

P R E S S R E L E A S E

Maseru, Lesotho – 24 July 2009

Financial Development and Trade Crucial To Making Africa More Competitive and Riding Out Current Crisis

The Africa Competitiveness Report 2009 is jointly produced by the African Development Bank, World Economic Forum and the World Bank. **The report takes stock of African competitiveness and finds that financial development and free trade are critical for riding out the crisis; while improvements to infrastructure, health and education and governance remain the medium-term keys to increased competitiveness.**

Download the full report, country profiles, rankings and more at: <http://www.afdb.org>

Maseru, Lesotho 24 July 2009 – African businesses can become far more competitive, but African governments and their international partners will need to improve access to finance, resist pressure to erect trade barriers, upgrade infrastructure, improve healthcare and educational systems, and strengthen institutions.

This major new report, The Africa Competitiveness Report 2009, reflect research efforts of three institutions – the World Economic Forum, the African Development Bank and the World Bank. The report notes that limited access to financial services remains a major obstacle for African enterprises, but underdeveloped infrastructure, limited healthcare and educational services, and poor institutional frameworks also make African countries less competitive in the global marketplace. The report also points to a number of success stories in the region that highlight steps countries can take to improve the business environment.

The jointly produced report launched today in **Maseru, Lesotho**, is the second report on the region's business environment to leverage knowledge and expertise within the three organizations. The report also presents an integrated vision of the policy challenges African nations face as they build a foundation for sustainable growth and prosperity.

The report highlights two short-term and three longer term policy themes for improving the competitiveness of African economies. The two short-term themes are:

1) Increasing access to finance through market-enabling policies. Africa's financial systems have been deepening and broadening in recent years, but the current global crisis threatens to reverse this trend and undermine recent progress. It is now even more important to upgrade the necessary frameworks for sound, efficient and inclusive financial market.

2) Keeping markets open to trade. Protectionist forces are emerging in response to the global economic crisis, yet, such measures will further reduce demand and restrict growth. Africa's leaders must resist domestic political pressures to erect trade barriers that would make the region's recovery even more difficult

The three longer term themes are:

3) Infrastructure remains one of the top constraints to businesses in Africa. Energy and transportation are among the main bottlenecks to productivity growth and competitiveness in Africa. Investment in upgrading infrastructure would both place Africa on a higher growth trajectory as well as serve as a fiscal stimulus at a critical time.

4) Inefficient basic education and healthcare systems constrain Africa’s productive potential. This is perhaps the most urgent area in need of attention. Unless educational and healthcare systems are upgraded in Africa, firms will continue to be constrained in their move up the value chain, and economic development will be hindered.

5) More examples of good governance and strong and visionary leadership are needed. Strong and transparent institutional environments have contributed to the success of Africa’s most competitive economies. Much has been done in recent years to improve these structures; yet in many parts of the region, institutions need to be more business-friendly to foster competitiveness. This is particularly important at present when the current global economic crisis threatens to induce reversals in governance reform

The African Development Bank notes that *“the most critical issue for us at this stage is how we strike the balance between short-term crisis response, while remaining focused on the long-term issues, key for sustaining Africa’s growth, such as the development of infrastructure, and a skilled labor force, as well as economic integration.”*

In addition to assessments of the competitiveness and costs of doing business on the continent, the report also includes an analysis of the depth and sophistication of the region’s financial markets, the effective measures that the relatively smaller economies on the continent have introduced to promote their competitiveness and the extent to which African countries have put in place factors facilitating cross-border trade.

Also included in the report are detailed competitiveness and investment climate profiles, providing a comprehensive summary of the drivers of competitiveness in each of the countries covered by the report.

The Africa Competitiveness Report 2009 is an invaluable tool for policy-makers, business strategists and other key stakeholders, as well as essential reading for all those with an interest in the region.

The Africa Competitiveness Report 2009 shows that Lesotho, which ranked 123rd globally, is among the top third performers in the macroeconomic stability pillar (ranked 39th). However, the country needs to do more to improve its competitiveness as it is lowly ranked in the rest of the indicators.

**COMPETITIVENESS OF AFRICAN ECONOMIES IN 2008
(TOP 10 RANKED AFRICAN ECONOMIES’ SCORES)**

Scores of the top 10 Ranked African economies (ACR 2009)			
Country	Score	Rank in Africa	Global Rank (out of 134 countries)
Tunisia	4.6	1	36
South Africa	4.4	2	45
Botswana	4.2	3	56
Mauritius	4.2	4	57
Morocco	4.1	5	73
Namibia	4.0	6	80
Egypt	4.0	7	81
The Gambia	3.9	8	87
Libya	3.9	9	91
Kenya	3.8	10	93