

JEAN-MICHEL SEVERINO

President of Investisseurs & Partenaires

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

Jean-Michel, the economy and entrepreneurship are among the African narrative's great success stories, with the growing number of large corporations and companies your investment fund is targeting. You've had a front row seat because you began working on the issue very early on, in the late 2000s. What can you tell us about your rather micro view of the situation? How does the current situation affect the business world?

Jean-Michel Severino

Thank you very much for giving me the opportunity to take part in this fascinating discussion. To answer the question, I'd like to pick up where the general left off. In other words, what lies behind political instability and all the diverse situations on the continent, from east to west and north to south?

In line with what Lionel said earlier, I think we need to remember that there have been some major paradoxes in what has happened since 2000. In 2000, Africa's GDP was roughly the same size as Belgium's. Today it is as big as France's. Per capita GDP has risen by a third overall. Poverty has been significantly reduced, even taking the slowdown Lionel rightly mentioned into account. Overall, Africa's life expectancy has risen almost 15 years in the space of two decades; this is truly extraordinary. Very few continents or parts of the world have achieved such performances in such a short space of time. African cities have changed a lot, as the general said. Anyone who arrives in Dakar today and hasn't been there for 20 years would find the city unrecognizable. The same can be said about Abidjan, Nairobi and so on. A middle class has emerged everywhere, which can be seen at home as well as in Europe and the United States. Today, I&P invests in 300 companies, start-ups and small businesses that did not exist 20 years ago and are clearly transforming Africa.

So if the picture is so rosy, why all the dissatisfaction? I think we need to very briefly talk about four things that nuance the picture and explain what is seen in many countries.

The first is the "demographic dividend", which is widely expected to drive Africa's transformation and has been one of the most powerful drivers of Asia's economic performance. Between a quarter and a third of South-East Asia's economic performance is attributable to the steep fall in the birth rate that began in the 1960s. The same thing is very slowly being felt in Africa. It is here to stay and will gradually pay off in over a century, but the downside is that it is very slow, which means that working people carry extremely heavy direct and indirect burdens on their shoulders. These costs explain a large part of the major

difficulties in generating sufficient savings in society to spur investment and growth, which accounts for why the dividend is paying off much more slowly than expected 20 years ago and, along with other structural factors, accounts for Africa's low savings and investment rates and, consequently, slow growth.

The second point is that Africa's growth has not produced enough jobs. This is a huge challenge: about 240 million people under the age of 15 will enter the labor market between now and 2050. This unique phenomenon is unprecedented in the history of mankind. African governments have a daunting task that no country has ever had to face, which should cut all the finger-waggers down to size. None of us has any experience to pass on to deal with this issue.

Unemployment is strongly linked to the third factor I'd like to highlight, namely, low investment. Broadly speaking, investment rates in African GDP have stagnated at around 25%. In Asia, it is 35%, and 40% in China. Investment has been too low not only because there has been too little saving, but also too few financial transfers from abroad. It has also been geared too much towards public and infrastructure investment to the detriment of investment in human capital and the corporate and entrepreneurial sector. Too much has flowed towards natural resources, with disproportionate investment in mining, oil, etc., to the detriment of agriculture, the corporate sector, manufacturing and so on. All this is one reason for the macroeconomic weaknesses and imbalances that have emerged. They are linked to the issue of debt, which has gotten much worse due to the financing crunch Bertrand and Lionel mentioned.

So what does that mean in the everyday lives of ordinary people? In practical terms, it means that the overwhelming majority of people have seen their lives change very little over the past two decades. Growth has averaged 4% over 20 years, which is not enough to keep pace with the demographic growth rates we are seeing. Gains in purchasing power have averaged 1.5% a year in the countries concerned. Given the inequality in the construction of income GDP, this means that the situation has not changed for many people. A rising number of young people have problems on a daily basis. They don't see things changing and are growing impatient. They are becoming disengaged, nationalistic and want to emigrate. They want to get rid of the political regime, whatever it is. If the regime is authoritarian, they get rid of it; this is what happened to Blaise Compaoré. If the regime is democratic but fails to deliver results, it is thrown out. This is what happened recently with the coup in Burkina Faso, where the military regime had been overturned a few years earlier. Nationalism is inevitably worse in such circumstances. Outsiders are blamed for everything that is not right. In these circumstances it is worth asking why the flood of announced funding, why the military interventions with SUVs, armored vehicles and so on, can't solve the problems. When you can't do anything in your own country, at some point you want to leave. You try to go to the neighboring country. If you're in Burkina Faso, you go to Mali. If you're in Mali, you go to Côte d'Ivoire. You also head north and wherever else you can. If you're lucky enough to go to university, you leave Africa altogether. Emigration is another sign of dissatisfaction, which is paradoxical given Africa's amazing economic performance.

I think this complexity must be grasped to look at the enormous place Africa is carving out for itself as well as at the incredible anxiety its people may be feeling.



Amir Ben Yahmed

We'll come back to Africa's strengths and what we see as the drivers of tomorrow's growth and the solutions around which we can try to mobilize our energy.