



LIONEL ZINSOU

President, PAI Partners

Jean-Michel Severino, CEO, Investisseurs et Partenaires (I&P)

And, last but not least, I'd like to wrap up this round table with Lionel Zinsou. Mr Zinsou, you head one of Europe's biggest investment funds, the PAI. You enjoy saying that although you don't invest in African companies directly, the European companies in which you have invested rank among Africa's biggest employers; the figures are often impressive. With Tidjane Thiam and I, you recently participated in a working group commissioned by the French government on the Franco-African economic partnership. Even more interesting, you've been asked to lay the groundwork for a Franco-African foundation devoted to that partnership. So we're wondering what your suggestions for this foundation might be. Could you share them with us? How do you see the foundation helping not only to narrow the perception gap, but also to improve governance practices? Because the perception gap is closely connected to the governance practices Mo Ibrahim just mentioned, saying they are the area in which Africa has been least successful, contrary to others, in recent years.

Lionel Zinsou, President, PAI Partners

Thank you Mr President. I'm going to be original and speak in French. This must be a very solemn occasion because you're using the formal "you" to address me.

Jean-Michel Severino, CEO, Investisseurs et Partenaires (I&P)

It's to make believe we're neutral!

Lionel Zinsou, President, PAI Partners

That's why everybody spoke in English!

Hello ladies and gentlemen. This foundation needs some publicity. The President of France followed the recommendations of Messieurs Védrine, Severino, Thiam, El-Karoui and Zinsou to set up a kind of network of initiatives through an instrument that would not be sovereign, but private, a public-private foundation, in any case, to raise awareness about Africa and African growth, an advocacy function that's important for reducing misperceptions, and to help young talents from both continents, Europe and Africa, get to know one another and teach each other through their experience in order to set up a communication network between companies, with the idea that to make progress on the ideas of governance and development issues, we must leave the framework of meetings between sovereign players.

As Tidjane said so brilliantly, States are doing what they can. But there are new, probably more creative forces that are underused, which often come from decentralised local authorities. They've been asked to the table because sometimes they're more effective, being closer to citizens. Grassroots groups, African organisations, African foundations that are as endogenous as foundations outside Africa can play a key role and must also be around the table. Perhaps the most important thing that's happened in the past ten years is that for 30 million people living with HIV-AIDS, a lethal disease has been turned into a chronic illness. And that happened in large part thanks to the association movement, the Gates Foundation, with help from States, obviously: the United States and France made the biggest contributions but grassroots organisations handle implementation on a day-to-day basis. And then there are the companies that, in many instances, know much more about real solutions than States and can solve the perception problem more effectively.

Recently — for those of you who don't know, I'm a citizen of both France and Benin — Benin's ambassador to France asked me, "How can we convince companies to invest in Benin? There's a big conference on investment in Benin with



the lenders. How can we convince them?" We're going to submit the State's projects to them. All right, now I'd say, "No. Tidjane Thiam said that's not really how to go about it." I told him, "Invite the ten companies that employ thousands of people in Benin today with rates of return that, like everywhere else in Africa, are the highest in the world." You've recently seen the United Nations study about rates of return on capital. They're higher in Africa than on all the other continents. This means the misperception is not thinking that Africa is below average, it's not knowing that Africa is above average. Well, the only way to do things is to match a brewer up with a phone company, with a construction company, with a cement-maker, people who represent real services, real industry, with Kenya Airways, which has planes landing in Cotonou, as the President has just reminded us, and to show examples in Africa that work. So if the foundation serves a purpose, it's bringing these new players together. The bottom line is that coalitions of players will be essential.

Now, on governance, we mustn't complain by saying "Everything's going very well but governance is still going rather badly". As you said, Jean-Michel, there are more and more poor people, there's more and more inequality. We must say how we're going to tackle that issue. Especially at the World Policy Conference, we must be a little bit ahead of the curve. This is the sixth year we've had an African session. During the first five we said, "Africa is doing much better than you think." During the first three, people smiled. They were nice and polite because Mr Wade was there, Mr Odinga was there. People smiled, they were intrigued. And now I think they're starting to catch on that there's strong growth in Africa and a perception gap. Now, let's go further. We managed to avoid most of the governance problems associated with growth. A 5% growth rate over seventeen years overheats the economy and is very hard to govern. There was no inflation. When Brazil started taking off, it had a 2,000% inflation rate. In Africa, inflation was below 5%. We've governed growth without running a trade deficit. Africa is the only continent that balances its trade with China, which has a trade surplus. We've governed growth without a current payment problem. Today, Africa has the financing it needs. We have very high capital inflows. Yesterday there were people talking about certain problems in Turkey and India. It's hard to have high growth without current payment problems. We don't have any.

Yesterday and the day before, there was a dichotomy in the discussions on the theme: there are emerging countries with a good balance sheet because they don't have any current payment problems, and then there are the others, that are going to have currency troubles, etc. There are serious deficit problems. As a continent, we don't have a current payment deficit. There's 500 billion in foreign exchange reserves for a continent with a GDP of 1.2 trillion at current exchange rates. That means a sustainable current account surplus. So the economic governance problems shouldn't be blown out of proportion. You know, when all the continent's finance laws are put together (all this is public data from the ADB and the OECD) we have an execution of the finance laws of all the continents, obviously with countries that have deficits and countries with a surplus, which is lower than a deficit of 3%. We've avoided all the childhood diseases of strong growth. So we deserve high marks for pretty remarkable economic governance.

Now, we've got problems today. Our youth is being destroyed, yet Africa is the youngest continent. We don't know how to solve the problem of extreme poverty: today in my country, as in Tidiane's country, two-thirds of the population lives above the poverty line. But today, in my country, two-thirds of the population is excluded. That's three million people. At independence, there were two millions inhabitants. Demographic growth has therefore created a very high number of excluded people, even though, statistically, poverty has plummeted. This problem must be solved. And it's necessary to see that we're at a stage of development that creates problems, where it's hard to get young people into the workforce and to reduce the number of poor people, which also amounts to distributing revenue through employment.

We've got a problem: our growth creates fewer jobs than anywhere else in the world. Why? Because we need investment in the most capital-intensive areas, which are agriculture, energy, water and certain infrastructure that produce enormous positive externalities but have an economic model in which a lot of capital must be spent without generating revenues. For every billion invested in Africa, five times fewer jobs are created than in Europe. People must stop saying "Africa is badly governed and has a problem with its young people". You can see young people everywhere. Step out into the street and you can't help bumping into crowds of them. We're not blind. We know we've got a problem, but the problem isn't education. Senegal spends 40% of its budget on education. If it spent 80%, that wouldn't create more jobs for young people. The problem is capital. And the answer isn't to improve education and vocational training. That's obvious, those are truisms. We don't need governance truisms, we need governance solutions. Our only answer is to have investments that generate plenty of jobs in manufacturing and services. We need to have markets. The answer is to have relevant markets. Benin's GDP is seven billion, Côte-d'Ivoire's 25 billion. That's



not enough. ECOWAS, the Economic Community of West African States, \$400 billion in GDP, 300 million people, that's enough. It's a customs union that must be given monetary structures. So the answer for jobs obviously isn't education. We're educating our children, we know how to do that. No. The answer is capital, in kind, for our economic growth.

As for extreme poverty, instruments must be developed. Jean-Michel is working on that at AFD, and I think it's one of the topics in the report we developed that leads to positive externalities. It's not enough just to build a toll motorway; you have to build a toll motorway with positive fallout for the people it serves. Financing methods exist. That's what we should be focusing on. There are well-known financing methods that take impact into account. "I'm setting a goal for your financing, which is economic viability, which is the financing of an economic activity, and a social objective. The closer I get to the social objective, the less I reimburse you, because my goal is to achieve that positive fallout." There are people in the world who are willing to buy those positive externalities. The problem is that when you build a road in a province where there's nothing, that road will never have an economic justification; but it will have a considerable social justification. The issue is to build that into the economic calculation. There are people willing to buy the externalities: foundations, groups, NGOs, lenders, governments. We've got the means — impact bonds — and all of that finance that takes all of that inclusive growth into account.

That's what the age of governance in Africa is all about. People must stop telling us "Educate your children". We do educate them. My daughter is in the audience. She's educated. So are Tidjane's children, aren't they? Stop saying "Educate your children". We know how to educate our children. Stop saying "Feed the poor." Everybody knows how to feed the poor. That's not the point. The point is to find the means of modern governance, of inclusive growth. Technically they exist. Let's find ways to achieve growth that creates jobs for young people. There's something important to narrow the gap. For a long time, people looked at Africa with a condescending or compassionate eye. I think that's behind us now. I think European minds are also largely decolonised now, so they look at us as almost normal human beings.

Now, the problem is not that countries with less than admirable governance lecture us with lessons of governance from the past. Our problem is inventing effective instruments together to solve our problems. Our problems have been identified, the instruments are starting to appear. What we need now is imagination. Thank you.

Jean-Michel Severino, CEO, Investisseurs et Partenaires (I&P)

Lionel, thank you for singing the praises of the impact of investment. For that, you deserve my starting to call you by your first name in public again. After that brilliant plea, I'll just say that the shift from condescension to the concupiscence of the financial markets towards Africa can have unwanted effects that we must watch out for very closely.