

Overview

The Africa Competitiveness Report 2013 comes out at a time of growing international attention focused on Africa as an investment destination and mounting talk of an African economic renaissance. This increased optimism is being spurred on by a decade of historically strong growth, with many countries in Africa relatively unscathed by the global economic crisis, thanks to prudent macroeconomic management.¹ However, growth remains unevenly spread across the region and has not yet translated to a rise in living standards comparable to those observed in other rapidly growing developing regions. Further, the turbulence in North Africa has slowed growth in some of those countries. More generally, the question of how sustainable and inclusive Africa's growth will be going forward remains. Many efforts are still needed for African economies to diversify and enhance their competitiveness so that they can absorb the 10 million new entrants to the labor force every year.² Indeed, the *African Economic Outlook* (AEO) report in 2012 highlights the fast but jobless growth pattern on the continent: as a result of the youngest population in the world—200 million young people between the ages of 15 and 24—coupled with improved levels of education, Africa faces the challenge—and opportunity—of a youth bulge.

Africa is at a crossroads, and decisions and actions taken today will have a strong bearing on whether it places itself on a path similar to that of other regions such as developing Asia, allowing it to transition from resource-driven to higher-value-added growth. In this context, this *Report* will assess the extent to which African economies have laid the foundations and made the necessary investments for sustained growth.

The 2011 *Africa Competitiveness Report* examined Africa's human resources and services industries and looked at the efforts required to improve higher education, strengthen women's entrepreneurship, and capitalize on the emerging Travel & Tourism industry. Building on this work, this year's *Africa Competitiveness Report* focuses on the potential of regional integration as a stepping stone for building economies of scale, increasing competition, and fostering economic diversification. Information on the key data sources used in this *Report* can be found in Boxes 1 and 2.

Africa's markets in a sustainable way. It is based on the assumption that regional integration could be an important way to reinforce competitiveness across the continent. Such integration is, however, not an end in itself, but a reinforcing process. Both regional integration and competitiveness challenges must be addressed at the same time within a country to lay the basis for a strong and thriving private sector, and hence, increased productivity. Against this backdrop, the *Report* begins with an assessment of the different factors that affect Africa's economic competitiveness. Chapter 1.1 of the *Report* outlines the competitiveness challenges faced by the continent.

ASSESSING THE COMPETITIVENESS OF AFRICAN COUNTRIES

Many African countries continue to feature among the least competitive economies in the world. By *competitiveness* we mean all of the factors, institutions, and policies that determine a country's level of productivity. Productivity, in turn, sets the sustainable level and path of prosperity that a country can achieve. In other words, more competitive economies tend to be able to produce higher levels of income for their citizens. Competitiveness also determines the rates of return obtained by investment. Because the rates of return are the fundamental drivers of growth rates, a more competitive economy is one that is likely to grow faster over the medium to long term.

Chapter 1.1 of the *Report* analyzes competitiveness across the continent and looks at a broad range of

Box 1: Data used in this Report

The Executive Opinion Survey

The Executive Opinion Survey (the Survey) conducted annually by the World Economic Forum captures the perceptions of leading business executives on numerous dimensions of the economy from a cross-section of firms representing its main sectors. The Survey compiles data in the following areas: infrastructure, financial environment, innovation and technology, foreign trade and investment, domestic competition, company operations and strategy, government and public institutions, education and human capital, corruption, ethics and social responsibility, Travel & Tourism, environment, and health. All these areas feed into the 12 pillars of the Global Competitiveness Index. In the Survey, business leaders are asked to assess specific aspects of the business environment in the country in which they operate. For each question, respondents are asked to give their opinion about the situation in their country of residence, compared with a global norm.

The Survey gauges the current condition of a given economy's business climate. The data generated from the Survey comprise the core qualitative ingredient of the Global Competitiveness Index as well as a number of other development-related studies and indexes carried out by the Forum and other institutions. The most recent Survey data cover a record 144 economies, with responses of

and broader ties to the global economy are putting additional pressure on the need for African economies to invest more in infrastructure. Developing adequate

