WORLD ECONOMIC FORUM

# Time to do what's needed

**The World Economic Forum (WEF)** in Cape Town was a bit like attending a therapy session with everyone on Prozac. There was a lot of warm, feel-good stuff said about Africa. But what worries many is whether Africa can address its inequalities.

"We used to deal with Africa as a developmental case but it is now a sizeable market," says Eskom chairman Mpho Makwana.

This is surely the case, but even with more than 40% of African states enjoying an average annual gross domestic product (GDP) growth rate of 5% or more, it is still unclear how African governments can translate this growth into investment and jobs.

This is especially critical for sub-Saharan Africa, where the youth population will increase to 20m by 2015. To provide work for them will require the region to create between 8m and 9m jobs every year to try to absorb it and those currently unemployed, says Charles Dan, regional director for Africa at the International Labour Organisation.

The problem, though, as stated in the Africa Progress Report released at the forum, is that the continent's high GDP growth rates have little impact on employment and income levels.

This, it says, is because most of the growth is being driven by capital-intensive extractive sectors and little has been done to develop the value-addition sectors of Africa's economies, such as manufacturing using their own raw materials.

SA's economic development minister, Ebrahim Patel, says jobless growth is not a problem unique to Africa; it is an issue faced by many economies around the world. He believes the antidote is for government to create policies such as the New Growth Path and create partnerships with business to foster an environment for job creation.

"It is a combination of a number of the right things that will make a difference," he told delegates at the WEF.

The merits of the New Growth Path have yet to be seen and if you ask business if government is creating a playing field conducive to job creation, the answer from many would be no.

One of the positive aspects to emerge at the conference was that international business felt that in a number of African countries government policy was providing a stable environment which encourages investment.

And though many countries in Africa remain unstable, Nestlé chairman Peter Brabeck-Letmathe says there has been an important change in the image of Africa among international investors, part of which has been driven by SA's inclusion in the G20 and Brics clubs.

Prior to Bric membership, foreign direct investment (FDI) more than tripled between 2001 and 2009. The continent's share of global FDI inflows is now 5,1%, up from 3% in 2007. But its share of global trade has remained static during this period.

Brabeck-Letmathe believes Africa has renewed potential but says only political stability and transparent governance can ensure its long-term potential.

"Africa has the world's best resources.


**Peter Brabeck-Letmathe**
Africa has renewed potential