

JEAN-MICHEL SEVERINO

CEO of Investisseurs et Partenaires

Hello everyone. Actually, this has worked out well because I am, of course, going to continue in the same vein as the previous speakers, particularly Prime Minister Kodjo. I want to start from the same point as him and with the same observation that I made when I saw the title of our session.

It occurred to me that Africa is still a UGO, an unidentified geopolitical object. When you see how people view the African continent, what is striking is that no one really knows how to deal with the continent. The private sector, economists, say, "This could be the right time, let's go for it. Private equity flows and foreign direct investment are on the increase." Some hope or think that it will be a gold rush, a new American frontier, at the risk of being bitterly disappointed in the future. Others take the opposite position, turning their backs and saying, "It is very complicated, very difficult. None of this will last."

Governments and public actors face a double temptation of sorts: on the one hand, to say that Africa is taking off and, given the budgetary difficulties faced by all the world's large nations, now is the time to stop; on the other hand, to do the opposite, persevere with compassionate and charitable acts on a continent which desperately wants to do business and form partnerships with the rest of the world.

What all these scenarios have in common is ignorance of or difficulty in analysing what is actually happening in these African economies, in these African political developments. Fundamentally, we are quite simply not paying attention or listening to Africa. Africans are extremely straightforward, extremely transparent, it is not very complicated. All you have to do is pay attention and listen.

What are the figures and developments really telling us? Firstly, as Lionel has highlighted since the start, not only did the African economy start to grow fifteen years ago, but this growth is only moderately dependent on commodities. Obviously, there are some countries where this is not the case, such as Angola and Gabon, and this is included in African statistics. But it's only part of the reality.

If we look at African performance over the past few years, we can see that it is also down to the performance of the least advanced countries and those which are least dependant on commodities. North Africa, for political reasons we are familiar with, has been a drag on growth over the past two or three years and it is actually Southern Africa which has suffered from the stabilisation in commodity prices and its problems with financial structure and indebtedness.

Today, Africa's internal markets are increasingly driving African growth. The reason for this is quite simple. Africa has entered the same window of demographic dividend as the Asian economies experienced from the 1960s onwards, that period when the proportion of active people compared to inactive people increases year on year.

In concrete terms, government costs and welfare costs linked to managing the population are decreasing each year, whereas from independence to the start of the 21st century the opposite was true: due to the continent's demographic growth, welfare costs were being produced.

Each year, there are fewer young people relative to the adult classes, despite the figures cited by Mo Ibrahim, which are entirely accurate, fewer compared to the rest of the population than at any other time, and there are not yet lots of elderly people due to the shadow cast by demographic growth.

The demographic window, which all economists associate with an astonishing boost to growth, will open for a unique period in the history of humanity for probably over 80 years, more or less, depending of course on the speed of the demographic transition.



From this point of view, as Mo said, Africans would be well advised to hope for acceleration in the demographic transition and a drop in the birth rate since these circumstances, while guaranteeing a population boom, will ensure that the benefits of the transition will be much greater and much quicker.

Combined with that is the speed of urbanisation, a major phenomenon on the African continent which will propel it into the position of having one of the most urbanised populations on the planet. And as we know from mankind's economic history, wherever there has been urbanisation on the scale we are seeing in Africa, there has also been extremely significant economic growth.

So in a way, and I hope you will excuse this amoral appraisal, regardless of the governance, regardless of whether it is good or bad, Africa is going to grow because it is driven by unavoidable structural phenomena. To some extent, Africans can no more avoid economic growth in the next 40 to 50 years than they could avoid the recession of the last 25 to 30 years, which was itself controlled by completely unavoidable macro-economic and demographic phenomena.

There is a law of sorts which applies to societies, and which goes quite a way to explaining some of Europe's problems, but which also applies in another way to another continent which will also have other problems arise at other times.

Do not underestimate the fact that the African economy is building its internal market and that the real opportunities are on this internal market, even if the illusion of extractive industries and the ease that some may have in dealing with them from London, Zurich, Paris or New York in a suit and tie, travelling in first class, makes this illusion dazzle parts of the world of international capital.

By contrast, and to conclude, let's talk a little about geopolitics and structural difficulties, because this growth is not going to be plain sailing. There are many reasons to believe that the continent will experience or continue to experience fairly chaotic times. There are geopolitical reasons. The continent is liable to be politically volatile because civil societies are under extraordinary stress due to the processes of demographic growth, internal migration on the African continent and urbanisation, and the political classes find it incredibly difficult to manage these situations.

I often say that if we applied the average figures experienced by Côte d'Ivoire (my native country) to France, the France which had around 50 million inhabitants in 1960 would today have 240 million inhabitants and would be home to 80 million foreigners. I don't know whether or not France would end up in civil war, I don't know what state our governance would be in. What I am sure of, is that it is unlikely to have been plain sailing.

African societies are experiencing major stresses and must manage situations which are totally unprecedented in the history of humanity. And inevitably, in some cases, these situations degenerate into conflict. And it is no more possible to avoid them than it is to predict them.

As an aside, global politics grabs onto these stress situations to create inextricable local schemas. The Sahel region is going through an exceptionally problematic period which, in my opinion, is much more important for Europe than the situation in Afghanistan, which is a distant subject, marginal, managed by Pakistan. No one is managing the issue in the Sahel and, if we are not careful, it will explode in Europe's hands like a bomb with a slow-burning fuse, with lasting consequences.

But there are also other, more structural reasons. Africa will experience enormous environmental stress. The African continent is beginning to feel the effects of this stress. This stress is partly internal to the continent, because the population growth in African countries places major pressures on all resources needed for human activity, such as water, the soil or the biodiversity which is extremely important for the life of a large part of the population and which must remain so. It is also an imported stress, with the additional pressure caused by climate change, especially in the whole tropical belt.

May I remind you, and for those who did not already know, inform you, that, basing projections on the current rate of economic growth, by around 2045 Africa will have an economy the size of China's today. It will have nearly 2 billion inhabitants. But of these 2 billion inhabitants, around 850 million will live on less than \$1.25 a day, in other words much

more than today. And in addition, while about 75% of the African continent will live in towns and cities, more people will be living in the countryside than today.

Demographic growth is going to put immense strain on all agricultural resources and on the resources of biodiversity, with two types of strain. On the one hand, these problems are going to have an effect on politics, on land use, which is going to affect productivity. And then there will be issues linked to the growth of agriculture. Africa is perceived as an agricultural Eldorado for foreign investors who want to engage in agriculture for export, of cereals for example or food commodities.

In fact, the real African question is Africa's capacity for continued growth, beyond the track it has been on since decolonisation. Since decolonisation, African agricultural production has been about in line with demographic growth and there has been no deterioration in the overall food gap. The problem is that with the coming population growth, there will have to be a very substantial leap in agricultural productivity.

We will have to enter an age of general mechanisation. We will have to enter an age of inputs, with the very considerable problems associated with that, because we can't enter an age of capital-intensive agriculture without land appropriation, which is socially extremely delicate and, rightly, manages these environmental resources. We have a second series of problems linked to these environmental transformations.

One final matter (and I will conclude here) which is very important to Lionel: African financial structures are still extremely weak. Funding growth is still a problem, the banking system is still weak, even if it has made a lot of progress, even if we have witnessed a real increase in the availability of banking services, even if we have seen an increase in the number of truly African financial players. It is very difficult to fund the growth of small companies, which are the backbone of the African economic fabric, with the current financial institutions. Stock exchanges are still at the embryonic stage.

Generally speaking, the financing system is very unstable. And although it has weathered the international financial crisis very well because it had limited exposure to it, it could, today or tomorrow, in situations which are highly volatile both financially and structurally, experience significant problems, or in any case be a considerable obstacle to growth.

To conclude, I will say that, fundamentally, both the private sector and public actors face a double challenge in reviewing their positioning with regard to Africa: namely, how can private actors enter the African continent (I am speaking about the foreign private actors in this room) quickly in a situation in which international competition around the continent is on the increase, but wisely given the risks inherent to the situation in the continent; and how can public actors transform their approach to the continent, from a very compassionate and charitable vision to an approach which will consist of saying how to make or how to help African growth become quicker, more sustainable, more stable and profitable for everyone. And we must not forget that with this combination of demographic and economic growth, the Indian subcontinent is being created on Europe's doorstep, with all its potential but also all its risks. Thank you.