

LIONEL ZINSOU

Former Prime Minister of Benin, Chairman of SouthBridge

Amir Ben Yahmed, Chief Executive Officer of Jeune Afrique Media Group, President of Africa CEO Forum

Lionel, over to you.

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Thank you, Amir. Hello everyone and thank you for giving Africa a seat at the WPC on a regular basis. Dear Amir, I think that, unfortunately, the downturn began when the bottom dropped out of raw material prices in the second half of 2014. Almost all raw materials, but especially minerals, starting with hydrocarbons, were affected. So economic growth started slowing down. For countries producing mineral raw materials, this was obvious. For example, all our brothers in Central Africa were in extremely difficult public finance and foreign exchange straits, South Africa was slowing down significantly, and so on. On the other hand, the most diversified economies, those that were more agricultural and focused on services, tended to enjoy an upturn. For example, in our region, close to Benin, the West African Economic and Monetary Union, and in Kenya, Uganda and Tanzania, two areas of growth held up well because their economies were much less dependent on commodity price cycles. Overall, however, there was a slowdown.

The shocks were exceptional. There was Covid, granted, but after the first wave you had a kind of inflationary spiral even before the war in Ukraine that had a major impact on public finances and the financial markets, where inflation is affecting food, energy and logistics. That's a lot, especially for families and households, because one difference between rich and developing countries is that the household food budget accounts for almost 50% of spending. When inflation reaches between 10 and 40% on food, as we are seeing, it pushes people back into extreme poverty. For the first time, we've really gone backwards since 2021. Covid was a bit less serious in terms of economic impact, with growth down 3% compared to 8% in the European Union. But inflation made 2021 a very tough year.

We are already seeing many financial flows dry up, such as private equity investment. By December 2021, all this was at a standstill, almost paralyzed. Since the war in Ukraine, food and energy prices have skyrocketed. This was already happening, but now it is reaching record levels. That is a lot of currency shocks. The dollar is appreciating against all African currencies, including the supposedly most stable ones. As the euro fell, along with the CFA franc, the dirham and so on. So we had a currency shock, as well as an unprecedented collection of shocks.



As a result, the narrative of the late 1990s ended around 2014 and got much worse. We are in a kind of rebound, despite a slight recession. The second half of 2022 was not bad. In fact, our country grew by over 2% during Covid and we're bouncing back after not really falling as much as the others. When we talk about growth, always remember that the population is growing by 3.5%. So when we are at -2%, we are the worst performer in the world, but with 3.5% population growth, that is still a significant per capita decline.

Now, that should not change anything in the long-term picture. You mentioned it right away when you talked about demographics, which I think everyone will want to talk about. It is a considerable asset because of the proportion of young people in the workforce. And with a real economic model from one end of Africa to the other based largely on industrialization and higher agricultural output, all of which is totally consistent, a model that will lead us to double-digit growth has emerged over the last 3-4 years of crisis. Demographics, clear vision and the profound change in financial sector allocations are important; all this is now very clear. And climate change, which has had catastrophic effects in Africa as elsewhere, and perhaps even a little more so, is nevertheless making a number of Africa's assets much more valuable, which will support this growth model.

I am very hopeful in the long term and we are going to return to the narrative of the early 2000s. However, in the short term, 2024-2025 will be a period of financial struggle. We will need experts to help us get through these two terrible years.