,” he said, citing the fact that the continent comprises 54 countries, many of them very small, and trade is hampered by expensive and difficult logistics and inadequate infrastructure.

Even where adequate hard infrastructure is in place, the soft infrastructure is often lacking, a factor that presents a significant barrier to trade. “It is not a question of top-down or bottom-up,” said Eleni Gabre-Madhin, Chief Executive Officer, Ethiopia Commodity Exchange, Ethiopia. “It is about aligning the right policies, the hard infrastructure... and the soft infrastructure.”

Ngozi Okonjo-Iweala, Coordinating Minister for the Economy and Minister of Finance of Nigeria, said it was too soon to speak about a convertible currency for Africa and the issue should be approached with caution. African countries need to strengthen their economies to provide greater macroeconomic stability and reduce the risk of contagion from problems in individual countries before this can be seriously considered. Policy-makers should rather focus on developing payment systems to make trade easier and cheaper.

We have made considerable progress [in governance and leadership]. We have had some setbacks, such as in Mali and Liberia. It is important for civil society to play a role – they can maintain the pressure on elected officials to deliver. Lessons can be learned from frustrated citizens in North Africa and the Middle East who want a say on how they are governed and who they are governed by.

Kofi Annan, Chairman, Africa Progress Panel (APP), Switzerland; Co-Chair of the World Economic Forum on Africa; World Economic Forum Foundation Board Member
Leaders on the continent are increasingly sharing the same political philosophy, that we need to support democracies and that we need to be careful not to allow anti-democratic elements to take root on the continent again.

Ngozi Okonjo-Iweala, Coordinating Minister for the Economy and Minister of Finance of Nigeria
Africa has become a new global investment frontier with investors increasingly looking beyond its rich resource base to other sectors where growth is expected to take place on the back of high economic growth, rising incomes and the growth of the private sector.

However, as the window of opportunity opens, many countries are struggling to take advantage of this because of the many constraints and impediments to investment and trade that still exist. As Africa becomes more connected to global supply chains, it becomes more vulnerable to developments in other regions.

“Investing in power is a powerful way to transform economies.”

Elizabeth Littlefield, President, Overseas Private Investment Corporation (OPIC), Washington DC
Business opportunities in Africa are wider now than at any time arguably since the 1960s. Foreign interest in the region has picked up despite the economic crisis of 2008-2009. Although the total value of foreign direct investment (FDI) inflows into Africa in 2011 was only a quarter of inward investment in 2008 prior to the global financial crisis, the number of inward FDI projects on the continent has nearly returned to pre-crisis levels. Africa is being seen as the last bastion of growth for the next 30 to 40 years.

Global businesses are increasingly optimistic about their prospects in Africa as reforms create more conducive investment environments, governance improves and new investors from countries such as China build and rehabilitate infrastructure that will allow the continent to open up.

Countries are also benefiting from the return of educated and skilled Africans from developed countries that is making a positive development to the continent and from the investment of rapidly growing private equity and pension funds with an interest in African assets. Pension funds alone have more than US$ 450 billion in reserves.

“In a perverse way, the slowdown in economies in the rest of the world has been positive for Africa, which is still growing and a commercial opportunity for investment,” observed Martyn Davies, Chief Executive Officer, Frontier Advisory, South Africa.

Some of the countries identified as the hottest on Africa’s investment heat map are Ethiopia, Rwanda, South Africa, Ghana and Kenya. The East African Community, comprising five countries, is another growth pole because of its successful moves towards meaningful integration. In some cases, cities, rather than countries, are becoming top investment destinations because of rapid urbanization, rising incomes and localized investment incentives. The perception of opportunity, as well as risk, is no longer defined by national borders alone.

Resources continue to be a driver of growth and new investment, with 40 countries in Africa now involved in exploration for or production of minerals and oil and gas. States are under pressure to use the significant revenues from these industries to invest in sustainable growth and reduce their dependence on aid and debt to supplement development budgets.

Other sectors are also emerging as drivers for growth. Consumer-facing industries are a draw card for new investment as incomes rise and a middle class provides a ready market for goods and services. Africa’s governments are seeking new investments in financial services, manufacturing (especially in export processing zones, export-oriented industrial development zones and special economic zones), healthcare, tourism, property development and agriculture.

Investing in renewable energy in Africa has become big business. In 2010, investment in renewable energy in Africa increased by 384% – albeit off a low base. The size of the opportunity is highlighted by the statistics. Only a quarter of Africans have access to electricity compared with 50% of Asians and 80% of people in the Middle East and Latin America, for example. Growth in installed power capacity in Africa is about 1%-2% a year compared with economic growth of 4%-5% in many countries.

“We need to modernize agriculture and make it more attractive to youth.”

Jakaya Kikwete, President of Tanzania
Grow Africa: Transforming African Agriculture

African agriculture is undergoing a transformation, creating a new era of opportunity for both farmers and investors.

About 70% of Africa's people live in rural areas and in Ethiopia this figure is 85%, so economic growth on the continent depends on dramatically increasing productivity in agriculture. Also, the world needs ever more food and, with 60% of the world's available new farming land, Africa is perfectly placed to meet the demand.

The Grow Africa initiative, which was formed at the 2011 World Economic Forum on Africa, has gained momentum with 116 companies from Africa and other regions participating in the Grow Africa Investment Forum held in Addis Ababa during the 2012 meeting. The initiative will be an important factor in achieving the high goals being set for African agriculture.

Grow Africa is a dynamic partnership formed under the auspices of the African Union, the New Economic Partnership for African Development (NEPAD) and the World Economic Forum, and involves about 60 private companies, farmers’ organizations, civil society and other interested parties. Its single goal is to create an enabling environment for more productive farming on the continent that will be Africa-led and Africa-owned.

The initiative builds on Africa’s home-grown strategy to boost agricultural activity, the Comprehensive Africa Agriculture Development Programme (CAADP).

As smallholder farmers are the majority of African farmers, transforming this level of agriculture to becoming more commercial is key to the development of the sector. They need assistance to move up the value chain by having access to extension services, affordable inputs, new farming techniques and better rural infrastructure. Importantly, they also need to be connected to markets.

The private sector also has a role to play in forming partnerships with smallholder farmers to produce for agro-industry in collective schemes. Already, global multinationals are forging these partnerships and making significant investments in this sector as demand for consumer products and food grows.

According to World Economic Forum Vice-Chairman Josette Sheeran, African agriculture presents a transformational opportunity. “We’re at a tipping point,” she said. “Working together, we can ensure that when we meet in 10 years, it will be in an Africa that is not only feeding itself, but helping to feed the world.”

Agriculture is another sector that is drawing new investment as multinational companies seek greater local content in their African operations through partnerships with smallholder farmers, and as investors seek large-scale commercial opportunities to grow food and energy crops for global markets.

However, there are impediments to investment. An important one is a lack of infrastructure and challenges to transportation that makes the shipping of goods difficult, time consuming and expensive. A second challenge to investment is political and economic instability that affects investors’ planning and forecasts. This can be caused by governments that, for example, change the tax regime, violate the rule of law, or fail to honour contracts entered into by themselves or previous governments. Undisclosed vested interests by policymakers are also an area of concern.

Small and medium enterprises (SMEs) are the fabric of the continent’s economy, but there is no clear financing channel for them. They are generally too small for big loans from financial institutions or for exchange listings. SME financing should be a crucial objective for governments.

Scale presents another challenge in Africa: it is difficult for multinationals to invest in any significant scale in any one country in Africa. Taken individually, the domestic market in African countries is too small for manufacturers who are interested in getting access to Africa’s nearly 1 billion people. Thus, integrating the regional markets and removing trade barriers between countries are key factors for manufacturing growth.

Coherent regional development programmes that could help to leverage infrastructure investment are being held back by a lack of political will for cross-border projects. Cross-national road, rail, port (including airport), power and water systems with high development potential require such cross-border cooperation to succeed. Even in telecoms connectivity, where Africa has made positive strides in the past few years, enforced duplication of facilities raises costs and restricts access.

There is also the issue of low levels of manufacturing. No country in the world has grown from poor to rich without having a robust manufacturing and services sector and Africa’s ability to grow in this regard is hampered by inadequate power facilities, skill shortages and logistics challenges.

According to Leslie W. Maasdorp, President, Southern Africa, Bank of America Merrill Lynch, South Africa, “We need to divert from protected industries that are dying or stagnant businesses and
identify new potential industries. We cannot just reproduce the old pattern of industrial development that is not working.”

As the cost of labour rises in other developing country markets such as China, Africa must invest in its human capital and position itself to be the next industrial hub. Specifically, Africa must invest more in education, research and technology and develop the talent of its labour pool in order to make it a competitive player in global supply chains.

Public-private partnerships are critical in developing in a range of ways, from financing infrastructure to building skills. Corporations – especially multinationals – have the requisite financial, technical and human resources to address many of sub-Saharan Africa’s development needs, but there must be active engagement between public sector leaders and business executives on these issues to strengthen dialogue and build trust.

“African leaders are defining new ways to leverage the agriculture sector as a driver of inclusive and sustainable growth. This offers new agribusiness opportunities that are increasingly attractive to investors.”

Frank N. J. Braeken, Executive Vice-President, North Africa, Middle East and Central Africa, Unilever, United Arab Emirates

“[Today], Africa’s infrastructure is not fit for purpose for domestic trade. If the private and public sector could work together more effectively and lay down guidelines that deal with risk, we could mobilize [private capital] . . . There is a new energy in Africa to move from design to delivery.”

Gordon Brown, Prime Minister of the United Kingdom (2007-2010) and Chair of World Economic Forum Global Issues Group, The Office of Gordon and Sarah Brown, United Kingdom
Exhibit 1: CEOs globally are optimistic about growth in Africa
CEO survey on growth in Africa
Source: PwC 15th Annual Global CEO Survey (2012)

The most dangerous thing is to confuse an action plan with action.

Donald Kaberuka, President, African Development Bank (AfDB), Tunis; Co-Chair of the World Economic Forum on Africa
Accelerating Investment in Frontier Markets

01: Joycee Awojoodu, Associate, Renewable Energy Research and Development, Nigerian Electricity Regulatory Commission, Nigeria; Global Shaper

02: Fahad Bin Abdulrahman Bin Sulaiman Balghunaim, Minister of Agriculture of Saudi Arabia

03: Ndidi O. Nwuneli, Founder and Director, Leadership Effectiveness Accountability and Professionalism (LEAP) Africa, Nigeria

04: Charles Gaëtan Xavier-Luc Duval, Vice-Prime Minister and Minister of Finance and Economic Development of Mauritius

05: Beverley Oda, Minister of International Cooperation of Canada

06: Paul Collier, Professor of Economics, Department of Economics, University of Oxford; Director, Centre for the Study of African Economies, United Kingdom; Global Agenda Council on Fragile States; and Mohamed Lamine Fofana, Minister of Mines and Geology of Guinea

07: Nkosana D. Moyo, Founder and Executive Chair, Mandela Institute for Development Studies (MINDS), South Africa; Global Agenda Council on Population Growth
Africa’s burgeoning growth over the past decade is impressive, but the benefits have not been shared among the majority of the continent’s citizens. Progress has been made towards achieving some of the targets of some of the Millennium Development Goals, but pervasive poverty, ballooning unemployment and restricted access to healthcare and education persist. However, the private sector is buzzing and civil society is flourishing, which means that political accountability is becoming the norm rather than the exception.

African leaders are recognizing that inclusive growth is the bedrock of sustained – and sustainable – growth. Technological innovations hold the potential to power Africa’s growth, but could they be scaled-up to help meet Africa’s economic and social development challenges? The answer is “yes” – Africa’s new breed of emerging innovators is changing the continent for the good.

“Innovation is not something new to Africa. It has been a continent of innovation since time immemorial. In the post-industrial world… little emphasis has been placed on ideas from Africa and their place in the global structure of power. Ideas equal power and knowledge equals power.”

Bright Simons, President, MPedigree Network, Ghana
While innovativeness is abounding – Africans have been innovating since time immemorial – it historically may not have been channelled effectively. Today, however, more Africans have access to mobile phones than they do to clean water and electricity. Mobile telephony leapfrogged fixed-line service across the continent – the number of mobile subscribers doubled from 2008 to 2010 to more than 500 million. In both Kenya and Tanzania, the use of mobile financial services is growing exponentially. This changes everything. Today, mobile communication technologies are powering African life. For example, the SMS for Life programme in Tanzania uses a combination of mobile phones, SMS messages and electronic-mapping technology to track stock levels of drugs in rural areas weekly. MPedigree Network electronically implants medicine containers to notify patients via SMS if the drugs are counterfeit – a powerful weapon against deadly fake medicines. Technology is driving innovation in the public sector. Developers in Nigeria have worked with the government to make the national budget accessible to the public via the Internet, allowing the public to comment on public policy.

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Africans are more likely than others to use mobile devices to browse the Internet. At the same time, the number of social media users is expected to double from 2011 to 2014. As access to smartphones grows, these tools for communication and collaboration will enable even more African innovation.

However, as Nick Moon, Co-Founder and Director, Kickstart Kenya, Kenya, pointed out, innovation is not all about ICTs. Africa’s huge potential is in agriculture, where there is constant demand and a ready market – 60% of the continent’s land is arable, most of which is lying fallow, and there is enough aggregate rainfall to feed 9 billion people. This potential should be exploited using technology.

Kickstart sells equipment to farmers using a layaway plan – farmers make small payments using their mobile phones to purchase water pumps and other equipment. “There are many opportunities across Africa to marry high-tech with productive technologies, which can address the issue of poverty while achieving economic growth,” said Moon.

ICTs have a proven potential to spur economic growth. Effectively leveraging ICTs has been shown to contribute to a 50% increase in productivity. This is extremely important because productivity increases GDP and a 5% increase in GDP can double the standard of living of a country in 40 years. Cisco estimates that 150 million new jobs will be created in Africa by 2020 through ICTs.

This is good news – these jobs are desperately needed. Africa will need to create 115 million new jobs by 2020. Half of the population is younger than 20 and more than 100 million will enter the workforce between now and 2020. If the continent’s growth does not create meaningful employment for them, the result will likely be social instability – and will certainly be the squandering of a huge opportunity.

We started looking at this region about 10 years ago. (...) We came to the continent with our ears open and seeking partnerships. There are a lot of things to be optimistic about in the region.

Doug McMillon, President and Chief Executive Officer, Wal-Mart International, Wal-Mart Stores, USA; Co-Chair of the World Economic Forum on Africa
Today, 70% of the working age population is unemployed. Yet, many businesses, particularly multinational companies, are importing talent. Education and training hold the power to unlock the potential for African businesses to grow and attract domestic and foreign investment. But who should provide it and who will pay for it? Many suggested public-private partnerships to match business and training needs.

There is a tremendous opportunity to build the capacity of young people, particularly in the ICTs sector. Dov Bar-Gera, Chief Executive Officer, 4G Africa, Switzerland, pointed to the “three Es – education, entrepreneurship, employment”. African economies are losing billions of dollars from lost productivity due to diseases and ill health. ICTs can transform Africa’s healthcare sector.

SMEs are engines of job creation – enabling policies could strengthen this sector through, for example, better access to finance. Diezani K. Alison-Madueke, Minister of Petroleum Resources of Nigeria, called for policies to open market access for women. Traditionally, donors fund microfinance loans for rural women, which has proved successful. “But the major issue is going from a micro-enterprise to an SME that can take root and grow,” she said.

New enterprises are needed to meet the consumption needs of Africa’s rapidly rising middle class and to develop competitive local industrial and manufacturing bases. There is plenty of space in Africa for micro-enterprises and SMES to deliver goods and services to domestic and global supply chains. However, travel interconnectivity and visa processes need to be modernized to boost intra-African trade and to encourage investment. Some countries can only be reached by travelling to Europe and then back to Africa and multiple visas are needed to cross borders.

If Africa is to pursue a path of sustainable, industrial-led growth, it needs to create an enabling, competitive business environment and to focus on sustainable, inclusive growth. There are myriad challenges ahead. At the closing of the World Economic Forum, young African leaders called for greater optimism and transformative change to bring about a more positive image of their continent. They called for current government leaders to think beyond single country interest and to collaborate on a regional basis to unlock entrepreneurship.

In response, Pravin Gordhan, Minister of Finance of South Africa, said the young leaders showed “commendable idealism”, which is what the world needs right now. Gordhan said transformation cannot happen without clear ideas of what society wants to achieve. “Africa is in very safe hands if these are the leaders of the future,” he concluded.

“
Africans have always had a ‘can do’ attitude. Living on US$ 1 per day requires innovation… Now there is recognition in the mainstream that we have something to contribute. If you build the ecosystem for innovation, the rest will follow.

”

Ory Okolloh, Policy Manager, Africa, Google, South Africa

Exhibit 1 Africa will need to create a forecast 115 million new jobs by 2020

Size of the active labour force in Africa

Note: Assumes labour force participation remains 65-67% of the population age 15+.

Source: ILO

<table>
<thead>
<tr>
<th>Year</th>
<th>Labour force (mil)</th>
<th>Forecast</th>
<th>New jobs needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>500</td>
<td></td>
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<tr>
<td>2010</td>
<td>600</td>
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<tr>
<td>2015F</td>
<td>700</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020F</td>
<td>800</td>
<td></td>
<td>115 million</td>
</tr>
</tbody>
</table>
Accelerating Infrastructure Investments

Infrastructure is the lifeblood of economic development and is critical to Africa’s transformation. The needs are huge, the financing is available, but the risks are high. In a lively debate on infrastructure, panellists agreed that it is time for the public and private sectors to move from design to action and work together constructively to build Africa’s future.

The most daunting challenge is de-risking infrastructure investment if the private sector is to engage and help to close Africa’s infrastructure gap, which will require an estimated US$ 90 billion annually. This will require public-private partnerships based on guidelines that deal with risk.

One model is to develop industrial parks that can be scaled up. Another model that has worked is in the electricity sector where existing infrastructure is improved, there is a strong regulator and proper pricing, but the asset is owned and run by the private sector. Several participants pointed to the highly successful public-private partnerships in the telecoms sector, enabling the mobile telephony that is powering the continent.

Developing Africa’s manufacturing sector is critical to growth. However, projects have failed in the past. A compact between the public and private sector on development in Africa must be underpinned by industrialization.

But there is apprehension on both sides due to past failures. The private sector needs to secure high returns, but should the public sector shoulder the risk while the private sector makes the profits? Despite this mutual mistrust, all panellists agreed that it is time to put the past behind and move from design to action.

But how can Africa’s standing be boosted among skittish investors? By focusing on the question, “Why Africa now?” for three reasons:

- Governance has changed – most governments are being held accountable to their people and are trying to deliver.
- Africa is the last bastion of growth for the next 30 to 40 years.

Many Africans have been well educated in the West and are returning home to make a positive contribution to the continent.

If you look at the real innovators, they are the youth... They can leverage the technology and innovate. [Africa needs] innovation that is focused on inclusiveness. Innovation based on mobile phone technology will shape Africa’s transformation.

Omobola Johnson, Minister of Communications Technology of Nigeria
Translating Growth into Jobs

Seven of the world’s 10 fastest-growing economies are in Africa, yet over 70% of the working-age population is unemployed or has no job security. With rapidly growing populations and millions of young people unable to enter the economy because of a lack of opportunities, governments face a significant challenge in ensuring that growth translates into jobs.

Although most economic activity takes place at the level of micro, small and medium enterprises, there is insufficient policy or funding focus on this level of business. For ideas to be translated into economic opportunities for millions of entrepreneurs, the enabling environment must become more supportive.

Women entrepreneurs must be freed from legislative and cultural constraints to build businesses and create jobs. It is also critical to change the youth from being job seekers to job creators by putting in place supportive measures to allow them to succeed.

The growth of the services industry in Africa on the back of increasing population numbers and an expanding middle class is an important new source of job growth. Sectors such as tourism, hospitality, ICT, financial services, the retail sector and consumer industries are seeing increased investment. But there are still many bottlenecks to private sector growth that need to be addressed.

Creating stronger linkages between agriculture and the manufacturing sector is also an opportunity for job growth. However, manufacturing in Africa overall is still low – just 1% of global manufacturing. Its growth is constrained by factors such as skills shortages and infrastructure deficits.

Importantly, as Africans enter the global economy, increased investment in education and the reform of curriculums to reflect the needs of the market will provide a stronger platform for countries to become competitive and productive. Public-private partnerships in skills training are also necessary to build capacity.

Unemployment is a multifaceted problem that will require solutions through a collective effort of the state, academia, the private sector, civil society, development partners and other relevant stakeholders. Countries have to examine their own unique challenges and comparative advantages to provide sustainable solutions.

Exhibit 2: Mobile devices are more likely to be used for Internet browsing in Africa than in other regions

Source: Statcounter
Scaling Innovation for Shared Opportunities

01: Josette Sheeran, Vice-Chairman and Member of the Managing Board, World Economic Forum; Lamia Hatira, Regional Programme Associate, Coxswain Social Investment Plus (CSI+), Tunisia; Global Shaper; Tewodros Ashenafi, Chairman and Chief Executive Officer, SouthWest Energy (HK), Ethiopia; Young Global Leader; Yawa Hansen-Quao, Founding Director, Leading Ladies’ Network, Ghana; Global Shaper; Euvin Naidoo, Co-President, South African Chamber of Commerce in America (SACCA), South Africa; Young Global Leader; and Juliana Rotich, Co-Founder and Executive Director, Ushahidi, Kenya; Social Entrepreneur; Global Agenda Council on Information & Communication Technologies

02: Achankeng Leke, Director, McKinsey & Company, South Africa; Young Global Leader; Global Agenda Council on Africa

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05: Sylvester Chauke, Chief Architect, DNA Brand Architects, South Africa; Global Shaper; and Kopano Matiwa Mabaso, Author, South Africa; Global Shaper
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02: Amadou Diallo, Chief Executive Officer, DHL Freight, Deutsche Post DHL, Germany

03: Social Entrepreneurs Award for Africa 2012

04: Eleni Gabre-Madhin, Chief Executive Officer, Ethiopia Commodity Exchange, Ethiopia
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