



TOWARDS A NEW AFRICAN ECONOMY

SUMMARY

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Africa: the Great Transition

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A Growth to sustain

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An economic growth promoting the development of Capital Investment

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And stimulating the development of African business

This presentation was prepared with the support of Pierrick Bataton, economist at I&P and doctoral student at CERDI.



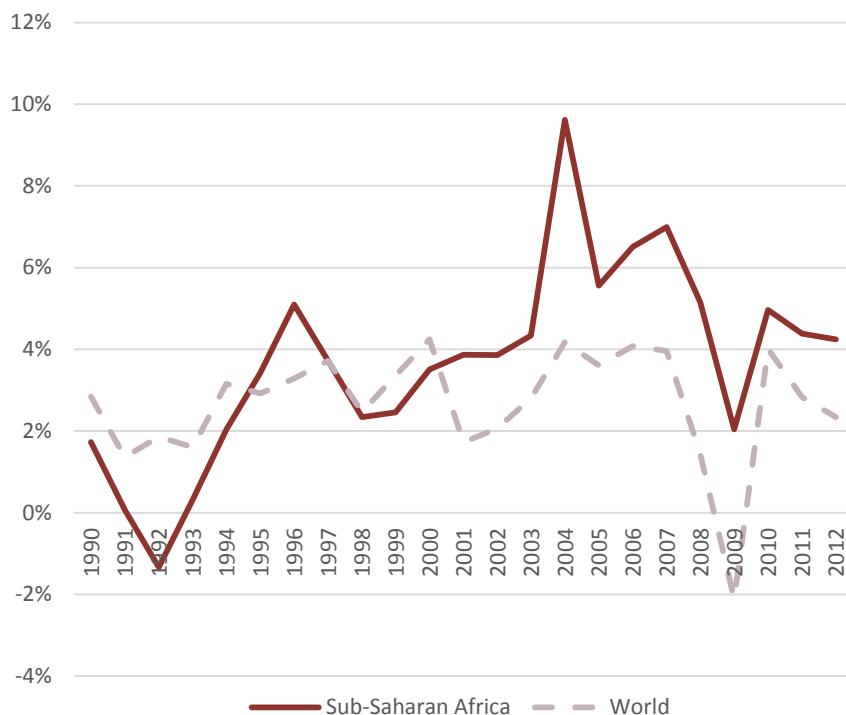
Delta Irrigation, Sénégal
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1.

AFRICA: THE GREAT TRANSITION

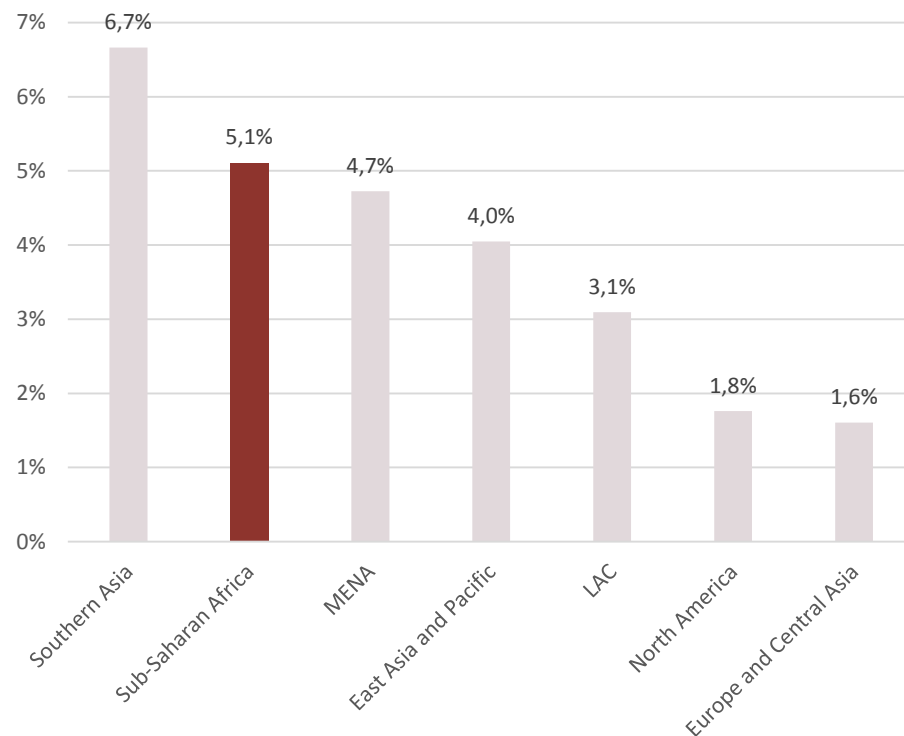
A NEW WORLD: THE MOST DYNAMIC REGION OF THE WORLD, WITH SOUTH ASIA

Real GDP growth



Source: World Bank Indicators

GDP average annual growth rate (2000 - 2012)



Source : World Bank Indicators

A VERY STRUCTURAL GROWTH

- **A sounder macro economic environment**

- Inflation and external public debt falling
- Improving business environment
- Sounder public policies

- **The race towards Africa**

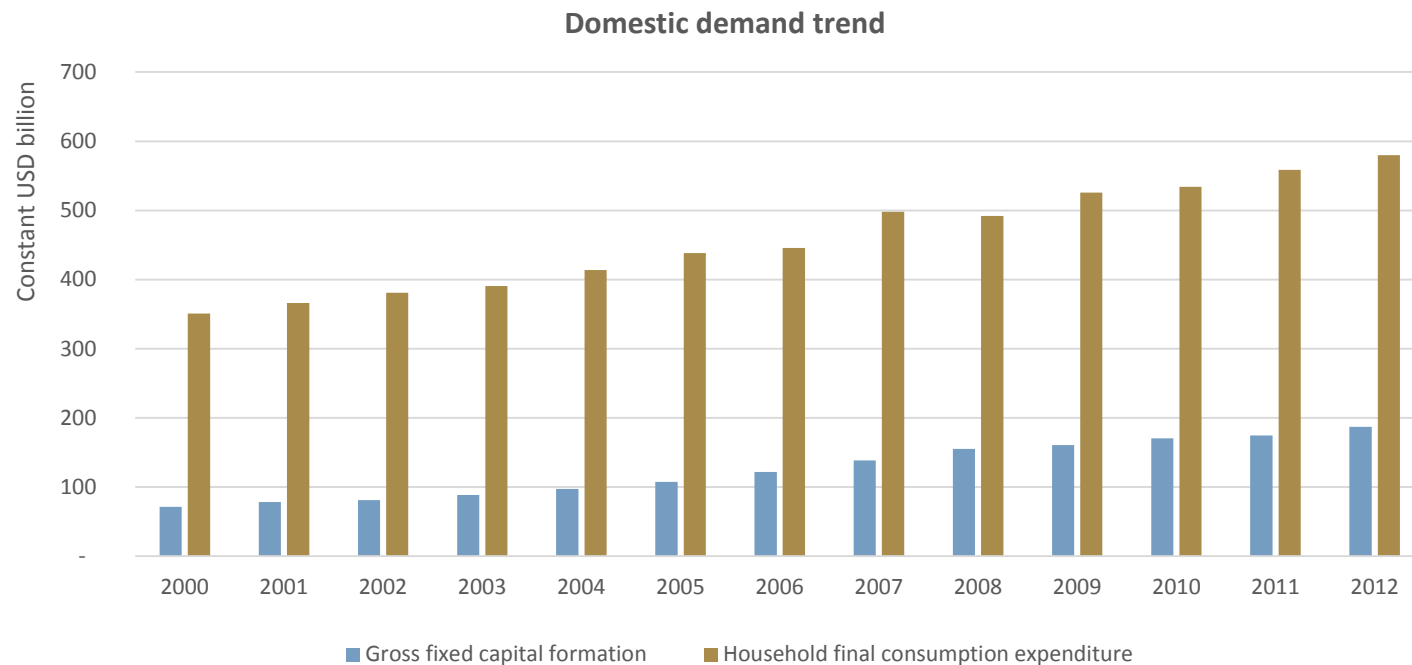
- The rising world **demand for raw materials**: 30 % of the world mineral reserves, 40 % of gold reserves, 60 % of cobalt reserves, 72% of chrome reserves, 65 % of diamond reserves...
- 12% of the world **hydropower potential** (95% untapped)
- The **rush for land**: 60% of the world uncultivated lands, i.e 240 millions hectares, 4 times Morocco – and a huge reserve of productivity
- The rush for **manpower**

- **Eighty years of growth ahead of us: the great peoplement**

- The time of the **demographic dividend**: 2.1 billion Africans by 2050, but a slowing natality
- The time of **cities**: already close to 50% of the population living in cities, and 80% by 2050
- The time of **agriculture**: more people living in rural areas by 2050 than now!

A HUGE RISE OF THE DEMAND

- 5% yearly average growth of domestic consumption since 2000
- Corporate investment multiplied by 2,5 times during that period
- 15% annual growth of imports for the ten past years

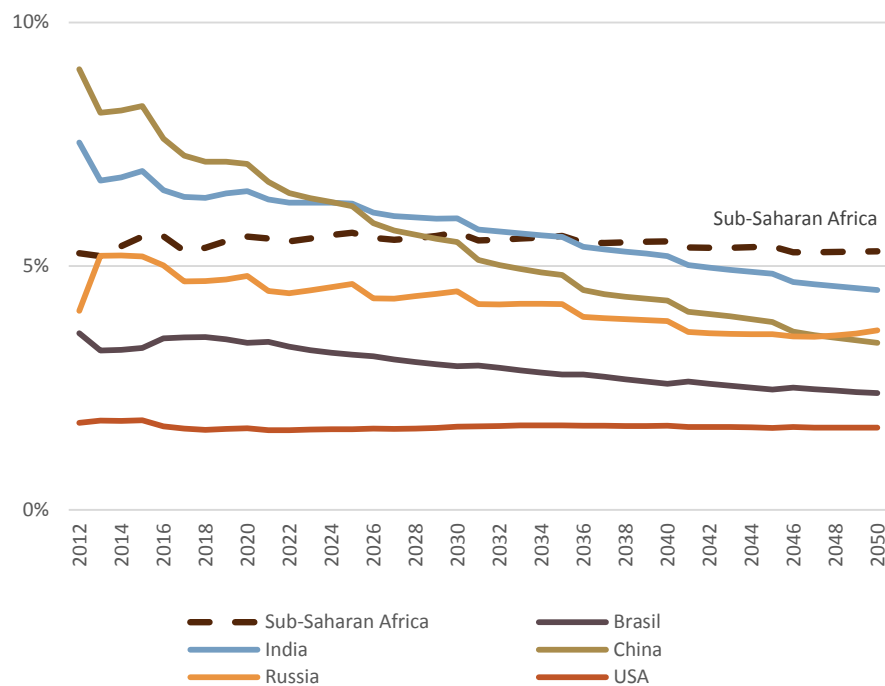


Source: World Bank

AN ONGOING MAJOR SHIFT OF THE WORLD ECONOMIC CENTER

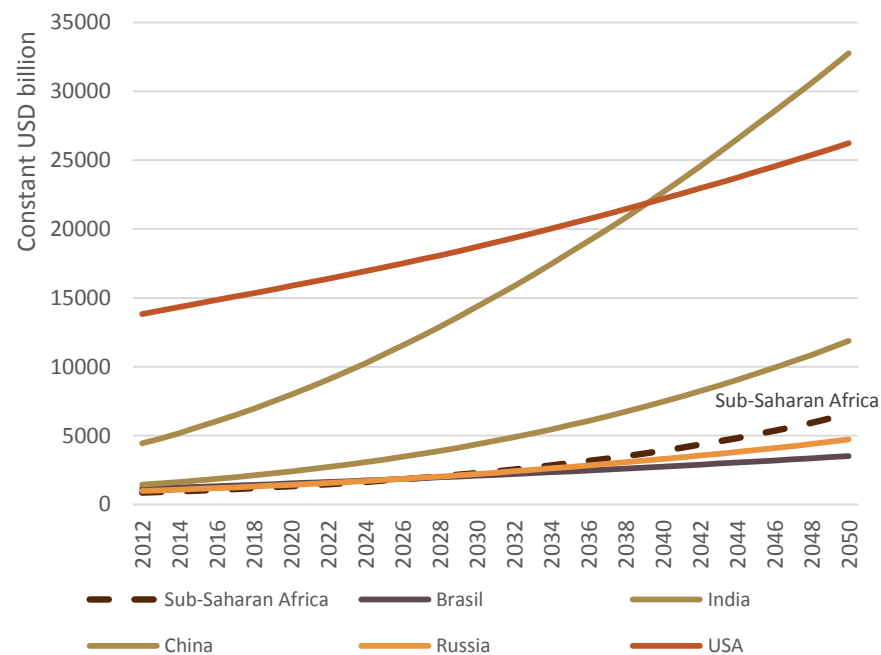
By 2050, the **african GDP should at least be multiplied by 7**, reaching the current chinese GDP. Africa should be the world most dynamic economic region of the three coming decades.

Real GDP growth



Source: "EconMap", CEPII 2014

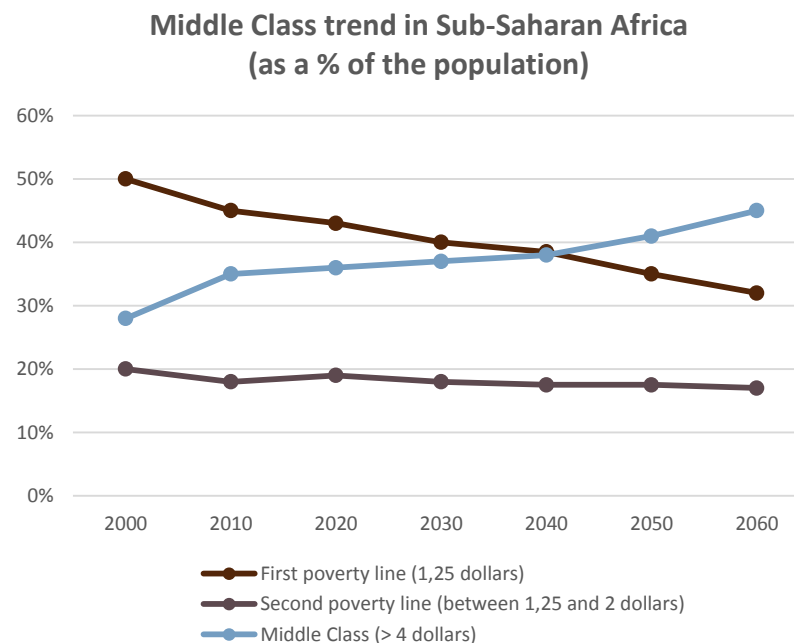
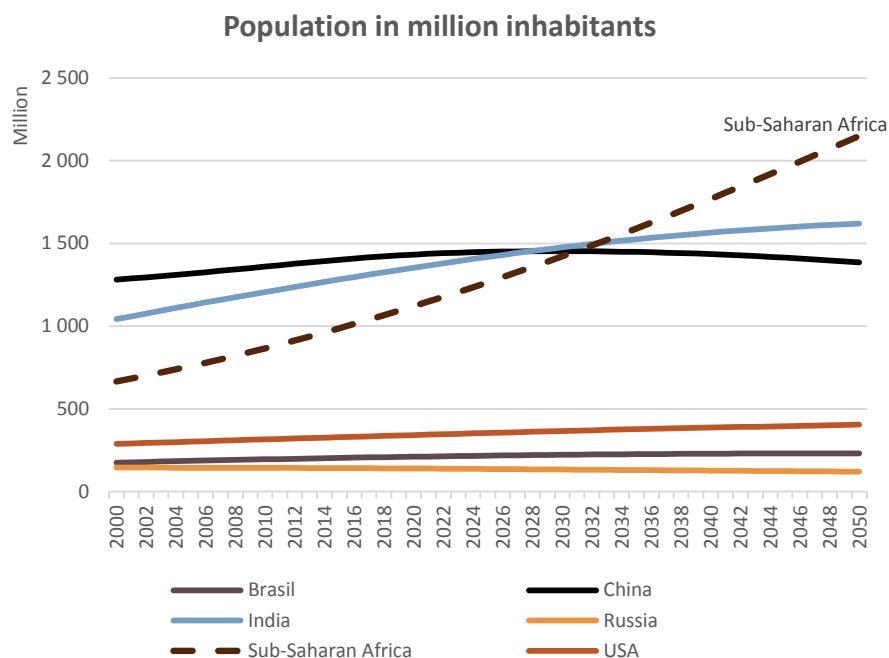
Real GDP trend by region



Source: "EconMap", CEPII 2014

AFRICAN MIDDLE CLASSES WILL MOVE THE EARTH

The African middle class should triple and reach **1,1 milliard people by 2060**. The African « **Global Middle Class** » (income > 10 dollars/day) will grow by 90% by 2030, and its market value is estimated at **940 billion dollars**.



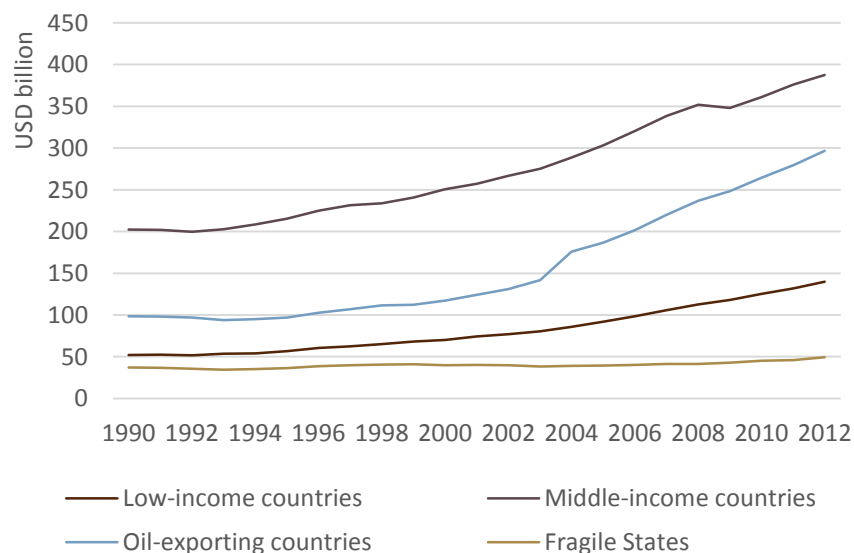
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A GROWTH TO SUSTAIN

A VERY DIFFERENTIATED ECONOMIC PERFORMANCE

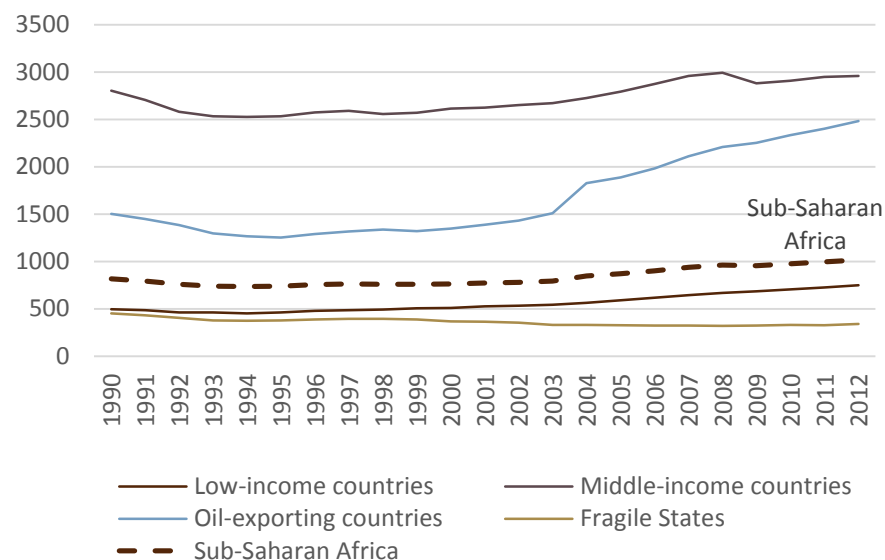
Lower middle income countries (Afrique du Sud, Ghana, Sénégal etc.) have grown on average by **3% yearly** those twenty past years, against **1,3%** for the fragile states (Guinée, Libéria, Togo etc.)

GDP growth in Sub-Saharan Africa by income groups



Source: World Bank Indicators

Trend of GDP per capita (in constant USD)



Source: World Bank Indicators

AND A VERY DIVERSE CONTINENT

By 2050, SSA's population will have increased by 1,1 billion people , creating very diverse regions

The “Giants” (Population over 100 million people by 2050)

- **Nigeria:** 440 millions inhabitants, 29% of Africa's GDP, 40% of the oil reserves of the continent
- **East Africa:** a region of 520 millions people with Ethiopia, Tanzania, Uganda, Kenya. A relatively spread demographic and economic potential
- Sustainable Giants?
 - Manageable size?
 - A huge challenger for investment

The Bright Second Tier (between 40 and 60 million inhabitants by 2050)

- Ghana, Côte d'Ivoire, Angola, etc...
- Smaller size, Fast growth
- Important political regional role, agents of regional integration

The Small countries, exposed to all the ups and downs...

- A scattered group of dependent countries, that might achieve success without regional influence
- The most exposed group to political volatility and expanded fragility

A GIANT WITH FEET OF CLAY

- **Growing Inequalities...**

- The **second highest level of inequality** in the world after Latin America...
- Among the ten countries in the world where inequalities have grown faster, six are in SSA : Namibia, South Africa, Lesotho, Botswana, Sierra Leone and the Central African Republic

- **... And Insufficient Growth...**

- By 2030, 45 million jobs will be created at the current pace of growth, but **110 million people** will arrive at working age...
- Manufacturing growth still slow, and agricultural productivity increasing also slowly...
- Fiscal revenues will not allow to maintain the investment levels that are necessary to raise out of absolute poverty the majority of the continent and to educate, feed and care 1.3 additional Africans by 2050

- **...Could increase Political and Social unrest, and hit Success Stories**

- Local conflicts can easily spread regionally
- Continental and regional migrations as well as rush for natural resources increase conflicts
- Local structural weaknesses can hit the rest of the continent: health disasters...

- **The Urbanization Process as the core Challenge**

- One billion additional urban dwellers by 2050?
- A difficult process for land-tenure, governance and environmental reasons
- A double challenge: welcoming and becoming competitive

TOWARDS THE ENVIRONMENTAL COLLAPSE?

- **What is the Cost of Growth?**

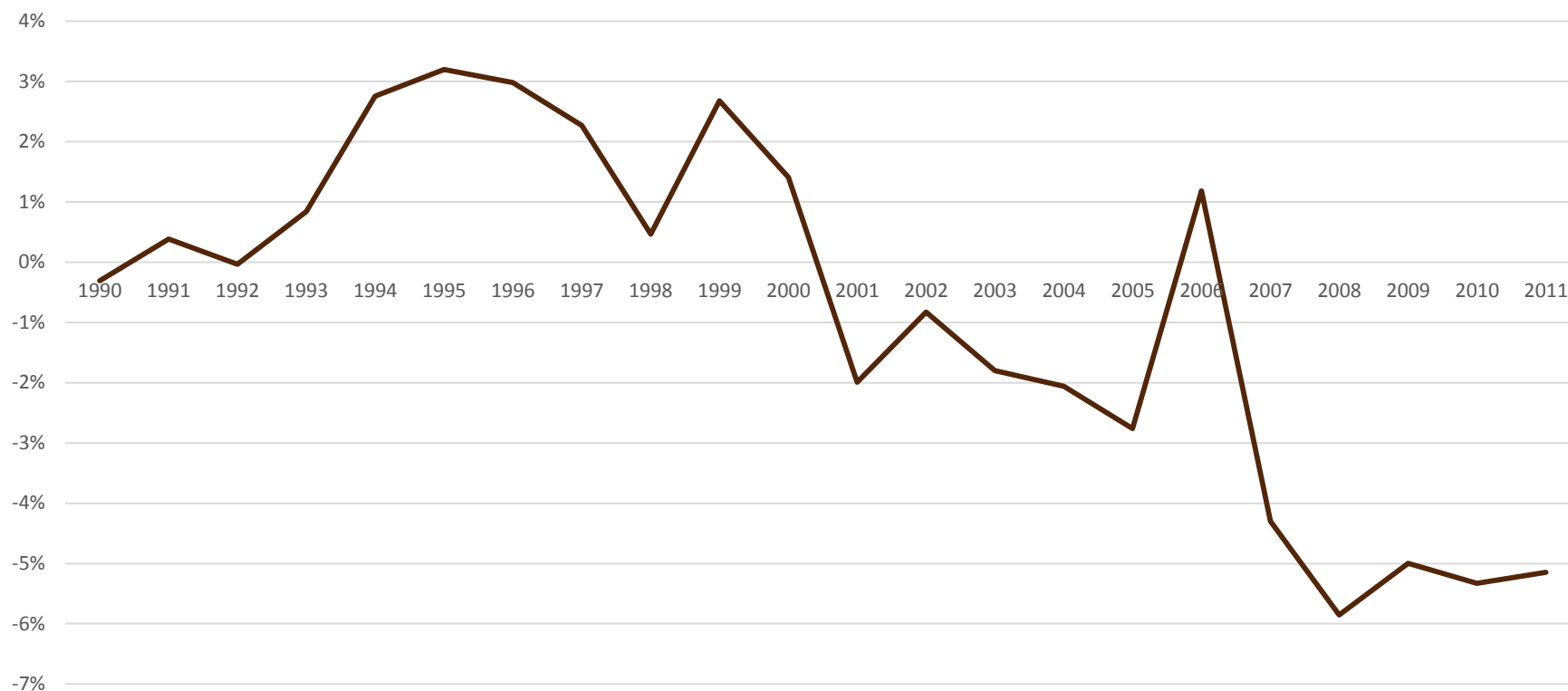
- The value of the African natural assets has decreased by 5% between 1995-2005, and if one includes the demographic growth
- Land, grasslands, and forests value has declined by respectively 17%, 55% et 42%.

- **The Sustainability Challenge**

- 21% of African land is proper for agriculture but 20% is already seriously degraded or not usable anymore
- If land degradation continues, agricultural productivity might decrease by 17 % to 30 % up to 2020, and 50% by 2060.
- Between 2000 and 2010, 3,4 millions hectares of forest have disappeared yearly, 3x the world average
- 70 % of halieutic reserves are fully or overused
- 375 millions people are affected by hydric stress, and 500 millions will be by 2030, including the impact of climate change

« REAL SAVINGS » DECLINING

Adjusted net savings, or « real savings », (as a % of GDP)



Source : World Bank

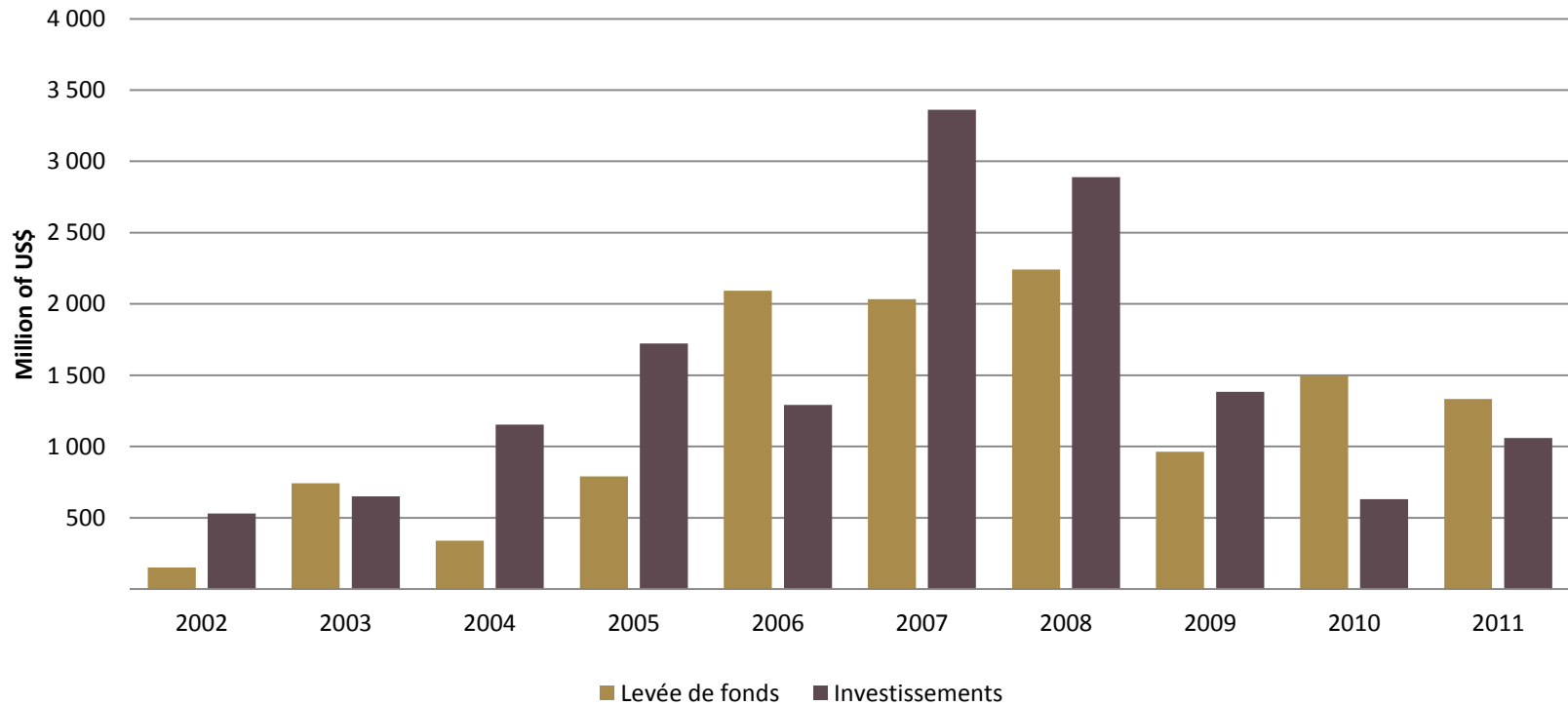
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AN ECONOMIC GROWTH PROMOTING THE DEVELOPMENT OF CAPITAL INVESTMENT

CAPITAL INVESTMENT PROGRESS IN AFRICA

Over the period 2008-2011, SSA has received an average 4.4% of the funds raised for all emerging countries, representing 3.1% of the investment (the major remaining area of Asia)

Fundraising and investment in private equity in Sub-Saharan Africa



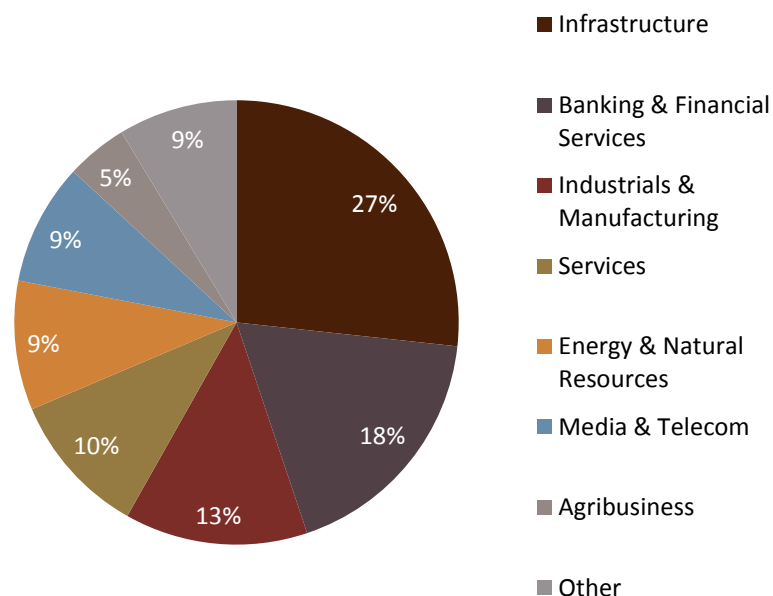
THE DISTRIBUTION OF CAPITAL INVESTMENT GROWS ON THE CONTINENT

- **The activity is concentrated in a handful of markets:** South Africa, Kenya, Nigeria ...
- **But diversification is at work:** the three countries in 2010 had fallen to "only" 56% of the total number of investments (against 74% and 73% in 2008 and 2009)
- **Among the new countries attraction:** Benin, Congo, Ghana, Liberia, Madagascar, Tanzania ...

The banking and the infrastructure sector hold a prominent place in the space of capital investment.

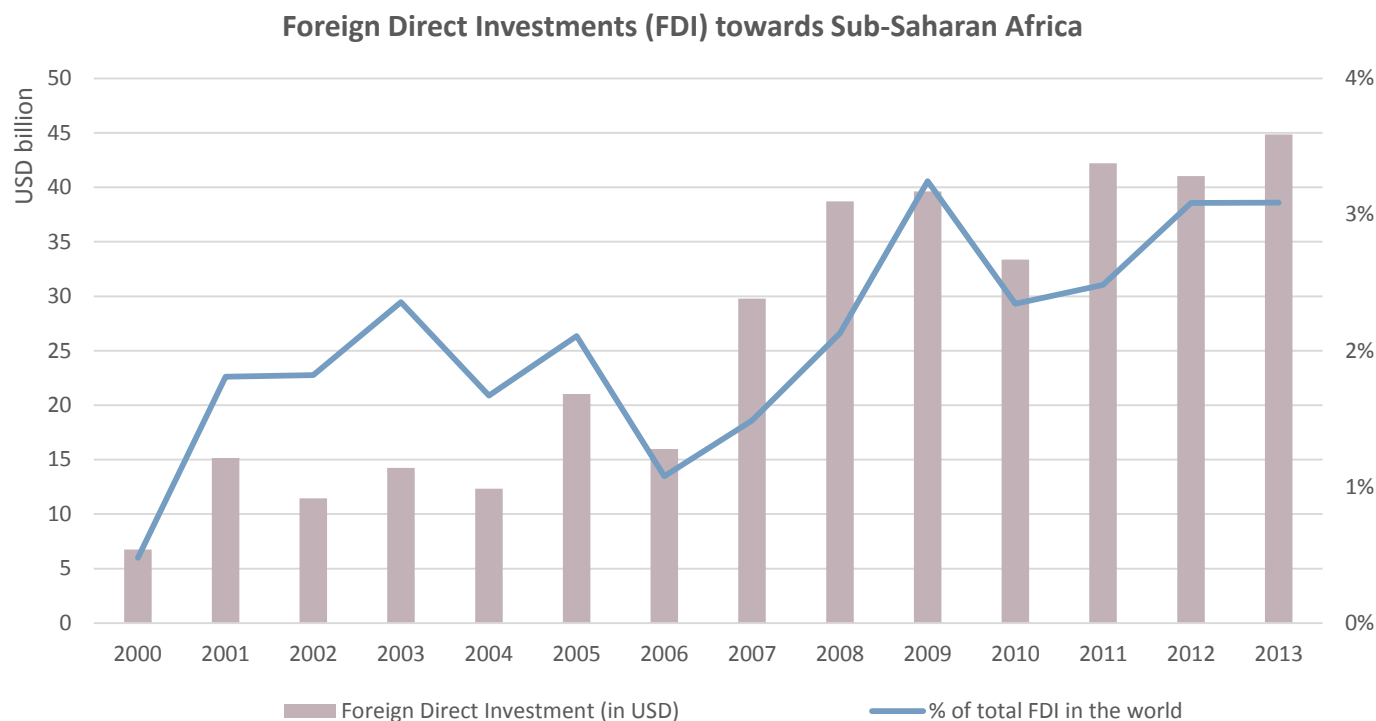
In 2010, however, more than half of the operations were carried out in areas such as health and food media and telecommunications

Sectoral distribution of investments in Sub-Saharan Africa (2009 - 2010)



SIGNIFICANT DEVELOPMENT OF FOREIGN DIRECT INVESTMENT

Foreign direct investment has been multiplied by 6,6 since 2000, and has reached **45 billion** dollars in 2012.



Source: UNCTAD

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THE DEVELOPMENT OF AFRICAN BUSINESSES

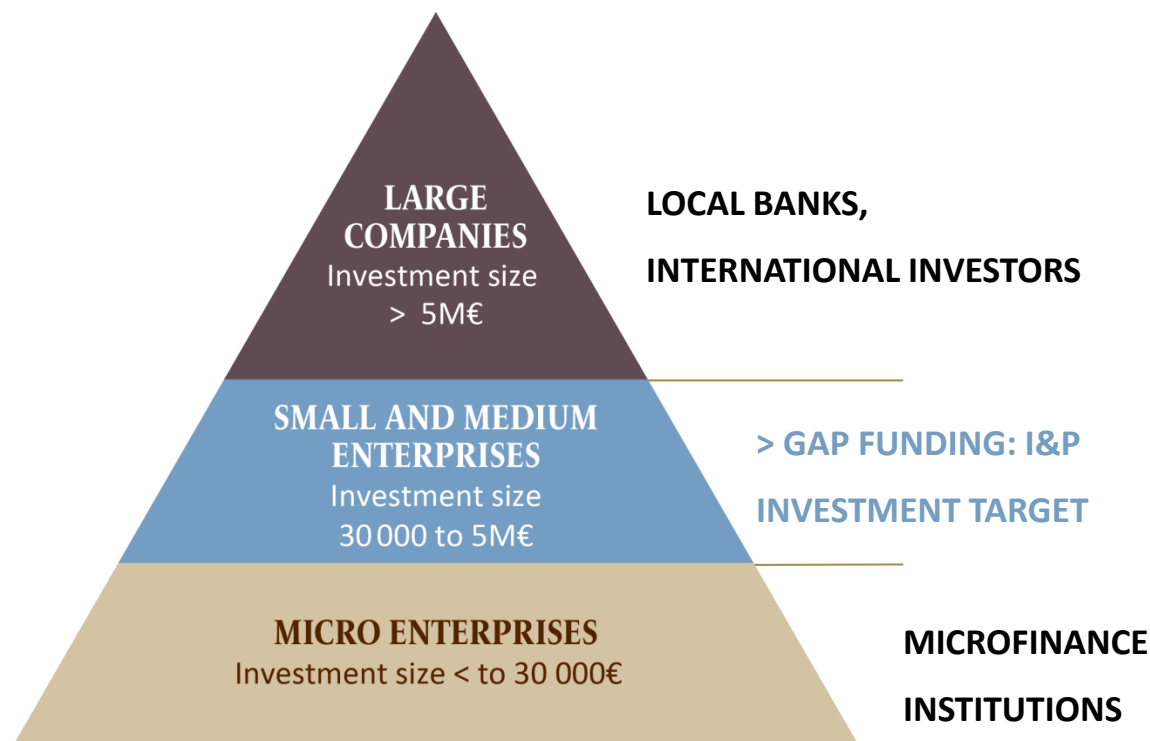
SMES HOLD VITAL ROLE IN ECONOMIC DEVELOPMENT IN SUB-SAHARAN AFRICA

Small and Medium Enterprises (SMEs) contribute to 30% of GDP and 17% of jobs created. They are a key element to a inclusive and sustainable growth on the African continent.

- **SMEs contribute to poverty alleviation and inclusive growth through 2 main channels**
 - Improving access to **essential goods and services** for the domestic market and the bottom of the pyramid
 - **Creating decent jobs** for both skills and unskilled workers
- **Most productivity gains can be found in SMEs**
- **They also contribute to political stability and social redistribution**

THE « MISSING MIDDLE » OF AFRICAN ECONOMIES

We see in developing countries a **significant lack of formal SMEs**: this is the “Missing Middle”. The phenomenon of the "missing middle" is **partly explained by the lack of access to finance** for small enterprises.



Today it is difficult to invest in these SMEs because:

- The lack of reliable accounting
- A lack of management culture
- The high cost of monitoring and evaluation in comparison with the amounts invested

Investisseurs & Partenaires (I&P) intends to meet the financing needs and support these businesses and thus contribute to the growth and development of the African continent.

The 21st century will be Africa's century!

- For all its risks and unknown features, Africa is really the new world economic frontier
- Profitability of investments may be high
- The human and environmental impacts of investments may be equally high
- This is a place to make a difference

To read more:
www.ietp.com



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