

A partnership for the future: 15 proposals for building a new economic relationship between Africa and France



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Summary

A PARTNERSHIP FOR THE FUTURE: 15 PROPOSALS FOR BUILDING A NEW ECONOMIC RELATIONSHIP BETWEEN AFRICA AND FRANCE

The “A Partnership for the Future” report calls for heightened French awareness of the economic and social development of Africa that will make it one of the major globalisation centres of the 21st century.

Prepared at the request of Pierre Moscovici, Minister for the Economy and Finance, by five French and Franco-African political and economic experts, Hubert Vedrine, Lionel Zinsou, Tidjane Thiam, Jean-Michel Severino and Hakim El Karoui, the report sets out proposals for building a new economic partnership based on a business relationship with the African continent, especially with the Sub-Saharan countries.

The report makes 15 proposals for establishing fresh economic momentum between Africa and France, grounded in a shift in France’s perception and attitude towards Africa, Africans and Franco-Africans and the promotion of mutual economic interests.

Banishing misconceptions about Africa

Most French people see Africa as the continent that has been left behind, where misery and poverty are rife and from where numerous young desperate people flee at the risk of their lives. Africa is also seen as a continent of no-go areas where armed gangs of kidnappers roam, where extremely tenacious pirates haunt hostile shores, as well as being the new hotbed of terrorism, where disaster and war are endemic. Lastly, it is perceived as being the continent of international assistance and humanitarian aid.

That Africa does exist. But it conceals another Africa, larger, more powerful, an Africa that is building a future and that is already a reality for hundreds of millions of Africans and French citizens who live and work there.

Africa is experiencing fast economic growth...

- For over a decade, economic growth has been 5% per annum on average, slightly lower than in Asia and much higher than in Europe: the African GDP growth rate should reach 5.6% in 2013 and rise to 6.1% in 2014
- Although it only accounts for 2% of world trade, Africa was the venue for the strongest growth in international exchanges between 2000 and 2011, with a 16% average annual rise in imports to Sub-Saharan Africa
- Africa is the continent with the most savings after Asia; foreign exchange reserves are estimated at \$ 500 billion
- Market capitalisation has increased nine-fold since the 1990s and more than 2,000 companies are now listed
- Africa's share of global foreign direct investment (FDI) increased from 1.2% in 2007 to 3.1% in 2012; Africa is one of the rare regions to have seen an increase in incoming FDI in 2011 and 2012, while global flows fell over the same period

...and social development

- The Human Development Index improved by 15.6% between 2000 and 2010 for Sub-Saharan Africa alone
- The percentage of the world's violent conflicts taking place in Sub-Saharan Africa fell from 55% to 24% between 2002 and 2011
- Between 300 and 500 million people make up the African middle classes
- The 40 richest Africans had wealth of \$ 73 billion in 2012
- Over 80% of the population is connected to a mobile telephone network
- A Nigerian billionaire, Aliko Dangote, has just invested \$ 3 billion for the construction of a refinery, a fertiliser plant and petrochemical facilities in Africa
- Migrant remittances were estimated at over \$ 30 billion in 2012, four times more than in 1990, an amount only slightly lower than the official development assistance paid by OECD countries (\$ 47 billion in 2011)

Africa has extraordinary potential...

- The population of Africa will double by 2050 to reach almost 2 billion people, making it one of the largest markets in the world
- African household expenditure should rocket from \$ 840 billion in 2008 to \$ 1,400 billion in 2020
- \$ 72 billion of annual investment in infrastructure is expected

...but it also faces challenges

- The urban population will increase from 414 million to over 1.2 billion by 2050
- 47.3% of young people between 15 and 24 were unemployed in Sub-Saharan Africa in 2011
- Poverty is declining overall but the number of poor is rising: in 2012, 386.0 million Africans lived on less than \$1.25 per day
- Growth causes widening regional inequalities between and within African countries, which is a source of unrest and often unforeseen crises

There is steeper global competition in Africa and France is losing market shares

- China's market share in Africa jumped from less than 2% in 1990 to more than 16% in 2011
- Besides European nations, many countries such as India and the United States, Israel and Iran have strengthened ties with Africa, and new players have emerged, such as Brazil, the Gulf states, Turkey, and Malaysia
- North Africa has become a major partner of Sub-Saharan Africa, and there are now continent wide African stakeholders
- Between 2000 and 2011, France's market share in Sub-Saharan Africa slumped from 10.1% to 4.7%, even though the value of French exports there doubled during the same period

But France is still a major economic player in Africa

- In the 14 countries of the CFA Zone, French companies were on almost equal footing with China with market share of 17.2% against 17.7% in 2011
- More than 10 million African households in 48 countries receive the TV5MONDE television channel
- French foreign direct investment in Sub-Saharan Africa increased four-fold from €6.4 billion in 2005 to €23.4 billion in 2011 making France the third largest investor
- Total is one of the leaders in resource exploration/production in Africa; in South Africa, Alstom has installed 80% of the plant turbines of the State-owned power utility, Eskom; Schneider Electric has 2,500 employees in fifteen African countries; Sanofi records €1 billion in turnover; Orange operates in many African countries on the mobile telephony and internet market, etc.
- In 2010, 45% of French net bilateral aid was earmarked for Sub-Saharan Africa, namely, €2.6 billion, and France is the second largest bilateral donor

Ties between Africa and France remain strong

France has established cultural, human, economic and military ties with Africa:

- There are almost 100 million French speakers in Africa out of a current worldwide total of 220 million
- In 2008, nearly 2.3 million immigrants in France were of African origin
- Over 235,000 French citizens live in Africa
- France is host to more African students than any other country (111,200 in 2010)
- There are over 400 partnerships between French and African local authorities

France can create at least 200,000 jobs in the next five years

This can be achieved by doubling exports to Africa if France and Africa begin balanced talks that uphold and develop the economic interests of each side.

The mission suggests a common growth agenda for France and Africa that addresses both the challenges facing Africa and French interests.

Nine proposals for a shared economic agenda working towards African and French growth

Promoting human capital

- Continue, as a priority, the reform of procedures for economic visas and their implementation, which currently represent a major impediment to shared growth
- Promote training in Africa via partnerships in vocational training, including higher education, and develop e-learning particularly targeting Africa
- Identify and leverage young African business talent
- Promote diversity in the economy, by supporting networks of businesswomen and creating mirror-like organisation for the public sector

Seeking diversified financing solutions

- Support financing for infrastructures that are critical to populations and businesses by drawing on multilateral funds and creating a complementary instrument in France
- Provide improved security for investments in Africa through better assessment of the true state of African risk and better sharing of risk through guarantee systems
- Expand growth-friendly resources by promoting greater involvement of long-term financing stakeholders (including life insurance firms) and expanding financial markets and the financial professions
- Use more multilateral instruments by strengthening European financial instruments vis-à-vis Africa, and bolster exchanges between development banks

Implementing industrial partnerships in key sectors for African growth

- Promote awareness of the opportunities in Africa among French firms, in particular SMEs and mid-tier companies
- Launch industrial partnerships and promote private-sector pilot projects in key French and African economic sectors, including agriculture, energy, transport, urban development, consumer goods, the digital economy, cultural industries, healthcare, tourism and security. Where possible, involve French and African local authorities
- Strengthen French policy regarding corporate social responsibility (CSR) and private-sector social commitment by means of new financing tools for the social and solidarity-based economy that promote economically viable and inclusive projects

Continuing to support regional integration in Africa

- Continue French support for the business law organisation OHADA
- Expand the CFA Zone to neighbouring countries to make it a regional block and forum for increased economic dialogue
- Continue support for African countries negotiating economic partnership agreements with the EU

Five proposals to remobilise France alongside an Africa on the move

The French government seems to have taken a step back from the continent over the last decade. Administrative services were partly redeployed to other continents and public opinion remained mired in an outdated “Afro-pessimism” that prevented it from perceiving an emerging Africa fostered by a new generation.

Attitudes are changing. To carry forward the reinvestment of France in the African continent, the report recommends:

Reactivating French influence

- Restart high-level governmental relations with the African continent
- Establish a secondment policy for public-sector regional and multilateral economic decision-making bodies and better mobilise French citizens working in foreign firms operating in Africa

Relaunching the French economic presence on the continent

- Increase the involvement of Africans abroad and local authorities in France’s economic policy with respect to Africa
- Bolster young people’s awareness of Africa by encouraging more International Business Volunteers
- Strengthen France’s economic network and give fresh impetus to robust technical cooperation on the African continent

Stepping up economic dialogue between Africa and France

- Organise a dialogue between public- and private-sector economic stakeholders to construct a joint strategy with respect to Africa
- Invest in and support business forums, think tanks and monitoring bodies dealing with the African economy to build and modernise this relationship
- Organise a major annual French-African business forum in France to bolster economic relations

Fostering investment by French companies in Africa

- Use public export support instruments (financial assistance and credit insurance against political risks) and strengthen dialogue between the French Development Agency and French businesses
- Encourage a sector-based approach, the concept of clusters and the amalgamation of French commercial offers

Increasing France's appeal

- Make France welcoming for African investments by attracting African capital and directing the savings of Africans working abroad toward investment in their home countries
- Team up with third countries wanting to co-invest in Africa

The creation of a French-African public-private Foundation that will embody and support the revival of the economic relationship

The Foundation will be the catalyst for the revival of the economic relationship between France and Africa.

Its mission will be to structure the dialogue between the French and African public and private sectors concerning economic issues, develop human capital and promote economic relations between France and Africa, and ensure the production and dissemination of economic information.

Thus, the Foundation will provide fresh impetus to French and Franco-African civil society's support for Africa.

PROPOSALS

PROPOSAL NO. 1

CONTINUE AND STEP UP MEASURES TO OVERHAUL FRENCH POLICY FOR ECONOMIC VISAS TO FOSTER THE MOVEMENT OF ECONOMIC STAKEHOLDERS BETWEEN FRANCE AND AFRICA

PROPOSAL NO. 2

REFOCUS TRAINING FOR HUMAN CAPITAL, UNIVERSITY AND RESEARCH COOPERATION AND INTELLECTUAL EXCHANGE TO CONTRIBUTE TO DEVELOPMENT

- Introduce significant enrolment fees for foreign students in France. Earmark some or all of the resulting revenue for grants for excellence, with the priority being given to Africa
- Boost cooperation in terms of research and university exchanges by French businesses providing guidance and by encouraging corporate sponsorship
- Promote the emergence of excellence in training for technicians and engineers, corresponding to the requirements of the labour market in Africa, through partnerships between institutions and companies, especially French ones
- Provide grants for vocational training programmes
- Select a specific set of CIFRE (a programme enabling PHD students working in a research laboratory to complete their theses whilst being paid by a private firm) theses on development, and give a large number of African students and researchers access to this programme
- Introduce massive online open courses (MOOC) for Africa
- Initiate programmes for identifying, training and assisting young African business talent
- Promote discussion forums for African and French women executives in the private and public sectors

PROPOSAL NO. 3

SUPPORT THE FINANCING OF INFRASTRUCTURE IN AFRICA

- At multilateral level, support the AfDB's Africa50 Fund by seconding French experts
- At European level, broaden the geographical and sector-based intervention of the Infrastructure Trust Fund and make the methods of use more flexible
- At domestic level, bring the Caisse des dépôts et Consignations (CDC) and the French Development Agency (AFD) closer together to establish a major vehicle for financing African infrastructure, that can be used at short notice and can act as a driving force for other economic operators

PROPOSAL NO. 4

REDUCE THE COST OF USING PRIVATE CAPITAL AND THE RISK PREMIUMS APPLIED TO AFRICA

- At multilateral level, put forward a proposal within the OECD for a technical reassessment of the model for analysing African financial risks, together with an international conference, involving rating agencies and financial institutions, to discuss how to strengthen the capabilities, transparency and rating models for African private equity
- At domestic level, open the AFD's ARIZ guarantee mechanism to equity, so as to cover taking interests as well as loans, particularly to kick-start social and solidarity-based economy projects
- Co-finance the rating of fifteen African companies to begin to quantify the actual African risk

PROPOSAL NO. 5

HELP BOLSTER THE FINANCING CAPACITY OF THE AFRICAN ECONOMY

- Establish in France a business centre of public (CDC, AFD) and private (banks, insurance companies) financial players that work with Africa to address subjects of joint interest. Coordinate this with an African counterpart to create a partnership business centre
- Encourage private equity in Africa – through microfinance, development capital and pension funds – by setting up legal structures for venture capital such as Venture Capital Mutual Funds (FCPR)
- Foster the development of life insurance and retirement insurance in Africa and support the Inter-African Conference on Insurance Markets (CIMA)
- Forge partnerships with forward-looking African stock exchanges to buttress local development (share markets, etc.)

PROPOSAL NO. 6

INCREASE THE EU'S CAPACITY FOR INTERVENTION IN AFRICA

- Extend the scope of intervention of the EIB in Africa
- Roll out a financing instrument that combines loans and grants via the Infrastructure Trust Fund (ITF)
- Organise a special seminar on Africa involving multi-lateral, bilateral, continental and sub-regional development banks

PROPOSAL NO. 7

ENCOURAGE FRENCH-AFRICAN INDUSTRIAL PARTNERSHIPS IN KEY ECONOMIC SECTORS, INCLUDING AGRICULTURE, ENERGY, TRANSPORT, URBAN DEVELOPMENT, CONSUMER GOODS, THE DIGITAL ECONOMY, CULTURAL INDUSTRIES, HEALTHCARE, TOURISM AND SECURITY

- Create specialised working parties to inform French companies and sectors about financial instruments at the disposal of donors and the projects and opportunities in Africa
- Set up institutional partnerships between France and African countries to provide a strong foundation for forging connections between businesses and to foster technology transfers
- Promote pilot initiatives among private companies to develop business models in each relevant sector
- Involve French and African local authorities (regions, cities, etc.) in specialised working parties, pilot initiatives and institutional partnerships

PROPOSAL NO. 8

PROMOTE THE SUSTAINABLE ECONOMY AND CORPORATE SOCIAL RESPONSIBILITY

- Strengthen the French policy for corporate social responsibility (CSR) and support for African countries to better factor in this responsibility, while taking account of African proposals in this respect
- In the AFD's calls for tender concerning funding, and as from the pre-qualification stage, verify the accuracy and requirements for CSR
- Within the AFD group, introduce an entry point for funding the social and solidarity-based economy and impact investment, with particular or exclusive focus on the African continent
- Open the AFD's ARIZ guarantee mechanism to equity, quasi-equity and loan transactions, accompanying the emergence and development of social and solidarity-based economy funding projects

PROPOSAL NO. 9

SUPPORT REGIONAL INTEGRATION IN AFRICA

- Continue French support for OHADA, particularly with an eye to boosting its appeal by improving the effectiveness of commercial law and the functioning of national commissions, and facilitating the expansion of its jurisdiction
- Expand the CFA Zone to make it a strong regional block and a forum for ongoing economic discussions with English- and Portuguese-speaking countries. Propose a plan of action to member countries, aimed at highlighting the growth-driving role of central banks in the CFA Zone
- Continue support for African countries negotiating Economic Partnership Agreements (EPAs) with the EU

PROPOSAL NO. 10

BOLSTER FRANCE'S INFLUENCE IN AFRICA

- Restart high-level governmental relations with the African continent. Increase presidential and ministerial visits to high-growth African countries and improve the welcome given to African political leaders in France, including by key French institutions, and step up exchanges with their African counterparts
- Contribute to Africa-oriented public and private economic policy-making bodies by establishing a secondment policy with respect to regional and multilateral bodies dealing with Africa as concerns French strategic and economic interests and ensure an improved follow-up
- Target and support the network of French executives employed in foreign firms operating in Sub-Saharan Africa, and monitor French-trained African economic executives

PROPOSAL NO. 11

QUICKLY REBUILD FRANCE'S FOREIGN TRADE PRESENCE IN SUB-SAHARAN AFRICA

- Involve Africans living in France in defining and implementing France's African economic policy, in designing and taking part in exchange and cooperation projects with Africa and in professional private-sector organisations. Africans abroad should be full participants in the Franco-African Foundation for Growth
- Provide more resources for the economic departments, possibly at regional level, and for Ubifrance in Africa
- Increase the number of International Business Volunteers (VIE) in Sub-Saharan Africa and provide greater scope for International Solidarity Volunteers (VIS) interested in economic sectors
- Better involve local authorities, at regional level, in the design, implementation and assessment of African economic policy in order to export regional French SMEs and know-how to Africa
- Develop technical cooperation in Africa in connection with French commercial offers

PROPOSAL NO. 12

INTENSIFY THE ECONOMIC DIALOGUE BETWEEN AFRICA AND FRANCE

- Launch a structured dialogue between the French government, Medef international, CIAN, African companies established abroad and the main Chambers of Commerce. Set up a working party involving the main public entities (DG Trésor, Ministry of Foreign Affairs, AFD, Public Investment Bank, CDC, etc.) and co-chaired by a business leader and a public figure, with the goal of drawing up an action plan for Sub-Saharan Africa
- Reinvest financially and intellectually in existing think tanks and foundations (Ferdi, Ifri, Institut de l'Entreprise, Institut Montaigne, Aspen, etc.) to set up research and monitoring, either in specialised or more general structures; establish a public economic monitoring instrument for defining and updating France's economic policy towards Africa
- Set up an annual French-African business forum

PROPOSAL NO. 13

PROMOTE INVESTMENT BY FRENCH COMPANIES IN AFRICA

- Create a temporary "Africa" political risk credit-insurance scheme for the benefit of investors
- Strengthen dialogue between public financial stakeholders (CDC, Bpifrance, Ubifrance, Coface, DG Trésor, Proparco) and the French private sector to make use of their experience with African economies for the benefit of French firms
- Develop a sector-based approach and amalgamate French commercial offerings, including technical and financial aspects
- Encourage French companies to think in terms of local clusters
- Bring together Bpifrance and the AFD so that they can structure commercial offerings that boost financing for SMEs and mid-tier companies with respect to Africa. Include other existing public mechanisms (RPE, FASEP, etc.) in these offerings.
- Significantly increase the non-sovereign activity of the AFD, particularly of Proparco, by seeking to acquire interests and to be involved in the management bodies of larger companies as well as in SMEs
- Support the creation by Proparco of a venture capital fund to support private infrastructure project developers

PROPOSAL NO. 14

MAKE FRANCE AN APPEALING DESTINATION FOR AFRICAN FINANCIAL, INDUSTRIAL, COMMERCIAL AND CULTURAL INVESTMENTS

- Rally French financial centres to attract African investors and companies
- Encourage French financial establishments to propose to the market authorities that they amend regulations allowing savings in France to be invested in African-based investment vehicles
- Team up with third countries wanting to co-invest in Africa

PROPOSAL NO. 15

CREATE A FRENCH-AFRICAN PUBLIC-PRIVATE FOUNDATION THAT WILL BE A CATALYST FOR RENEWED ECONOMIC RELATIONS BETWEEN FRANCE AND AFRICA

- Structure the dialogue between the French and African public and private sectors concerning economic issues
- Develop human capital
- Promote the economic relationship between France and Africa and produce and distribute economic information

Contents

Introduction	17
France and Sub-Saharan Africa are at a crossroads in their economic relationship	21
A transformation begun ten years ago in Sub-Saharan Africa is gathering speed	21
Sustained and partially endogenous growth.....	21
Behind this renewal, different Sub-Saharan Africas are appearing.....	25
The rise of (pan-)African economic stakeholders	31
Ongoing structural changes.....	32
Global and continental challenges	37
Climate change and food insecurity are a threat to development.....	37
Security is still a major concern.....	39
Liberating African potential – the task ahead.....	39
Sub-Saharan Africa – the stage for global economic competition	42
Competition is now global and is increasing	42
Investors are increasingly drawn to Africa	49
France’s eroding market share.....	50
Sub-Saharan momentum – an opportunity for France	55
France has already benefited from African growth	55
African growth could create over 200,000 jobs in the next ten years	57
French companies already operate on the main African markets.....	58
France’s strengths and the challenge of Africa	63
Africa and France share people, culture and language.....	63
France’s significant role in local economies	68
Africa: a priority for French development policy.....	73
French naval and military power contributes to security in Africa	74
France strongly supports African regional integration	75
Rebuilding French-African economic relations	77
Visas: a roadblock to France’s economic influence	77
French firms have widely diverging views of Africa	78
France is neglecting its economic interests in Africa.....	79

Nine proposals for a shared economic agenda working towards African and French growth.....	81
Promoting the exchange of human capital.....	81
Reform procedures for economic visas	81
Promote training in Africa	83
Identify and leverage young African business talent.....	86
Promote diversity in the economy.....	87
Diversifying financing instruments	89
Supplement existing financing for infrastructure.....	89
Improved security for investments	93
Expand financing of the economy.....	95
Strengthen European financial instruments vis-à-vis Africa.....	98
Enhance exchanges between development banks	99
Implementing industrial partnerships in key sectors.....	100
Marshal French expertise	100
Contribute to the African sustainable development agenda	101
Contribute to exploiting and transforming natural resources	102
Partnerships for productive and sustainable farming to foster food security across Africa	103
Partnerships for urban development.....	108
Partnerships in the infrastructure, energy and transport sectors	110
Invest in cultural industries and the digital economy	112
Promote sustainable economies and corporate social responsibility.....	114
Supporting African economic integration.....	118
Support the consolidation and expansion of business law harmonised by OHADA.....	118
Support the expansion of the CFA Zone to make it a stronger regional block	120
Foster stepped-up regional and interregional integration.....	120

Five proposals to marshal France alongside an Africa on the move	123
Reactivating French influence on the continent.....	124
Rapidly build a high-level structured relationship	124
Involvement in economic bodies to boost business ties.....	125
Better use of French sources of influence	126
Relaunching French economic presence in Africa.....	127
Draw on the economic success of French-Africans	127
Raise young people's awareness of Sub-Saharan Africa.....	128
Strengthen the economic network in Sub-Saharan Africa.....	128
Greater local authority involvement in national policies	130
Give fresh impetus for technical cooperation in Sub-Saharan Africa.....	131
Stepping up economic dialogue between Africa and France.....	133
Heighten strategic dialogue between the government and the private sector.....	133
Re-establish economic monitoring of Sub-Saharan Africa.....	134
More forums for discussion and meetings with partners	135
Fostering investment by French companies in Sub-Saharan Africa	136
Provide government guarantees against political risks.....	136
Better sharing of economic information about Africa.....	137
Promote technical building of French commercial offerings	137
Ensure a link between funding businesses and funding development	138
Expand the French financial investment offering	140
Increasing France's appeal to Africa	141
Consolidate France's position as a cultural, financial and economic centre for Africa.....	141
Promote use of the savings of Africans living abroad for investment in Africa.....	142
Build partnerships with third countries	143
Conclusion: a French-African Foundation to embody and support the renewal	145
Map of African states	148
Map of regional organisations in Africa	149
Classification of African countries	150
People interviewed by the task force	151

■ *Introduction* ■

At a time when many advanced and emerging countries are in the grip of a real or potential economic downturn, the world's attention is turned towards the more robust economic situation of Sub-Saharan Africa. For several years now¹, there have been increasing calls for sustained investment and confidence in the African continent, which is presented as the “new frontier” and the last El Dorado. A growing number of countries are now jockeying for new markets.

Despite the persistent focus on Sub-Saharan Africa, the Sahara is no longer a barrier to flows of any kind (human, economic, financial, cultural, etc.). The African continent must now be approached as a whole. There is active cooperation between North African countries and those south of the Sahara; Morocco in particular is making significant investments in the financial sector. Nevertheless, France has highly differentiated relations with each of these two zones, due in part to North Africa's greater proximity and higher level of development, but also to France's long-standing but somewhat outdated perception of the continent. **The task force decided to pay particular attention to the economic relationship between France and countries south of the Sahara; these relations must be urgently renewed, while factoring in the flows between this zone and North Africa.**

Sub-Saharan Africa's² economic situation and potential could turn it into a major centre for the global economy. The population is young and fast-growing, growth rates are high and there are capital inflows. Its agriculture, natural resources and mineral wealth represent considerable advantages for ensuring growth and development, and there has been real social progress. Lastly, Sub-Saharan Africa is a strategic crossroads for global economic issues, including security, economic concerns, commodities, the environment, energy and global governance.

Yet, despite large-scale shifts that began a decade ago, a booming business environment and competitive offensives by other countries, **France does not yet seem to have completely grasped the new African context, or the economic struggle that must be waged there.**

It is not too late for France to act, but it must do so quickly.

France has considerable advantages, but it has little forward momentum in dynamic English- and Portuguese-speaking markets, and its trading position in its “traditional” strongholds is weakening. France's share has sharply eroded under the combined effect of a large-scale influx of emerging countries (China, India, Brazil, as well as Turkey, the Gulf States and the countries of North Africa) and the growing economic presence of industrialised countries. Africa is now part of the globalised world, and its post-colonial fiefdoms are being swept away.

1 - “Africa's Moment”, by Jean-Michel Severino and Olivier Ray, 2010; “Lions on the move: The progress and potential of African economies”, McKinsey Global Institute, June 2010, “The African Challengers: Global Competitors Emerge from the Overlooked Continent”, Boston Consulting Group, June 2010, “How Exciting is Africa's Potential?”, Goldman Sachs, 14 October 2010.

2 - Sub-Saharan Africa is understood as all African countries with the exception of North Africa (Algeria, Morocco, Tunisia, Libya, Egypt), i.e. 49 of the 54 African countries.

France is no longer the special – or sometimes exclusive – partner it once was; Africans now see France as one trading partner among many. Nevertheless, France still enjoys a unique position due to several factors. These include i) a large-scale presence of African communities in France; ii) the existence of French communities in Africa; iii) the use of the French language, and therefore the presence of French culture, in large parts of Africa; iv) France's military role, which is recognised among the African and international community; v) significant economic assets (business premises, trade relations, a tailored offering); vi) public-sector involvement, which remains strong despite recent cutbacks (diplomatic network and operators); and vii) ongoing support for regional African organisations (WAEMU, CEMAC, the African Development Bank, OHADA, etc.).

More than a half-century after the first African countries achieved independence, relations between France and Sub-Saharan Africa are still burdened by the weight of history, despite repeated calls for change, including at European level³. French public opinion still sees Africa as a continent of poverty and war in need of aid. The French government does not yet seem to have fully grasped the transformation occurring in Africa. The private sector has a varied vision of Africa: many companies with a long-term presence in Africa have moved part of their operations to other continents, and multinational firms now consider Africa as one investment location among many and focus on high-growth, economically stable countries such as Nigeria, Ghana, Kenya, South Africa, etc. SMEs, which have not historically been present in Africa, continue to show very little interest in the African market, which they see as being very risky. Sub-Saharan Africa reflects France's strengths and weaknesses in terms of globalisation.

Sub-Saharan Africa's «pre-emergence» is still precarious, and varies depending on the region and country. Major socio-economic challenges remain. The speed – not to say brutality – and the uneven nature of these changes generate unpredictable crises, and are likely to continue to do so. More inclusive growth would limit the frequency and scope of such crises. These weaknesses hamper trade relations and call for governments to intervene to clarify and potentially alleviate the risk.

France should encourage and support growth in Africa, thereby bolstering its position on the continent and finding the growth sources it seeks. To achieve this, it needs to change the basis of its economic relations with Africa. **The French government should focus its economic policy on support for private-sector business relationships, and take full responsibility for its interests in Africa.** Official development assistance, which was at the centre of public economic policy, is becoming one of the tools for public-sector action in Africa, while shifting towards a partnership approach focused on providing support for growth in recipient countries. To act as an agent for change, France should, in partnership with all French stakeholders, review France's economic interests in Africa, and therefore its priorities. It should familiarise itself with the circumstances and changing needs of its African partners.

France is beginning to wake up to the need for change, and the assignment entrusted to a Commission comprised of important French and French-African figures from the

3 - From 2005, the European Union defined a new strategic framework for its relations based on lasting signs of change before proposing in 2007 a more global partnership between equal parties.

political and economic spheres is a sign of the willingness of the public authorities to promote a remobilisation of the government, the private sector and civil society with respect to Africa.

France's National Assembly has just issued a report recommending that French investments focus on English-speaking African countries, and the French Senate has also recently published a lengthy and highly-documented report entitled, «Africa is the Future of France», which forcibly makes the case for France to reinvest in Africa.

This report sets out some economic proposals for renewing France's position in a changing Africa; it does not comprehensively address the geo-political, cultural or security aspects of the French-African relationship.

FRANCE AND SUB-SAHARAN AFRICA ARE AT A CROSSROADS IN THEIR ECONOMIC RELATIONSHIP

A transformation begun ten years ago in Sub- Saharan Africa is gathering speed

Sustained and partially
endogenous growth

Structural macroeconomic performance

Over the past decade, growth in Sub-Saharan Africa has been stable and sturdy.

It has outstripped demographic growth, which is generally higher than the world average. Average annual growth rate reached 5% between 1995 and 2005, and 6.5% between 2004 and 2008, well above the global average of 4.6% and the average annual growth rate of 3% between 1990 and 2000. Real GDP growth per capita was 4.2% between 2004 and 2008, and reached 2.8% in 2011⁴.

Although its growth momentum was slowed by the international economic crisis of 2008–2009, Sub-Saharan Africa held up well, achieving a growth rate of 5.4% in 2010, 5.3% in 2011 and

4.8% in 2012⁵. From 2005–2010, Africa was in second place behind Asia (7.6% against 4.8%⁶).

In 2010, ten African countries ranked among the fifteen countries that experienced the strongest growth, all continents included⁷. Continued GDP growth is forecast for 2013 and 2014 (5.6% and 6.1% respectively). Real GDP growth per capita is expected to reach 3.5% in 2013⁸.

Growth in Sub-Saharan Africa is characterised by **positive macroeconomic indicators**, falling inflation, especially after the sharp rise in food and fuel prices in 2011⁹ (15.0% in 2000 compared with 8.9% in 2012¹⁰), lower budget deficits (the fiscal balance between 2004 and 2008, excluding grants, was positive by as much as 0.4% of GDP¹¹) and control of external debt (23.7% of GDP in 2012 against 62.6% in 2000¹²).

Though Africa only represents 2% of world trade, **it experienced the highest growth in international trade between 2000 and 2011.**

4 - Regional Economic Outlook: Sub-Saharan Africa, IMF, October 2012.

5 - World Economic Outlook Database, IMF, April 2013.

6 - "Misperception of Risk and Return in Low Income Countries", *op. cit.*

7 - "Unleashing Africa's Potential as a Pole of Global Growth", Economic Commission for Africa, African Union, Economic Report on Africa 2012.

8 - Regional Economic Outlook: Sub-Saharan Africa, IMF, October 2012.

9 - *Ibid.*

10 - *La Lettre de la Zone franc n° 1*, Banque de France, July 2013.

11 - Regional Economic Outlook: Sub-Saharan Africa, IMF, October 2012.

12 - World Economic Outlook Database, IMF, April 2013.

The African market's share of global trade increased from 1% to 2% in a single decade. The rate of the continent's involvement in global trade is exceeding economic growth, and growth in trading is outstripping increases in wealth. Between 2000 and 2011, total imports by Sub-Saharan Africa grew by an annual average of 16%, surpassing by far growth in global trade (+10% per year) and the growth rate of the Near and Middle East (+14% per year), Asia-Oceania (+13%) and North Africa (+13%). Only the BRICs (Brazil, Russia, India and China), with an annual average rate of some 20%¹³, experienced higher growth in imports than Sub-Saharan Africa.

Very large-scale **investments in infrastructure** worth \$72 billion annually¹⁴ are planned. The various projects involve rail transport (the Dakar–N'Djamena–Djibouti rail link, construction of the 1,300-km Abidjan–Ouaga railway line), roads (project to link trans-African highways between Dakar and N'Djamena and between N'Djamena and Djibouti, representing a total distance of 8,715 km)¹⁵, ports (project by a subsidiary of the Maersk group to build a mega-port in Nigeria, some fifty kilometres from Lagos, to cater to increasing container traffic, which is expected to rise to 10 million TEU in 30 years, compared with 1.5 million in 2011)¹⁶, energy (construction of a 4,300-km gas pipeline between Nigeria and Algeria through Niger)¹⁷ and digital investments (Google is planning on installing wireless networks in

Sub-Saharan Africa as well as in South-East Asia, by financing local operators¹⁸; billions of dollars in recent investments in underwater cables¹⁹).

Sub-Saharan Africa's growth is reflected in a dramatic increase in air traffic. Africa is now the second most attractive market, just behind Asia, and Boeing predicts an average annual increase of 5.7% in passenger traffic between now and 2031. The number of passenger aircraft on the continent is expected to increase from 600 to 1,400 over the next twenty years²⁰. Similarly, growth in maritime trading is increasing by 10–12% annually (95% of trade in Africa is done by maritime transport²¹).

There has also been a great deal of social progress.

The improvement in the human development index from the United Nations Development Programme (UNDP) reached 15.6% in Sub-Saharan Africa between 2000 and 2010²². Health, education and gender indicators improved throughout Sub-Saharan Africa during the same period²³. School attendance rates have increased dramatically, especially among girls, while pandemics (such as tuberculosis and AIDS) are waning, infant mortality is falling and life expectancy is increasing.

Lastly, women are enjoying a larger role in Africa's political and economic life. Liberia and Malawi have women leaders. Of the 36 lower chambers of parliament world wide whose membership is at least 30% female (the threshold which is generally considered to have a real

13 - CHELEM database, CEPIL, June 2013.

14 - "Infrastructure investment in Africa", Tonia Kanderio, EDRE Development Research Department, Office of Chief Economist, AfDB, No. 10, August 2009.

15 - "Infrastructure development as catalyst for economic growth in Africa", AU Commission and NEPAD, 17th Africa Partnership Forum (APF), 16 November 2011.

16 - "APM Terminals multiplie les projets en Afrique", Jeune Afrique Économie, 18 June 2013.

17 - "Infrastructure development as catalyst for economic growth in Africa", AU Commission and NEPAD, *op. cit.*

18 - 01Business.com magazine, June 2013.

19 - « *Internet en Afrique : la fin du désert numérique ?* », Laurent Checola, 18 February 2011.

20 - « *Les flottes africaines décollent* », Christophe Le Bec, Jeune Afrique Économie, 24 October 2012.

21 - « *L'Afrique fait le bonheur des armateurs* », Olivier Caslin, Jeune Afrique Économie, 27 December 2012.

22 - The HDI increased from 0.405 (2000) to 0.468 (2010), UNDP, August 2013.

23 - Until 2012, the only drop recorded for education is for Equatorial Guinea, according to the UNDP.

impact on decision-making), 11 are African. At the end of 2012, women represented one-fifth of all MPs in Sub-Saharan Africa, a 7% increase in ten years. In Rwanda, 64% of members of the new Parliament installed in October 2013 are women, compared with 42% in South Africa.²⁴

Growth fuelled by external financial flows

Growth has been supported by **exogenous factors**, increased exports, lighter debt burdens and financial inflows from Africans abroad.

Commodity prices (especially natural hydrocarbons and agricultural products) increased during the 1990s and especially the early 2000s, driven by the increase in incomes and the urbanisation of emerging countries. This **improved terms of trade** (138 in 2012 (base year 2000)²⁵) and stimulated **exports by Sub-Saharan Africa** (a 117% upturn between 2000 and 2010; in 2012 they accounted for 37.3% of GDP, against 26.0% in 1990²⁶).

This growth in exports has **improved public finances**. Most African countries enjoy positive current account balances. Growth has also **encouraged reserve accumulation**; between 2004 and 2012, **exchange reserves** in Sub-Saharan African countries increased by 60%²⁷; African exchange reserves are now estimated at \$500 billion. Finally, growth has attracted increased **foreign investment**, particularly from emerging economies (mainly China) investing in the extractive industries. FDI flows to Africa reached a record \$53 billion in 2007, after experiencing an average growth rate of 0.4% in 2000.

Among official development assistance flows, **debt relief** – under the Heavily Indebted Poor Countries Initiative (HIPC), which was launched by the IMF and the World Bank in 1996, and supplemented in 2005 by the Multilateral Debt Relief Initiative (MDRI) – significantly relieved debt in African countries. In addition to supplementary bilateral efforts, macroeconomic and financial management reforms as well as favourable macroeconomic conditions, these initiatives made it possible to reduce Africa's total external debt by three-quarters compared to GDP in 1994 and 2010. It currently stands at 20% of gross national income, equivalent to the average for developing countries. External debt servicing has been cut by two-thirds and accounted for less than 5% of exports of goods and services in 2009²⁸. In total, of the \$110 billion of debt written off through these initiatives, \$93 billion was cancelled for countries in Sub-Saharan Africa²⁹.

Migrants' remittances towards Sub-Saharan Africa – estimated to be more than \$30 billion in 2012 – have quadrupled since 1990³⁰. According to the World Bank, they are nearly equivalent to net ODA flows paid by DAC donors. These estimates likely fall far short of reality, given the very large volume of informal transfers.

Globally, external financial flows to Africa have quadrupled since 2001; they reached their highest level in 2012³¹.

24 - "Women are winning – Quota systems are transforming African parliaments", The Economist, 9 November 2013.

25 - Regional Economic Outlook, IMF, 2013.

26 - « Vers une nouvelle économie africaine ? », I&P Conseil, November 2012.

27 - Ibid.

28 - « Vers un endettement plus soutenable ? », Au Sud du Sahara No. 02, AFD, January 2013.

29 - "Misperception of Risk and Return in Low Income Countries", Roland Berger Strategy Consultants, June 2012.

30 - « Perspectives économiques pour l'Afrique subsaharienne. Questions et scénarios », Pierre Jacquemot, L'économie politique No. 59.

31 - African Economic Outlook 2013.

African growth is also stimulated by internal factors

External factors can only partially account for this momentum, as growth in Africa continued even after commodity prices fell in 2008.

African growth is to a large extent endogenous, meaning it is stimulated by internal factors.

In particular, **domestic consumption, supported by an internal market made viable by an emerging urban middle class**, had a strong impact on growth. The middle classes³² represent between 300 and 500 million people throughout Africa, roughly a third of the continental population, according to the African Development Bank (AfDB). This proportion is the same in India. The sustained pace of household final consumption expenditure (average annual growth of 4.4% between 2000 and 2010³³) has been fuelled in part by financial flows associated with migrant remittances³⁴.

In Angola, private consumption increased by 14.7% (1.6% in 2011), stimulated in part by wage increases in the public sector (+6.1% in 2012) and by the expansion of non-oil sectors, mainly construction and retail.

In South Africa, even the size of the upper middle class (monthly income, after tax, of 10,000 constant 2008 rands, or roughly \$1,200) increased from 0.4 million people in 1993 (1.1% of the population) to 0.8 million (1.9%) in 2000, and 1.3 million (2.8%) in 2008.

Technology has also played a key role in this growth, especially the boom in mobile telephony (500 million subscribers in Africa in 2012, against 250 million in 2008)³⁵ and digital access (77 million Africans had internet access in 2010, compared with 27 million in 2007³⁶).

The emergence of a **new generation of highly-educated Africans** has also been a motor for African growth. **This is the cornerstone of Africa's economic future.**

Unprecedented relative political stability and the expanding role of civil society have also fostered growth. Over the last ten years, conflicts in Sub-Saharan Africa have fallen off (the percentage of the world's violent conflicts taking place in Africa dropped from 55% in 2002 to 24% in 2011³⁷), and successful electoral transitions have often meant better economic management³⁸. The overall decrease in civil strife, combined with more public demonstrations, is a sign of a more peaceful and democratic way of expressing collective disagreement³⁹.

32 - According to the AfDB, the middle class signifies the population whose daily purchasing power fluctuates between \$ 2 and 20 (in purchasing power parity for 2005) and whose annual salary exceeds \$ 700 ("Misperception of Risk and Return in Low Income Countries", *op. cit.*).

33 - « *Vers une nouvelle économie africaine ?* », I&P Conseil, *op. cit.*

34 - Financial flows from intra-African migrants are estimated at \$ 8 billion by the World Bank ("World Bank Migration and Remittances Unit").

35 - "Jobs, Justice and Equity: seizing opportunities in times of global change", Africa Progress Report 2012, Africa Progress Panel, 2012.

36 - « *Internet en Afrique : la fin du désert numérique ?* », Laurent Checola, 18 February 2011.

37 - "Jobs, Justice and Equity: seizing opportunities in times of global change", *op. cit.*

38 - "African Governance Outlook, public financial reforms: the recent progress in Africa", May 2012.

39 - "Misperception of Risk and Return in Low Income Countries", *op. cit.*

Behind this renewal, different Sub-Saharan Africas are appearing

An economically heterogeneous continent

Africa is driven by various economic scenarios. In Sub-Saharan Africa, there are 49 countries with quite different situations and advantages. In theory, the larger countries, in terms of size and population (Nigeria, South Africa, Ethiopia, Sudan, the Democratic Republic of Congo [DRC], etc.), have domestic markets that can drive endogenous growth, unlike less-populated countries such as the Republic of the Congo, Togo, Gabon and Botswana. In addition, countries with a coastline are more export-oriented (Ghana, Côte d'Ivoire, Cameroon, etc.) than landlocked countries such as Burkina Faso and Rwanda, or countries with high transport costs that rely on regional markets to sell their goods or services.

African countries are also internally heterogeneous. Northern Nigeria, which is poorer and the majority of whose population is Muslim, is very different to Southern Nigeria, with its ports and oil. In Ghana, there are significant geographic differences between the South («Greater Accra», which accounts for around one-fifth of the country's population) and the North, as well as the rest of the country and its various regions, which are still far from reaping the benefits of growth.

Wealth is unequally distributed among the different countries

South Africa and Nigeria are the two dominant economies in Sub-Saharan Africa

With GDP of \$269 billion in 2012⁴⁰, equivalent to 21% of GDP in Sub-Saharan Africa, South Africa is the continent's leading economy and primary diplomatic power. However, due to its involvement in the global economy, South Africa suffered more during the economic recession. South Africa accounts for 80 to 90% of private equity transactions in Sub-Saharan Africa⁴¹ and 85% of total market capitalisation in 2008⁴².

Nigeria, which is the most populated country in Africa with 162 million inhabitants, is the continent's primary oil producer and has the second largest GDP. Spurred on by excellent economic growth (+6.3% in 2012 according to the IMF), Nigeria is slated to become the most powerful economic nation in Africa by 2020.

Economic power in Africa is in the hands of a small group of countries, most of which are oil exporters

In 2011, eight African countries accounted for 72% of total GDP: South Africa, Nigeria, Angola, Ethiopia, Egypt, Algeria, Morocco and Tunisia. Of the four Sub-Saharan countries, Nigeria and Angola export oil.

Countries that export oil have higher growth rates (6.4% in 2012) than middle-income countries (3.3% in 2012) and fragile States⁴³. The GDP gap in current dollars between middle-income countries and fragile States has more than doubled in twenty years, increasing from \$114 billion in 1990 to \$408 billion⁴⁴.

40 - The total GDP of Sub-Saharan Africa amounted to \$ 1,273 billion in 2012 according to the IMF.

41 - "The rise of private equity in Africa: a promising drive for development", conference of the African Business Lawyers Club, June 2013.

42 - « *Les marchés financiers en Afrique : véritable outil de développement ?* », « *Secteur privé et développement* » journal No. 5, Proparco, March 2010.

43 - Regional Economic Outlook: Sub-Saharan Africa, IMF, October 2012. The IMF distinguishes four groups of countries: oil exporters, middle-income countries, low-income countries, fragile states.

44 - World Economic Outlook Database, IMF, April 2013.

English- and Portuguese-speaking countries perform the best and have an expanding domestic market

The most thriving economies are, for the most part, in English- and Portuguese-speaking Africa. From 1996 to 2008, countries whose average per capita growth rate was over 2% were mostly non-French-speaking. They include Angola, Botswana, Cape Verde, Equatorial Guinea, Ethiopia, Ghana, Lesotho, Mauritius, Mozambique, Namibia, Nigeria, Rwanda, Sao-Tome and Principe, South Africa, Swaziland, Tanzania, Uganda, Burkina Faso and Chad⁴⁵.

From 2000-2010, the highest annual average growth rates were in countries south of the Sahara – Equatorial Guinea, Angola, Nigeria, Sierra Leone, Ethiopia, Rwanda, Chad, Mozambique, Uganda and Tanzania. Most recently (2008 to 2012), the strongest annual growth was in Sierra Leone, Zimbabwe, Ghana, Ethiopia, Rwanda, Nigeria, Mozambique, Zambia, Liberia and Tanzania⁴⁶.

Taking a more inclusive indicator than GDP, the World Economic Forum's Global Competitiveness Index, which covers 144 countries, puts South Africa in 52nd position, followed by Mauritius (54th), Rwanda (63rd), Morocco (70th), the Seychelles (76th), Botswana (79th) and finally Namibia (92nd).

Most countries with good **structural performances** are also English- and Portuguese-speaking countries. Countries such as Ghana, Rwanda, Uganda, Tanzania, Mozambique and Kenya display positive savings and investment

rates, have diversified their sources of growth, directed aid towards infrastructure, supported the local private sector and introduced reforms in the areas of social protection, education, and structuring and financing the economy.

In West Africa, **Ghana** remains a model of stability, especially political stability. Its excellent growth figures (annual growth reached 13.6% in 2011, the second highest in the world, and 7.5% in 2012, with average growth above 5% over the last ten years) are largely due to political stability⁴⁷, a diversified economy and well-managed mineral and oil wealth.

The economy in Ghana is open to both trade and foreign investment. Ghana is a middle-income country (\$37 billion in GDP, \$1,680 per capita) and received the third largest amount of foreign direct investment (FDI) in Sub-Saharan Africa⁴⁸. Investments in ICT allow Ghana to offer the cheapest mobile Internet rates in Sub-Saharan Africa⁴⁹ and to provide Internet access to roughly a third of the population. Improvements in the business environment, in particular the creation of commercial courts and the strengthening of credit institutions, have attracted multinationals and fostered the development of local firms⁵⁰.

In East Africa, **Kenya** is poised to become a major market. This country, with more than 200 million inhabitants, is the economic heart of East Africa. Kenya is stable and has strong economic growth (4.7% in 2012, and the IMF has predicted 5.8% in 2013).

45 - Ibid.

46 - Ibid.

47 - The country is listed 64th in the World Bank's "Doing Business" ranking and 62nd in Transparency International's index on corruption.

48 - "The new prosperity, Strategies for Improving Well-Being in Sub-Saharan Africa", The Boston Consulting Group and The Tony Blair Africa Governance Initiative, May 2013.

49 - Ibid.

50 - Ibid.

Ethiopia is the second most populated country in Africa, with roughly 92 million inhabitants in 2012 and is described as a future «African Tiger». Although Ethiopia remains one of the poorest countries in the world (173rd out of 187 countries on the UNDP's Human Development Index), with annual per capita GDP of \$471⁵¹ and some of the worst social indicators in the world (38% secondary school attendance rate and life expectancy of 58 years, according to the World Bank), this country has a reliable government⁵² and hydraulic resources which supply the region with electricity and facilitate foreign currency inflows.

Ethiopia is gradually becoming an agricultural and industrial «workshop», with real progress in the field of healthcare⁵³. Ethiopia's primary school attendance rate has reached 100% and its economy grew by more than 10% annually between 2004 and 2011, according to the World Bank. Ethiopia aims to become a middle-income country by 2025. The government expects annual growth rates of 11–14% between 2010 and 2015, whereas the IMF forecasts annual average growth of roughly 6.8%.

In Southern Africa, **Angola** and **Mozambique** are the two most dynamic economies, with expected growth rates in 2013 of 6.2% and 7%, respectively. These two Portuguese-speaking countries are also very stable politically. Thanks to oil revenue, Angola has invested in infrastructure and created a sovereign fund which is currently allowing it to purchase assets, including in Portugal. Mozambique's mineral and oil wealth should allow it, over the next ten years, to become the commodities «El Dorado».

The seven Sub-Saharan countries with the highest private consumption in 2011 were English- and Portuguese-speaking countries: South Africa, Angola, Ghana, Kenya, Nigeria, Sudan and Ethiopia⁵⁴. According to the Forbes ranking of the wealthiest people in Africa, the fifty wealthiest people (\$1.5 billion on average) are concentrated in Angola, Kenya, Nigeria, South Africa, Tanzania, Uganda and Zimbabwe⁵⁵.

Two African countries in particular should benefit from long-term demographic dividends. By 2018, according to the IMF, Ethiopia is expected to have a population of 99 million, and the Democratic Republic of Congo's population should reach 89 million inhabitants.

In the longer term, English-speaking Africa's expanding financial system could provide an advantage; it is comprised of financial markets, banks and pension funds and is able to finance long-term employment (mortgage markets, infrastructure, etc.).

The percentage of people who use banking services varies from over 50% in South Africa to less than 15% in French-speaking African countries (excluding Côte d'Ivoire). Kenya has a rate of roughly 42%, owing to the large number of financial institutions and mobile telephone banking devices (M-Pesa and M-Kesho). In Angola and Mozambique, the figure is around 39%. Moreover, at least half of businesses in French-speaking Africa encounter more problems in accessing long-term bank financing.

51 - IMF, 2012.

52 - The country is in 50th place for the «enforcing contracts» criterion of the World Bank's «Doing Business» ranking for 2012.

53 - «The new prosperity, Strategies for Improving Well-Being in Sub-Saharan Africa», *op. cit.*

54 - «Winning the \$30 trillion decathlon: Going for gold in emerging markets», McKinsey Quarterly, August 2012.

55 - Forbes report produced with Société Générale Private Banking («Emerging Markets: Joining the global ranks of wealth creators», quoted by Jeune Afrique Économie), 18 April 2013.

The limited banking networks in these areas also explain why it is hard to access financial services. Nigeria has the largest bank network, followed by South Africa and, very recently, by Kenya and Gabon⁵⁶. In 2012, South Africa and Nigeria represented, respectively, 36% and 9% of the total balance sheet of the 200 largest African banks and 45% and 15% of total net banking income⁵⁷. Lastly, though this is in part due to the establishment of local subsidiaries of international networks, only 2% of the 100 largest African banks have their headquarters in French-speaking Sub-Saharan Africa, compared with 41% in North Africa.

Several studies have flagged up the economic potential of endogenous development of African pension funds. In Kenya, the pension fund system contributes up to 68% of its members' incomes, comprising almost 30% of GDP. In South Africa, assets managed by pension funds increased from \$166 billion in 2007 to \$277 billion in 2011⁵⁸. In Nigeria, pension funds managed \$3 billion in 2008; this figure was \$14 billion in 2010.

Pension fund momentum is particularly noticeable in South Africa, Nigeria and Ghana, due to increasingly flexible regulations concerning investments. In South Africa, the rules now allow pension funds to invest in private equity funds. In 2012, Nigeria authorised pension

funds to invest up to 5% of their assets in local private equity funds, as did Ghana, after the Pension Fund Act of 2008. Lastly, the Social Security and National Insurance Trust (SSNIT) has become the largest institutional investor in the Ghana Stock Exchange⁵⁹.

Good growth in French-speaking Africa, though less strong than in English- and Portuguese-speaking countries

Compared with other countries, growth in the CFA Zone has been lower in the past decade. However, overall performance in French-speaking Africa is still good and investors recognise significant growth potential.

This negative growth gap is largely due to political instability in Côte d'Ivoire and, to a lesser extent, in the Central African Republic.

Between 2004 and 2008, growth in the CFA Zone reached 4.9%⁶⁰. In 2012, following a year of stagnation in 2011, countries in this area returned solidly to growth, outstripping Sub-Saharan Africa for the first time since 2009. Growth was 6.2% in the WAEMU and 4.5% in the CEMAC (Economic and Monetary Community of Central Africa), compared with 5.1% in Sub-Saharan Africa⁶¹.

56 - « *Évolution du secteur bancaire africain : nouveaux acteurs, nouveaux modèles ?* », revue « *Secteur privé et développement* » n° 16, Proparco, mai 2013.

57 - Ibidem.

58 - « *Fonds de pension, le chaînon manquant de l'Eldorado africain* », Les Afriques n° 222, 22-28 novembre 2012.

59 - Ibidem.

60 - Regional Economic Outlook: Sub-Saharan Africa, IMF, October 2012.

Growth was particularly strong in **Côte d'Ivoire** in 2012 (9.8%) and the IMF expects annual medium-term growth of 8%. Côte d'Ivoire's ambition of becoming an emerging country by 2020 received strong support from international donors during the Consultative Group Meeting of 3 and 4 December 2012 (more than €6.6 billion of foreign aid was announced for 2012–2015).

Cameroon is the most populated country in the CEMAC with roughly 20 million inhabitants, most of whom speak French. It has the most diversified economy in Central Africa, and growth is stable and sustained, reaching 4.7% in 2012.

From 2000–2010, **Burkina Faso's** GDP grew by more than 5% a year, despite the fact that the country is landlocked. The economy is not diversified and is largely dependant on rainfall and commodity prices. The new Strategy for Growth and Sustainable Development (SCADD) forecasts average annual growth of almost 10% between 2011 and 2015 (9.8% in 2012).

Growing activity along interregional “economic corridors”

The African economy is in part impacted by political borders. Several socio-economic corridors represent genuine regional growth clusters, and with no language barriers.

Regional integration has been developing, including in the Nigerian co-prosperity sphere (Southern Chad, Southern Niger, etc.) and in the areas linking Burkina Faso, Côte d'Ivoire and Niger. There is also integration between Kenya, Uganda, Rwanda and Tanzania, the last three of which are also showing interest in a common currency.

Interregional trade has increased in the wake of the development of the West African (Abidjan/Lagos) corridor. This has bolstered Ghana's trade relations with Côte d'Ivoire (6.3% market share in 2011) and Nigeria (11.8% market share in 2011).

Box 1: The Abidjan-Lagos corridor

- The nearly 1,000-km-long Abidjan-Lagos corridor is one of the primary economic axes of West Africa. It connects five of Africa's largest and most economically dynamic capitals: Abidjan, Accra, Lomé, Cotonou and Lagos.
- This corridor carries more than 65% of economic activities in the ECOWAS region and is the economic heart of West Africa. The corridor serves a population of at least 30 million people and more than 47 million people per year transit along it.
- The World Bank is funding efforts to modernise the corridor, including its customs and immigration posts, via the Abidjan-Lagos Trade and Transport Facilitation Project (ALTTFP).



Source: Abidjan-Lagos Corridor Organisation, July 2013.

The rise of (pan-)African economic stakeholders

The redirection of trade flows towards large emerging countries, which partly shielded Sub-Saharan Africa from the global economic crisis⁶², has been accompanied by a **ramping up of African, and even pan-African, economic stakeholders**. This is particularly true in the banking sector, where strong groups have emerged, including Standard Bank/Stancib (a South African bank operating in 23 countries in central, eastern and southern Africa⁶³), Nedbank (another South African bank, main shareholder in Ecobank⁶⁴), Ecobank (a Togolese and Nigerian bank, based in 32 countries in western, central, eastern and southern Africa⁶⁵), the Malian Bank of Africa (BOA), with operations in 15 countries in Sub-Saharan Africa, the United Bank for Africa (UBA), BGFIBank (a Gabonese banking group present in nine African countries that is now expanding to regions west and south of Gabon), Attijariwafa Bank (operating in 11 African countries, especially in West Africa⁶⁶), the *Banque Marocaine du Commerce Extérieur* (BMCE) and the Moroccan Banque Populaire. Cameroon's Afriland First Bank, financed by Cameroonian capital, has become the country's number one bank.

For ten years, these new stakeholders, who have greater ambitions than traditional banks, have raised the bar for competition and have been increasing banking activities in Africa. These banks have developed very rapidly. For example, in less than two decades, the Ecobank group has opened locations in some thirty African countries; in more than half of these countries, it ranks among the top three

banks and is the number one bank in seven of them. These groups are also now based outside Africa (Attijariwafa Bank is listed on Euronext Paris and BOA, and both BGFIBank and Ecobank operate in France).

Private pan-African players have also appeared in the media and culture (the Malian channel Africâble, "Nollywood" in Nigeria, South African productions, etc.), telecommunications (the South African telecommunications group MTN is based in sixteen African countries, Maroc Telecom, etc.), food, industry (Dangote Group) and air transport.

Ethiopian Airlines and Kenya Airways are profitable, growing companies. Ethiopian Airlines is the Africa's second-largest airline in terms of numbers of planes. It also has the most modern fleet, is the leading airline in terms of destinations and is also the top cargo operator and the best company in terms of service quality. Its fleet includes 60 Boeing and Bombardier planes, and in 2011 it transported 5 million passengers and 160,000 tons of freight. By 2025, it plans to double its fleet, and to carry 18 million passengers and 1.2 million tons of freight –the equivalent of Schiphol airport.

The explosive growth of these companies proves the existence of a competitive environment and demonstrates Africa's true market potential.

Similarly, we are starting to see **«africanised» investments in Sub-Saharan Africa**. In 2011, according to Ernst & Young's 2012 African Attractiveness Survey, intra-African investments represented 17% of all new FDI projects on the continent⁶⁷.

62 - "Misperception of Risk and Return in Low Income Countries", *op. cit.*

63 - *Ibid.*

64 - « *Les banques sud-africaines à l'attaque des marchés subsahariens* », Jeune Afrique Économie, 14 March 2013.

65 - "Misperception of Risk and Return in Low Income Countries", *op. cit.*

66 - *Ibid.*

67 - "Africa: The next frontier for investors?", INSEAD Knowledge, Nicholas Bray, 25 July 2012.

In South Africa, the black middle class grew the fastest (blacks represented 33% of the middle class in 1993, 53% in 2000 and 59% in 2008), particularly the upper middle class, where the percentage of blacks increased from 4.5% in 1993 to 14.7% in 2000, and 22.5% in 2008.

Furthermore, although there are only 16 Africans on Forbes' World's Billionaires list, which details the world's 1,226 richest individuals, the magazine does publish a list of the 40 richest Africans, whose combined wealth equalled \$72.9 billion in 2012. This is a 12% increase, showing strong growth in the number of wealthy people in Africa⁶⁸.

The Nigerian billionaire Aliko Dangote just invested \$3 billion in building a refinery, a fertiliser plant and petrochemical facilities, showing that it is more profitable to refine oil and gas on site than to import oil products. He put together a consortium of Nigerian and international banks for this investment, which is estimated at \$9 billion⁶⁹.

Greater wealth has also been accompanied by an increase in African philanthropy. The African network «Nexus Africa» was created in June 2013. Nexus Africa is a worldwide group of philanthropists, social entrepreneurs, large companies and students. It is the African section of the Nexus Global network, a group of over one thousand philanthropists from sixty countries. Nexus Africa intends to lead a new generation of philanthropists in Africa and to connect donor communities, investors and social entrepreneurs to create a fund which will support development in Africa over the next fifty years⁷⁰.

Ongoing structural changes

Public finances have improved but must be consolidated

Balanced public finances are closely connected to fluctuations in commodity prices.

The share of natural resources in State revenue has almost tripled since the end of the 1990s. It has since decreased slightly and is now an average of 15% of GDP. Nevertheless, these figures hide significant differences (75% of total revenue in Angola and 88% in Equatorial Guinea)⁷¹.

In 2008, when commodity prices were at their highest, tax revenue collected in Sub-Saharan Africa peaked at \$458.7 billion, before falling by 56% to \$199 billion in 2009. In addition, higher commodity prices mean that many African countries have relaxed efforts to collect other public monies, thus reducing their ability to adapt when prices fall.

Integration in the global economy goes hand in hand with a high risk that African economies will be exposed to **volatility shocks** on the markets, especially commodity prices, which dramatically diminish terms of trade and negatively affect balance of payments and national budgets. The 2008 shock led to a 3% drop in Sub-Saharan Africa's external current account balance, and an 11% falloff for oil-producing countries⁷². The Bank of Central African States (BEAC) is, for example, predicting that the proportion of oil revenue in total tax revenue will decrease from 68.2% in 2012 to 55.1% in 2015⁷³.

68 - « Fortunes africaines : les milliardaires restent discrets », Jeune Afrique Économie, 18 April 2013.

69 - « Nigéria. Épopée d'un magnat de l'or noir », Anayo Okolie, extract published in Courrier International No. 1197, dated 10 to 16 October 2013.

70 - See <http://nexusafrica.org>.

71 - UNCTAD, 2013.

72 - Ibid.

73 - La Lettre de la Zone franc n° 1, Banque de France, July 2013.

Some far-reaching reforms may be cause for concern. This is the case with the sustainability of generous civil-service wage reforms that are swelling public payrolls, or holdover compensation and stabilisation systems for subsidising commodities (fuel, gas and foodstuffs).

The sustainability of public finances also raises issues regarding greater financial commitments that are increasingly less concessional. Debt in some countries is rising. Furthermore, the expanding role China is playing in the debt of some African countries brings to mind the IMF's observations regarding the importance of allocating the least concessional commitments to highly profitable projects.

Capital flows are by nature unstable and the current economic slowdown in the major emerging markets makes their level of investment uncertain. In Europe, tighter prudential rules have limited international capital flows.

Economies are beginning to diversify

Despite the steady increase in non-oil and non-mineral exports, the **lack of economic diversification** (Dutch disease⁷⁴) weakens **economies which are still mainly informal.** The Sub-Saharan economy has essentially specialised in exporting commodities to global markets, whereas exports in manufactured goods remain low. In 2011, oil-producing countries attracted seven times more FDI flows than their non-oil counterparts⁷⁵.

South Africa in particular remains very dependent on commodities, which account for the vast majority of its exports (roughly 60%). Similarly,

growth in Angola and Mozambique is very largely due to oil and gas exports, respectively, and the same is true for Nigeria and Southern Sudan.

In addition, a certain number of African currencies are appreciating against the yuan in particular. Real appreciation against the yuan is particularly affecting some countries which suffer from Dutch disease (Angola, Nigeria and Sudan, Gabon, the Republic of Congo and Equatorial Guinea).

Despite the progress made, the **business environment** remains unstable. Problems invoked by investors include corruption, government inefficiency (difficulties obtaining permits and licenses to open a business, random and even arbitrary enforcement of regulations, confusion among authorities in charge of enforcement, etc.), unreliable regulations (risk of expropriation, lack of land registry, difficulties obtaining building permits, conditional performance of contracts, etc.) and especially an unsuitable tax system that is particularly changeable for the extractive industries.

Added to this are a lack of reliable infrastructure and significant legal uncertainty. These factors have a real impact on investors.

A higher demand for local content

The legitimate demand of African countries for a greater stake in national added value may cause problems for international economic operators. The concept of "local content" aims to strengthen local industry by setting aside a proportion of local content for companies in the country or by keeping some sectors

74 - Dutch disease, theorised in the 1980s, refers to the increase in the flow of external resources (principally due to the mining and hydrocarbons sector), leading to an increase in demand for goods and an increase in the relative prices of goods that cannot be exchanged internationally, as well as an increase in salaries on the labour market (the cost of labour tending to become disconnected from the level of productivity), and therefore an appreciation in the real exchange rate, which poses a problem with regard to competitiveness, principally suffered by the sector of activities exposed to international competition, in other words the « *non rentier* » sector (French Treasury and « *Régimes de change et commerce Chine-Afrique* », Sylviane Guillaumont Jeanneney and Ping Hua, Cerdic).

75 - UNCTAD, 2013.

for national investors. National legislation in South Africa and Angola has recently moved in this direction.

In Ghana, a bill is currently being debated that calls for: i) a gradual increase of the share set aside for Ghanaian companies to 90% by 2020; ii) Ghanaian companies being granted a 10% preference; iii) strict quotas for Ghanaian staff.

Similarly, in Ethiopia, capital belonging to private banks can only be Ethiopian and the sector therefore remains closed to foreign investors. The government does not plan to open these opportunities to foreign investors in the short or medium term.

Impressive economic potential

According to some estimates, Sub-Saharan Africa, with a land mass of 25 million square kilometres (three times the size of the US) could become the most economically dynamic area in the world as of 2040, with real annual growth exceeding 5%⁷⁶.

The **young and plentiful workforce, which is concentrated in urban areas**, is a new factor in the Sub-Saharan economic take-off. Such a workforce contributed to the might of the Roman Empire at the beginning of the Common Era, built European and American industry in the 18th and 19th centuries, and fostered the emergence of the Asian tigers in the 1980s and China's rise to power in the global economy⁷⁷. With almost 200 million inhabitants between the ages of 15 and 24,

Africa has the youngest population in the world, and this segment is continuing to expand⁷⁸. The urban population in Africa should increase by 414 million to more than 1.2 billion by 2050, while the urban population in Asia, within the same time period, will also increase from 1.9 to 3.3 billion⁷⁹. The number of African cities with more than one million inhabitants could increase from 52 in 2010 to 65 in 2016⁸⁰.

The emergence of a middle class brightens trade prospects. Africa's population (875 million for Sub-Saharan Africa) is expected to double by 2050, reaching nearly 2 billion, making it one of the largest markets in the world. Each year, according to the AfDB, Africa has five million more consumers. The number of African households earning \$3,000 per year or more is expected to increase from 60 million today to 100 million in 2015⁸¹. In 2020, it is predicted that 128 million African households will have discretionary income⁸².

In terms of volume, African household spending (\$840 billion in 2008 against a forecast \$1.4 trillion in 2020⁸³) exceeds that of Indian households⁸⁴. This rapid emergence of a new class of African consumers is attracting businesses (20% of the 50 largest companies now record more than 5% of their overall sales in Africa). The fall in poverty in absolute terms is expected to continue (the percentage of those living on less than \$1.25 per day fell from 58% to 48% between 1999 and 2008⁸⁶).

76 - "The Great Shift: Macroeconomic projections for the world economy at the 2050 horizon", CEPII, February 2012.

77 - "Africa's Moment", by Jean-Michel Severino and Olivier Ray, 2010.

78 - African Economic Outlook 2012.

79 - "Misperception of Risk and Return in Low Income Countries", *op. cit.*

80 - "Lions on the move: The progress and potential of African economies", *op. cit.*

81 - "After decades of slow growth, Africa has a real chance to follow in the footsteps of Asia", "The hopeful continent - Africa rising", The Economist, 3 December 2011.

82 - "Lions on the move: The progress and potential of African economies", *op. cit.*

83 - Ibid.

84 - "Misperception of Risk and Return in Low Income Countries", *op. cit.*

85 - Ibid.

86 - "Jobs, Justice and Equity: seizing opportunities in times of global change", *op. cit.*

Over and beyond mineral and agricultural revenue, African growth has been spurred by the expansion of the African middle classes, as shown in an AfDB study. According to AfDB experts, the number of middle-class Africans has doubled, rising from 150 million in 1990 to more than 300 million in 2010. This expansion means that Africa can enjoy more endogenous economic growth thanks to household consumption and a lower dependency on exports.

Africa is therefore becoming a promising market for large international distributors and consumer goods manufacturers. A McKinsey report estimates that consumer goods industries will increase by \$400 billion by 2020. The key sectors will be clothing, financial services, food, internet and telecommunications. Major metropolises such as Cairo, Johannesburg and Lagos, as well as large cities such as Abidjan and Rabat offer market opportunities for distribution.

Continuing to develop **high value-added activities** will speed up change and boost growth. With more than 80% of the African population connected to a **mobile telephony**⁸⁷ network, Africa is now the world's second largest mobile telephony market⁸⁸. The spectacular rate at which the mobile telephone has been adopted (at a rate of 50% when 5% was expected) means that the landline generation will be skipped in Africa. Nigeria is the foremost mobile market in Africa, with almost 90 million users in 2012⁸⁹.

The **digital** sector is also undergoing rapid and thoroughgoing changes. This sector will bring down transport costs and allow provision of lower-cost public services – not currently available due to a lack of public financing – in the areas of education, e-healthcare, trade, finance and more (e.g. the use of the internet in Benin, Burkina and Kenya to provide secondary and even primary school exam results).

Social uses of these technologies have increased much faster than elsewhere (explosive growth in mobile banking services, which are good solutions for migrant remittances, transport difficulties, e-commerce, etc.) and have led to the creation of such leading firms as Baidu, Safaricom and Tencent⁹⁰.

Sub-Saharan Africa also has extraordinary natural resources, especially its mineral and hydrocarbon resources that are attracting the attention of a number of countries (gas, diamonds, copper, gold, iron, manganese and uranium in Angola and Cameroon).

Africa's agricultural, hydropower and energy potential is immense. In 2010, Africa had the largest amount of arable land in the world (16% according to the FAO) and the highest proportion of uncultivated arable land at 79%, compared with 72% in Latin America, 52% in North America and 38% in Europe⁹¹.

According to the FAO, Angola has the fourth-highest agricultural potential in terms of arable land and has significant hydropower potential. Its farmland is ideal for producing high-quality

87 - « *Les 20 idées qui vont faire bouger l'Afrique* », Jeune Afrique Économie and The Africa Report, 19 August 2013.

88 - "Jobs, Justice and Equity: seizing opportunities in times of global change", *op. cit.*

89 - « *Avec Maroc Telecom, Etisalat à deux doigts du podium* », Jeune Afrique Économie, 26 August 2013.

90 - "Winning the \$30 trillion decathlon: Going for gold in emerging markets", McKinsey Quarterly, August 2012.

91 - "African Agriculture", Ibrahim Forum, 2011, Mo Ibrahim Foundation.

agriculture products and for livestock farming, and the fishing industry can be developed along its shores. The Angolan authorities predict investments of up to \$29.2 billion by 2017 in the energy and water sectors, with a view to increasing energy production five-fold.

In Ethiopia, agriculture is still the country's top priority for future growth and modernisation, as it represents 44% of GDP and employs 80% of the population. Known as «the water tower of Africa», Ethiopia is poised to supply electricity to its neighbours, and even to more distant countries such as Egypt. Ethiopia has great hopes for the future of hydropower, particularly thanks to the Grand Ethiopian Renaissance Dam, which is currently generating 2,200 MW, but is expected to generate 6,000 MW. As for Guinea, this country is referred to as «the water tower of West Africa», due to the three large rivers (Senegal, Niger and Gambia) that have their sources there.

Africa is now a continent of savers. Its growth is now financed by the rest of the world, whereas in the previous century it was Africa that provided the financing. Its (colonial-based) capital stock grew very little, the dividends it produced flowed out and incoming flows were very low, with an insufficient reinvestment of the profits in Africa. Direct investment flows and the volume of migrants' savings remittances did not compensate for the massive outflow of dividends from companies and loan repayments⁹². Dissaving has hampered Africa's growth.

However, financial flows from Africans living abroad, aid, loans and debt write-offs have returned some of these external savings to

Africa. 10 to 15% of African GDP enters the economy via Africans abroad. In some countries, these flows constitute a significant contribution (more than half of Cape Verde's GDP; 6% of GDP in Ghana). Similarly, growth in exports has caused a considerable increase in foreign exchange reserves, even though these are primarily in Libya and Algeria⁹³ (more than €150 billion each) and Nigeria (more than €37 billion⁹⁴). This provides room for manoeuvre in budgets and encourages foreign investment, which grew by 25% in 2011 for Sub-Saharan Africa.

Moreover, Africa is the continent which saves the most after Asia (up to almost 20% of GDP) and the average savings rate in Africa is twice that of Europe. According to the data available, in West Africa (excluding Nigeria), savings levels nearly tripled between 2000 and 2008 in Senegal and Côte d'Ivoire. Successful IPOs, which have allowed banks and firms to leverage considerable capital, are proof of the extent of local savings (in the 2000s, nearly \$4 billion was leveraged on the Lagos stock market alone⁹⁵).

With an estimated \$900 billion saved at local level, Africa has surplus savings, which should in theory allow it to finance itself.

There has been astonishing growth in **Africa's financial markets** since the early 1990s. Starting with a dozen markets, there are now 23 covering the entire continent. Market capitalisation has increased nine-fold, and more than 2,000 companies are now listed⁹⁶.

The development of **private equity** in Africa is also very encouraging. Though it is still in its

92 - "Misperception of Risk and Return in Low Income Countries", *op. cit.* 93 - « Les 20 idées qui vont faire bouger l'Afrique », *op. cit.* 94 - *Ibid.*

95 - « Les marchés financiers en Afrique : véritable outil de développement ? », « Secteur privé et développement » journal No. 5, Proparco, March 2010.

96 - « Les marchés financiers en Afrique : véritable outil de développement ? », *op. cit.*

infancy (there are more funds below \$100 million and fewer funds above \$1 billion than in the rest of the emerging countries⁹⁷), private equity activities are increasing and profitable. From 2008 to 2011, Sub-Saharan Africa received an average of 4.4% of the funds leveraged for all emerging countries, representing 3.1% of investments. In 2008 and 2009, with 0.29% of GDP and 0.15% of GDP, private equity activity in Sub-Saharan Africa was comparable to the BRICs⁹⁸. For example, in Ethiopia, the largest transaction to date, in early 2012, was Duet Private Equity's (UK) acquisition of a \$90 million stake in the Dashen brewery located in Gonder. In May 2013, the Catalyst Fund (Kenya) acquired 50% of the mineral water producer Yes for an undisclosed sum, and in June 2012, Silk Invest Ltd (UK) purchased a minority share in the biscuit producer NAS Foods in Addis Ababa.

Lastly, **sovereign funds** are becoming central players in Africa's rentier role in globalisation. In 2013, Nigeria's Excess Crude Account (ECA), financed by excess oil revenue, had a balance of around \$5.27 billion⁹⁹. In October 2012, Angola launched a \$5 billion sovereign wealth fund (FSDEA). Sovereign funds in third countries (China, Singapore, the Gulf States, etc.) are also increasingly active in Sub-Saharan Africa.

Global and continental challenges

Climate change and food insecurity are a threat to development

Africa is the continent that is most vulnerable to **climate change** and **food-related challenges**.

According to a study by Maplecroft, of the ten countries most at risk from climate change, seven are African¹⁰⁰.

Weather changes, floods and heightened climate change can seriously impair agricultural land, burden economic and social infrastructure as well as soil productivity, and threaten the means of subsistence of rural populations. They can have negative consequences on water, food and energy security, and increase migration patterns from forested areas.

The challenge of urbanisation

Rapid urbanisation (by 2030, urban populations will swell by 300 million, and a third of Africans will live in urban areas) will bring major health, political and social challenges with it. These include the risk of pandemics, poor control by the authorities and lack of public services, and new social relations, to the detriment of community traditions.

In Sub-Saharan Africa (excluding South Africa), key urban issues will include:

- Urban planning is often delegated to local authorities; but funds and human resources to implement it are often lacking. Consequently, capacity-building for low-skilled local authori-

97 - « *Vers une nouvelle économie africaine ?* », I&P Conseil, *op. cit.*

98 - *Ibid.*

99 - AllAfrica website, 19 May 2013.

100 - See Le Monde, 7 November 2013.

ties is a priority, although in Africa local authorities often enjoy wide-ranging powers, particularly for urban planning (see the chapter on local authorities below).

- The urban zones surrounding city centres are often disjointed, disorganised and congested. They mainly consist of disadvantaged districts in need of large-scale urban «catch-up». The lack of access to basic infrastructure and poor management of essential public services are the source of disquieting health and environmental situations.
- In the coming years, both large urban centres and secondary cities are expected to expand significantly. Managing future urban growth in the context of incomplete demographic shifts will be a challenge. There are also issues regarding regional planning (network and ranking of the urban system).
- Formal employment levels remain low, despite steady GDP growth in most Sub-Saharan African countries.

Inadequate social and human development despite economic growth

On average, economic growth outstrips demographic growth, but still cannot make a thoroughgoing and rapid impact on living conditions. With the exception of the Comoros, Eritrea and Zimbabwe, between 2004 and 2012 annual average growth was consistently above average annual demographic growth. Population growth has slowed and a certain number of African countries are reaping demographic benefits.

This creates demographic pressures coupled with internal migrations that generate land

pressures. Pressure on farmland and water resources are fuelling a growing rural flight to urban centres and are spurring growing tension between livestock breeders and farmers¹⁰¹.

Current growth is compounding inequality. Despite GDP growth, poverty is still very much present. Overall, poverty is on the wane (47.5% in 2008 compared with 51.5% in 1981), but population growth means that the number of poor people remains the same. In 2012, 386 million Africans were living on less than \$1.25 per day, and Africa's share of worldwide poverty increased from 21% in 1999 to 29% in 2008¹⁰². Maternal and infant mortality and malnutrition have not declined. Of all the world's regions, Sub-Saharan Africa has made the least progress with respect to the Millennium Development Goals¹⁰³.

Youth employment is a major challenge for African countries, given the continent's demographics. The number of higher education graduates in Sub-Saharan Africa tripled between 1999 and 2009; however, young people still account for roughly 60% of all jobseekers in Africa¹⁰⁴. According to the International Labour Organization (ILO), 47.3% of 15-24 year olds were unemployed in Sub-Saharan Africa in 2011. Proportionally, there are many more young people than adults working in the informal sector.

101 - "Understanding Land Investment Deals in Africa, Mali", The Oakland Institute, 2011.

102 - Ibid.

103 - "New Opportunities and New Risks: Prospects for Sub-Saharan Africa and Mozambique", *op. cit.*

104 - AfDB Strategy for 2013-2022, 2013.

Wealth is still very unequally distributed and «high inequality is undermining the positive impact of Africa’s economic growth»¹⁰⁵.

In 2012, the Inequality-Adjusted Human Development Index (IHDI) fell by roughly 35% for most African countries, compared with the Human Development Index (HDI) (against 29% for countries in Southern Asia and 13% for Europe and Central Asia)¹⁰⁶. **Social tension and civil strife still run high in countries with strong growth.**

Even countries that have made significant progress still face serious challenges in the areas of infant mortality, improving maternal health and the legal and political recognition of women’s rights¹⁰⁷. The fact that society’s most vulnerable members are exposed to serious problems (health, employment, natural disasters) is a major concern for African countries. Social protection schemes (such as health insurance) could help societies emerge from the poverty cycle¹⁰⁸

Security is still a major concern

Africa’s economic growth means that peace and security are and will increasingly be a major issue. This is of course true for Africans, but also for all those (France, Europe, third countries, and investors) who want to play a part in this growth under safe conditions.

Although their numbers are declining, many crises remain. They include piracy off the Somali coast and in the Gulf of Guinea, the State of Somalia and its immediate vicinity, the Great Lakes region and especially eastern Congo,

Ogaden, the aftermath of Kenya’s election violence, north/south clashes in Nigeria, conflict in the Central African Republic, various grey zones, radical army factions in the Sahel, investigations of certain African leaders by the International Criminal Court, and so on.

The task force’s remit did not include addressing these issues, which fall within the purview of the Ministry of Foreign Affairs, the Ministry of Defence and, above all, Africans themselves. However, they are a reminder that sustainable economic growth needs a stable environment.

Liberating African potential – the task ahead

The challenge of Africa is not to spur growth, but to **liberate its potential – accelerating growth to make it more inclusive and sustainable.**

Major infrastructure requirements

Insufficient investments in **infrastructure** (energy and transport, as well as access to water, healthcare, education, telecommunications, etc.) and in **upgrading networks**, are a major roadblock to African economic growth. According to the World Bank, the lack of high-quality infrastructure in the field of energy, transport and water is the source of a 40% drop in company productivity¹⁰⁹, which, according to the AfDB, is equal to a loss of at least \$40 billion in GDP each year¹¹⁰.

The AfDB also estimates Africa’s infrastructure deficit at \$50 billion per year and rising¹¹¹. When it chaired the G20, France made infrastructure a priority. To finance the upgrading

105 - African Economic Outlook 2013, *op. cit.*

106 - *Ibid.*

107 - “Jobs, Justice and Equity: seizing opportunities in times of global change”, *op. cit.*

108 - See “Risk and Opportunity: Managing Risk for Development”, World Bank, 2014.

109 - “Impact of Infrastructure Constraints on Firm Productivity in Africa”, A. Escribano, J. L. Guasch, J. Pena, Working Paper, World Bank, 2008, quoted in « *Afrique-France Réinventer le co-développement* », Institut Montaigne, June 2010.

110 - Concept note relating to Fonds50Afrique, AfDB and ADF, May 2013.

111 - *Ibid.*

of Africa's infrastructure, the World Bank estimates that an additional \$310 billion is required between 2010 and 2020, an investment of some \$30 billion per year.

Lack of infrastructure means prohibitively high operating costs. Some African cities are among the most expensive in the world. Luanda, where 70% of the country's economic activity is concentrated, is the most expensive city in the world for expatriates.

Electrical infrastructure is the top priority (electricity accounts for 44% of infrastructure financing needs¹¹²) to cope with frequent power cuts, reduce the price of electricity and make it as widely accessible as possible. Only 30% of Africans have access to electricity, compared with 62% of the population in South Asia and 93% in countries in Latin America and the Caribbean.

As for transport links, moving a container from Mombasa to Nairobi takes two days - the same amount of time it takes between Singapore and Mombasa. Transporting a container from Tokyo to Mombasa costs about \$750, yet shifting a container between Mombasa and Kigali is three times as expensive (over \$2,000)¹¹³.

In the ICT sector, despite the incredibly fast penetration of mobile telephony, 44% of the African population still does not have network coverage, compared with 10% in developed

countries. Investment in rural infrastructure in Africa is also lacking (roads, irrigation, electricity, storage facilities, access to markets, conservation systems and supply networks), even though Africa lives off its land (more than 70% of Africans are farmers)¹¹⁴. Only 60% of Africans have access to clean drinking water, compared with 88% in South East Asia and 95% in Europe and Central Asia¹¹⁵.

In countries where **agriculture** is still a socio-economic mainstay (Ethiopia), modernising a sector which remains highly un-mechanised, improving productivity, increasing exports and substituting imports provide significant opportunities for partnerships.

Demand for **housing** is on the rise. For example, the property market in Ghana, where it is estimated that more than 20,000 new houses are built each year, is expected to increase dramatically in the coming years, reaching some two million residential properties by 2020. Similarly, the demand for second homes in Africa by Africans abroad will also increase.

Access to **education** is still poor, and there is an urgent need for qualified staff for professional and technical services. Though literacy rates are increasing (rising from 38% in 1990 to 65% in 2012) only 5% of students in Sub-Saharan Africa reach university¹¹⁶.

112 - "Misperception of Risk and Return in Low Income Countries", *op. cit.*

113 - *Ibid.*

114 - AfDB Strategy, *op. cit.*

115 - "Misperception of Risk and Return in Low Income Countries", *op. cit.*

116 - *Ibid.*

African government departments need skilled workers

To bolster infrastructure, African States need government departments that can provide proper management for the multiple projects underway.

Yet, according to African spokespersons that the task force consulted, African government departments do not have enough skilled workers: overseas careers are more attractive and the African private sector is more lucrative. These departments and the civil service face a two-fold challenge: i) increasing their appeal among recent graduates and ii) ensuring replacements for an aging civil service, which will gradually shrink in coming years due to an inverted population pyramid.

Most importantly, States must increase their financial resources and their ability to collect taxes, in order to adapt the number of civil servants as needed and to offer competitive wages. However, skill-building resources are also required, particularly training programmes.

The need to support the growth of SMEs and mid-tier companies

Many African countries have a strongly nationalised and largely informal economy. For example, 50% of Ethiopia's industrial capacities are still under government control, and only 30% of the urban workforce is employed in the formal sector. The private sector employs only half of this 30%. Most importantly, Africa has very few large firms; Africa's economic fabric mainly

consists of or is geared towards SMEs. As a result, SMEs represent 70% of GDP in Ghana and 94% in Cameroon.

Nevertheless, SMEs still have difficulties accessing financing. In some countries, even though credit is expanding at a relatively steady rate, it is more often granted to large public or private companies (mainly foreign subsidiaries) than to SMEs and individuals. Micro-financing is a safe option for banks when granting credit for local activities, but it is often badly managed and supervised.

This situation could be a source for partnerships between French and African SMEs. Large French firms could help bolster the local African economic fabric and relations between SMEs.

The search for other partnership models

Rentier nations are seeking assistance to diversify their oil-based economies. The 2008 oil crisis forced Angola to begin modernising and diversifying its production facilities. This required considerable investment (\$10 billion for the construction of 1.5 million social housing units by 2016, and \$15 billion for electrical self-sufficiency) as well as large-scale imports of capital and consumer goods.

Some African countries are now seeking to redefine their economic relations with China. Criticism of the «neo-colonial» practices of Chinese firms is opening the door to partners recognised for their skills.

Sub-Saharan Africa – the stage for global economic competition

Competition is now global
and is increasing

Many countries are focusing (or re-focusing) their economic policies on Sub-Saharan Africa

In addition to the European countries that have historically been present, many other countries have stepped up their long-standing ties with Africa, including China, India and the US, along with many others such as Brazil, the Gulf States, Turkey (perceived in Africa as a European country whose products are less expensive), emerging Asian countries (especially Malaysia, Thailand and Vietnam) and other industrialised countries (Australia, Japan, South Korea and Singapore). North Africa itself is a key economic partner in Sub-Saharan Africa.

This competition is multi-faceted and includes trade, investments, hosting students and researchers and boosting the image of the country in question.

Africa has dramatically diversified its economic partners to include more players from the South. Non-traditional partners now account for 50% of African imports and 60% of exports¹¹⁷. In 2011, a third of exports from Africa went to the EU, compared with 37% in 2006, and more than 11% went to the US, against 16% in 2006¹¹⁸.

Roughly half of Sub-Saharan Africa's exports go to emerging and developing countries, compared with less than a quarter in 1990¹¹⁹. The major emerging countries are now key markets for African exporters. Sales to the BRICs increased by an average of 23% annually, going from \$12 billion in 2000 to \$116 billion in 2011. The BRIC countries, which accounted for only 12% of Sub-Saharan Africa's total exports in 2000, are now responsible for 27%, more than the EU¹²⁰. China, India and Brazil represent slightly less than a third of Sub-Saharan African trade¹²¹. Exports to China increased from about 6% to 10% between 2006 and 2011, and exports to India increased from roughly 4.5% to 6%¹²².

India has gained a foothold in Africa and in 2011 became its second-largest supplier, with a market share of about 6%¹²³. Relations between India and Africa go back more than 2,000 years. In 1961, Nehru became the first Indian head of state to visit Africa, three years before his Chinese counterpart. Indians have put down deep roots in Africa, with a population estimated at more than 2 million people¹²⁴.

Bilateral trade with India (\$130 billion) is not as extensive as with China, but increased five-fold in six years (2004–2010). In addition to traditional Indian population flows to East Africa (Uganda, Tanzania and Kenya) and South Africa (Gandhi's birthplace), Indians have a presence in Central Africa, although not in West Africa. They occupy key positions in the goods and service sectors, as well in pharmaceuticals (where they are a serious competitor to France), phosphates and IT¹²⁵.

117 - Christine Lagarde in IMF news of 11 January 2013.

118 - African Economic Outlook 2013, *op. cit.*

119 - "Misperception of Risk and Return in Low Income Countries", *op. cit.*

120 - CHELEM database, CEPIL, 2013.

121 - "Misperception of Risk and Return in Low Income Countries", *op. cit.*

122 - African Economic Outlook 2013, *op. cit.*

123 - CHELEM database, CEPIL, 2013.

124 - « *L'Afrique et les grands émergents* », « *À savoir* » collection No. 19, *op. cit.*

125 - « *L'Afrique et les grands émergents* », « *À savoir* » collection No. 19, *op. cit.*

In 2010, the leading Indian telecoms firm, Bharti Airtel, completed one of the largest South-South acquisitions ever, paying several billion between €8 and 10 billion for the assets of telecoms operator Zain, present in sixteen African countries. Bharti Airtel is planning to expand its African client base from 40 to 100 million subscribers in two years' time, using an Indian formula offering low rates and high volume. Indians are also involved in extraction: Vedanta has announced two projects worth \$900 million, lead and zinc mining in South Africa, and copper and cobalt mining in Zambia¹²⁶.

In August 2013, India's state-owned Oil and Natural Gas Corporation purchased a 10% stake in a Mozambique gas field for \$10.7 billion¹²⁷.

The automotive group Tata has set up a private equity fund to invest in a variety of sectors in the African market (consumer goods, agriculture, agri-food processing, energy, light industry and financial services). It will have initial financing of \$300 million and operate out of Mauritius.

Private Indian groups also operate in agriculture (investments of \$1 billion in Ethiopian farms) and pharmaceuticals (Indian firms are the largest suppliers to Nigeria)¹²⁸.

Summits are another way that India competes with China: India organised two bilateral summits in 2008 and 2011 and plans to organise another in 2014¹²⁹.

Brazil, the source of a third of South America's wealth, is one of the world's agricultural powers and a future competitor in the field of African hydrocarbons¹³⁰; Brazil has strong trade ties with Angola, South Africa and, increasingly, West and Central Africa.

In the mining sector, Vale, the world's second-largest iron and copper ore extraction firm, announced a \$400 million copper project in Zambia. The firm is already based in Mozambique and has projects in Guinea. The group has agreed to invest \$15 billion in Africa between 2010 and 2015¹³¹. In hydrocarbons, Petrobras, which has 24% of its production in Africa, expects to make very significant investments in Angola (\$900 million between 2009 and 2012) and in Nigeria (roughly \$2 billion during the same period)¹³².

Brazilian activities in Africa are also becoming increasingly diversified in the agri-food and aircraft sectors. An example is Embraer, which has penetrated the market for smaller aircraft (fewer than 100 seats) and is looking to focus on regional transport¹³³. The Odebrecht construction group is a major economic stakeholder in Angola, where Brazil has granted a non-concessional line of credit of \$1.4 billion. The group has been awarded a large number of contracts in road construction and energy infrastructure, and is now expanding its activities to mass retailing and agriculture.

126 - Ibid.

127 - "India and Africa – Elephants and Tigers – Chinese businessmen in Africa get the attention, but Indians are not far behind", *The Economist*, 26 October 2013.

128 - « *L'indien Tata Group prévoit un fonds de 300 millions de dollars pour l'Afrique* », *Jeune Afrique Économie*, 13 September 2013.

129 - "India and Africa – Elephants and Tigers – Chinese businessmen in Africa get the attention, but Indians are not far behind", *op. cit.*

130 - « *L'Afrique et les grands émergents* », « *À savoir* » collection No. 19, *op. cit.*

131 - "African competition increases for Brazilian companies", *Financial Times*, 31 December 2011 quoted by « *L'Afrique et les grands émergents* », « *À savoir* » collection No. 19, *op. cit.*

132 - « *L'Afrique et les grands émergents* », « *À savoir* » collection No. 19, *op. cit.*

133 - Ibid.; and « *Brésil : Embraer, l'avionneur qui mise sur l'Afrique* », *Jeune Afrique Économie*, 13 September 2011.

Middle Eastern countries are primarily investing in the tourism, telecoms, real estate and agricultural sectors. Islamic finance is expanding, particularly via the Islamic Development Bank (IDB), whose headquarters are in Saudi Arabia and which is active throughout Sub-Saharan Africa, including Senegal, Niger, Guinea (Conakry), Benin and Mali¹³⁴.

Qatar Bank has just acquired Société Générale's Egyptian subsidiary and is negotiating a stake in Attijariwafa Bank. A major Kuwaiti fund is also planning to acquire an interest in a Moroccan banking group¹³⁵. In telecommunications, the Ooredoo group (formerly Qatar Telecom) is investing in firms in Tunisia and Algeria, and the Kuwaiti Zain group (owned by Bharti Airtel since 2010) operates in roughly seventeen African countries. Qatar Airways has major plans for Africa.

In Ethiopia, the private Saudi group Midroc is the country's largest private investor. Saudi Star, owned by the Ethio-Saudi Sheikh Mohammed Al Amoudi, has several hundred thousand hectares in the west of the country¹³⁶.

The Emirati group Etisalat, in competition to acquire Maroc Telecom from Vivendi, is one of Africa's leading telecoms firms, alongside Bharti Airtel and Orange. It is firmly established in Egypt (60% of turnover) and Nigeria (14% market share), and is present in West Africa (Côte d'Ivoire, Benin, Togo, Niger), central Africa (Central Africa and Gabon), Tanzania and Sudan. Africa represents 12% of the firm's total turnover¹³⁷.

Lebanese banks are increasingly drawn to Africa, where there is a large Lebanese community. Byblos Bank, the third-largest Lebanese bank, announced its intention to begin operations in Angola, Ghana and Libya¹³⁸. Fransabank and Bank of Beirut plan to set up shop in Côte d'Ivoire¹³⁹.

In September 2009, the Israeli Minister of Foreign Affairs visited several countries that Israel considered strategic (Ethiopia, Kenya, Ghana, Nigeria and Uganda¹⁴⁰). The goal of the trip was to rekindle economic relations with Africa, which began in 1957 in Ghana. Israel's trade relations with Morocco are also strong. Private Israeli companies are especially active in the field of diamonds, military equipment, security, agriculture and telecoms (ECI).

Iranians are involved in automobile manufacturing (Iran Khodro Company), hydrocarbons (exports of Iranian crude oil to Africa have increased dramatically over the last decade), telecoms (partnership with MTN in South Africa) and are involved in energy projects. Iran has signed cooperation agreements with a large number of African countries in the areas of healthcare, agriculture, education and security. Iran is particularly close to Sudan and has invested heavily in Kenya, Eritrea and Senegal.

The Russians operate in the banking and diamond sectors and intend to invest in the railway and energy sectors in Angola.

Other economic players are increasingly active in Africa. One example is **Malaysia** which provides high levels of FDI and has a large number of African students in its country. Malaysia

134 - « *La Société islamique pour le développement tisse sa toile au Bénin et au Mali* », Les Afriques No. 222, November 2012.

135 - « *Évolution du secteur bancaire africain : nouveaux acteurs, nouveaux modèles ?* », lb.

136 - Ibid.

137 - « *Avec Maroc Telecom, Etisalat à deux doigts du podium* », Jeune Afrique Économie, 26 August 2013.

138 - « *La banque libanaise Byblos Bank veut devenir de plus en plus africaine* », Ecofin news agency, 8 March 2013.

139 - « *Les banques libanaises s'intéressent à la Côte d'Ivoire* », Jeune Afrique Économie, 19 September 2013.

140 - « *Le grand retour d'Israël en Afrique* », Jeune Afrique, 9 September 2009.

was the third largest investor in Africa in 2011, behind the United States and France, with \$19 billion of FDI¹⁴¹. In Cameroon, Malaysia is one of the three leading foreign investors, thanks to its participation, along with the US, in the construction and operation of the Chad-Cameroon Pipeline. In 2010, as the number one destination for Sudanese and Somali students, Malaysia welcomed a significant number of students from Libya, Nigeria, Kenya, Chad, the Comoros, Botswana, Uganda, Zimbabwe and Tanzania¹⁴².

At the end of 2012, the **Vietnamese** firm Viettel was granted the third mobile telephony licence in Cameroon and will provide 3G exclusively for the first two years.

Turkey has many international schools in Africa (Yaoundé, Bangui, etc.). In the manufacturing sector, Turkish products are appreciated. In the aviation sector, Turkish Airlines – which would like to make Turkey Africa’s European hub – offers many highly successful routes to European destinations that are competitively priced.

Industrialised countries often specialise in certain activities. The US focuses on cereals and cocoa, and Australia’s Rio Tinto specialises in mining, as does Canada in Ghana. Japan imports raw materials and exports vehicles.

At the fifth Tokyo International Conference on African Development (TICAD) in June 2013, Japan announced a five-year, €24 billion

African investment programme. In addition to €10.8 billion in ODA, the programme will invest in infrastructure, vocational training, healthcare and agriculture, putting it in competition with China¹⁴³.

Some British firms are well established in Africa, including British Airways, Tullow Oil and Vodafone. Banks such as Barclays (which combined operations with its South African subsidiary Absa to become the largest pan-African bank), Standard Chartered, a large part of whose decision-making centres are located in South Africa, and HSBC are planning to expand rapidly in Africa, particularly in Angola, Nigeria and Ghana.

American banks JP Morgan and Citigroup, as well as the Swiss bank UBS, are also taking an offensive strategy in Africa¹⁴⁴.

In two decades, China has become Africa’s main economic partner

China’s market share in Africa grew from less than 2% in 1990 to more than 16% in 2011¹⁴⁵.

In 2011, in terms of market share, China was the top trading partner of Nigeria, South Africa and Cameroon, and was in second place in Kenya (nearly on par with India). It is the third-largest partner of Côte d’Ivoire and is in fourth place in Senegal. India takes the top spot in Kenya and fourth place in Nigeria and South Africa.

141 - World Investment Report: the rise of emerging countries, UNCTAD, 2013.

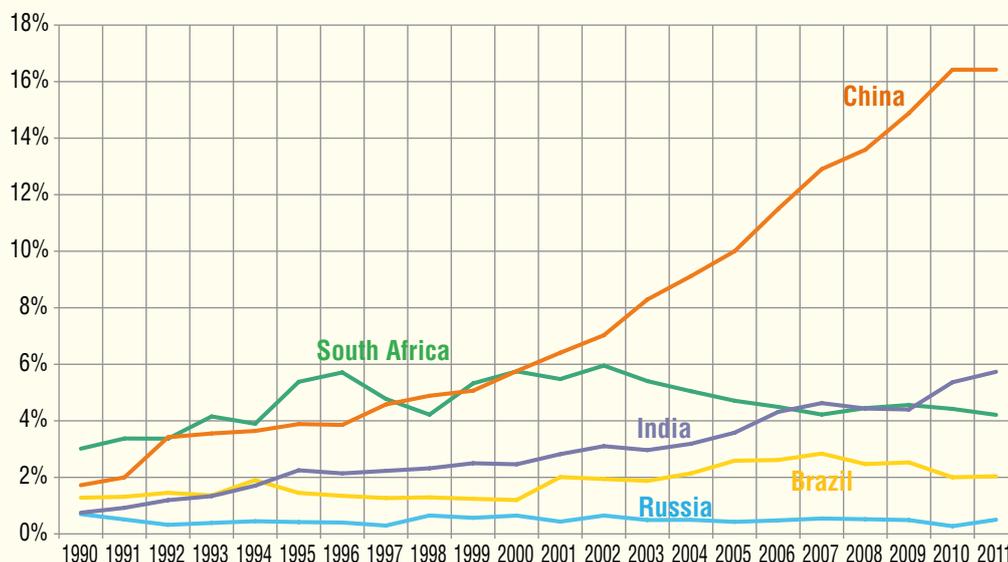
142 - Unesco, Institute for Statistics online, September 2013.

143 - « TICAD V : 24 milliards d’euros d’aides sur cinq ans pour l’Afrique », Jeune Afrique, 3 June 2013.

144 - « Les banques internationales à la conquête de l’Afrique », Jeune Afrique Économie, 1 February 2012.

145 - CHELEM database, CEPII, 2013.

Graph 1: Market share of the BRIC nations in Sub-Saharan Africa between 1990 and 2011



Source: CHELEM database, CEPII, 2013.

China has a long trading history with Africa. In the 15th century, Chinese fleets explored Africa's eastern coastline. The speech given by Zhou Enlai in Accra, Ghana in 1964, which encouraged equal cooperation, is considered as a benchmark for China's offering to Africa¹⁴⁶.

The increase in China-Africa flows in the 2000s is especially remarkable.

Although trade levels between China and Africa were low in 2000 (\$10.8 billion in 2001), by 2012 they were \$198.5 billion, and could reach \$385 billion by 2015. Over the last fifteen years, trade between China and Africa increased faster than with the rest of the world (a 70% increase in bilateral trade between 2010 and

2012). Africa accounted for 6.2% of Chinese imports in 2012.

Between 2005 and 2011, China's direct investment in Africa represented 15% of total Chinese FDI; this is well above Africa's position as a recipient of worldwide flows (3.1%)¹⁴⁷.

In 2011, turnover in Africa represented \$36 billion; this means that Africa accounts for around 35% of total Chinese contracts (\$103 billion)¹⁴⁸. Public and private Chinese companies are awarded many contracts (such as Nairobi airport, where the Chinese bid was better, both technically and financially, than that of France). China invests in many types of infrastructure. For example, Chinese firms have bested the

146 - « L'Afrique et les grands émergents », « À savoir » collection No. 19, *op. cit.* The first Chinese project in Africa dates back to 1960 (« Bailleurs émergents : où en est la Chine en Afrique ? », Emmanuel Guérin, April 2008).

147 - « La présence chinoise en Afrique », letter by the Centre d'études prospectives et d'informations internationales (CEPII) No. 328, 20 December 2012.

148 - « L'Afrique et les grands émergents », « À savoir » collection No. 19, *op. cit.*

competition for the modernisation of telecoms networks in Ethiopia: ZTE concluded an initial \$1.5 billion contract in 2007, Huawei signed a deal worth \$1.6 billion in August 2013, and other contracts are awaiting ZTE's signature.

Finally, the number of Chinese living on the continent has increased at the same rate as trade; Africa now has between 750,000 and one million Chinese residents¹⁴⁹.

China is relocating some of its manufacturing activity to Africa: in the coming decade, the Huajian group is planning to invest \$2 billion in Ethiopia to produce shoes for export, primarily for the American market. However, it does not yet see Sub-Saharan Africa as a consumer market. Though Africa holds a relatively high position in trade with China, exports to Africa are lower than to other countries such as India, Brazil or Turkey¹⁵⁰. The African market accounts for less than 5% of Chinese exports.

Ninety-five percent of China's exports to Africa are manufactured goods. These consist primarily of machines and transport equipment (43% of exports in 2010), followed by textiles and clothing (17% in 2010). Chinese imports from Africa are still mainly commodities (90% of Chinese imports in 2010), most of which were hydrocarbons (59% of exports were crude oil in 2010) and ores (26% in 2010)¹⁵¹.

Between 2000 and 2010, the number of African countries importing Chinese goods outstripped the number of those exporting to China. However, China's trade with Sub-Saharan Africa focuses on three countries that accounted for 50% of exports in 2010: South Africa, Nigeria and Liberia. Angola, South Africa and Sudan are still China's main trading partners, representing 74% of China's

African imports in 2010. In the same year, China was the recipient of 48% of the DRC's total exports¹⁵².

Africa's leading recipients of Chinese investment were South Africa, Nigeria, Zambia, the DRC, Niger, Egypt, Sudan and Angola (78% of investment flows between 2006 and 2010).

China's human resources are mainly present in oil-producing countries (Algeria, Angola, Sudan and Nigeria),¹⁵⁴ where it is investing heavily. In 2011, China's Jinchuan Group – which was already operating in copper and nickel mining in Zambia – outbid Brazil's Vale and acquired South African mining company Metorex for \$1.3 billion. Metorex has exploration and production facilities in the Democratic Republic of Congo and in Zambia¹⁵⁵. China is therefore combining financial flows and human resources with an aggressive exchange rate policy (see below) to promote its businesses and products.

In addition, the Chinese are adapting quickly and their actions are designed to maintain their reputability. In South Africa, Beijing Automotive Industry Company, China's fourth-largest manufacturer, partnered with South Africa's Industrial Development Corporation to invest \$20 million in a minibus taxi plant. With this investment, China is creating some 500 local jobs in a sector that is particularly symbolic – minibus taxis are used by the majority of blacks and the taxi industry was very active under Apartheid.

Chinese firms are also investing in the non-profit sector (schools, hospitals, etc.), thanks to lines of credit from the Export-Import Bank. In Angola, the Chinese have built and equipped six polytechnical institutes and four second-

149 - Ibid.

150 - "The Chinese presence in Africa", CEPPII letter No. 328, *op. cit.*

151 - « Régimes de change et commerce Chine-Afrique », Sylviane Guillaumont Jeanneney and Ping Hua, Cerdic, 2013.

152 - Ibid.

153 - "The Chinese presence in Africa", CEPPII letter No. 328, *op. cit.*

154 - Ibid.

155 - Ibid.

ary schools in the provinces of Benguela and Luanda, four health centres in Huambo and Malange, and two municipal hospitals in the North and South Kwanza provinces. In Cameroon, loans from China are accompanied by development assistance, some of which will go to building a maternity and paediatric hospital in Yaoundé, where the some of the hospital staff will be Chinese.

Similarly, China makes significant investments in African media, including newspapers (an African edition of «China Daily», mainly distributed on Kenya Airways flights), magazines, satellite television and radio (the State-owned China Radio International has FM stations in three East African cities), allowing China to cultivate its image among Africans.

The China International Television Corporation, owned by China Central Television (CCTV), the Chinese State television corporation, recently acquired the Independent News and Media group, one of the principal South African media firms. CCTV set up the headquarters of their African branch in Nairobi in 2012 and broadcasts «Africa Live», in competition with CNN and the BBC. CCTV also offers a mobile-based service called «I love Africa».

Chinese firm Star Times is established in fourteen African countries, thanks to its majority stake in TopTV, a South African satellite television service provider. The official press agency Xinhua has thirty bureaus in Africa, as well as its own television channel, and it pushes news bulletins out onto mobile telephone networks¹⁵⁶.

Among the various global competitors, China and the US are engaged in a strategic struggle

The United States and China are attempting to outdo one another **in symbolic gestures and financial announcements**.

In March 2013, the new Chinese President Xi Jinping made his first official visit abroad in Africa, first to Tanzania, and then to South Africa, where he took part in the BRICs Summit. He then visited the Republic of Congo. In Tanzania, he gave a political speech on Africa in which he mentioned China's first major infrastructure project in Africa: the Tanzania-Zambia railway, built in the 1970s.

Following his election in 2008, President Obama made only one brief trip to Ghana (where the US plays a key economic role), where he delivered a speech in Accra in July 2009. However, he made a nearly week-long tour of Africa in June and July 2013, visiting West Africa (Senegal), South Africa and East Africa (Tanzania).

Both countries are promoting equal partnerships that acknowledge the African economic miracle, African self-governance and mutual respect. Both reject the concept of self-serving relationships based on the need for resources.

In response to the Chinese President's announcement of a \$20 billion line of credit to African countries for 2013–2015, Barack Obama, speaking at Cape University on 30 June 2013, announced a \$7 billion plan to double access to electricity in sub-Saharan Africa (the Power Africa initiative). This is expected to stimulate at least \$9 billion in private investment.

156 - "Why China is making a big play to control Africa's media", 11 September 2013, published in *Courrier International* No. 1196 dated 3 to 9 October 2013.

There are also competing **development models**, with the «Beijing Consensus» pitted against the «Washington Consensus», which is deemed more liberal and intrusive. This competition also involves resources: at the Durban summit, the BRICs announced the launch of a joint development bank aimed at financing infrastructure projects.

Bilateral economic summits are taking place at close intervals. During his 2013 visit to South Africa, Barack Obama – in response to the Fifth BRICs Summit held in Durban in March of that year – invited Sub-Saharan leaders to a summit in Washington in 2014. China took part in the BRICs Summit, in addition to its annual Forum on China-Africa Cooperation (FOCAC), which it has organised on a regular basis since 2000. The FOCAC has now eclipsed the TICAD, which Japan first organised in 1993¹⁵⁷.

There is also competition in the **monetary field**, with China rolling out a strategy to make the yuan an African currency. China's real effective exchange rate with respect to Sub-Saharan Africa has fallen by 42%, while simultaneously increasing by 9.5% vis-à-vis its main global partners. Combined with FDI, this real appreciation of African currencies has served to boost China's exports of manufactured goods¹⁵⁸.

The increase in trade between China and Africa goes hand in hand with growing use of the yuan to settle trade transactions (35.8 billion yuan in 2012) and as a reserve currency for African central banks, as in Angola, Nigeria, Tanzania and soon in South Africa. A portion of the debt of some African States is also denominated in yuan.

Lastly, **strategic objectives** govern the choice of countries to visit. For the US, Senegal, close

to Mali, is a likely site for the United States Africa Command (AFRICOM), established in 2007, and still in need of an African headquarters. Similarly, when China announced a \$10 billion investment in a Tanzanian port project in Bagamoyo, 75 km north of Dar Es Salaam – to be built by the State-owned Merchants Group – it was seen by some to be an infrastructure capable of accommodating Chinese naval vessels, which are increasingly active in the Indian Ocean.

Investors are increasingly drawn to Africa

Sub-Saharan Africa is increasingly popular among private investors.

Africa's perceived appeal rivals that of Asia. With respect to FDI, according to Ernst & Young's 2012 African Attractiveness Survey, 86% of respondents to a survey of over 500 business leaders ranked Africa as the second most attractive investment destination, behind Asia¹⁵⁹.

In a 2013 study by the Emerging Markets Private Equity Association (EMPEA)¹⁶⁰, Sub-Saharan Africa took first place for the first time in terms of attractiveness for private equity activities, ahead of the BRICs, whereas it was in fifth place the year before. Some 54% of funds answering the survey had plans to launch or extend their investments in Sub-Saharan Africa, against 49% in South East Asia and 46% in Latin America. Sub-Saharan Africa is likely to arouse the most interest among new investors, with 19% of the funds consulted planning to begin investment within two years, ahead of Turkey and Southeast Asia. Political risks

157 - "The Chinese presence in Africa", CEPPI letter No. 328, *op. cit.*

158 - « Régimes de change et commerce Chine-Afrique », *op. cit.*

159 - 2012 EY report on the attractiveness of the continent quoted by « Investir en Afrique : le beau risque », Malam Gerba, Afrique Expansion, 31 May 2013.

160 - "Global Limited Partners Survey, Investors' Views of Private Equity in Emerging Markets", 2013, conducted on its 112 members in more than 30 countries.

are less of a concern: only 36% of investors indicated that this was a dissuasive factor, compared to 66% in the previous year's study.

This confidence represents a doubling of the African share in global foreign direct investment, from 1.2% in 2007 to 3.1% in 2012, according to UNCTAD. Incoming foreign direct investment to Sub-Saharan Africa jumped from \$30 billion in 2010 to \$41.8 billion in 2011. Africa is one of the rare regions to have experienced an increase in incoming foreign direct investment over two consecutive years (2011 and 2012), whilst global flows fell by 18.3% over the same period.

Doing business in Sub-Saharan Africa is still not without risks, but it is increasingly profitable: Angola, Nigeria, Namibia and Zambia are among the top twenty countries in terms of return on investment¹⁶¹. In 2011, return on FDI in Angola was 87%, the highest in the world¹⁶². The average ROI in sub-Saharan Africa was 9.3% in 2011, compared with 7.2% worldwide. In 2010, the McKinsey Institute emphasised that ROI in Africa was much higher than elsewhere¹⁶³.

Recent bond issues in several African countries are proof of growing confidence in their ability to successfully expand. For the second time in its history, Ghana successfully raised \$1 billion with a ten-year Eurobond issue at a coupon rate of 7.875% (the float was oversubscribed by \$1.2 billion). In 2007, the country raised \$750 million with a ten-year bond issue at a coupon rate of 8.500%.

France's eroding market share

France still led the export market in 2002, but its position in Sub-Saharan Africa has continually eroded since

In 2011, France was the fifth largest exporter to Sub-Saharan Africa, behind China, India, the US and Germany. Its market share has fallen consistently since the early 2000s, from 10.1% in 2000 to 4.7% in 2011¹⁶⁴.

The sector-based breakdown of trade flows is roughly the same as other countries. In 2012, France's exports were almost entirely industrial products (93% of sales) and it imported mainly unrefined commodities (70% for energy and 16% for agri-food). This situation has hardly changed in half a century.

161 - World Investment Report 2013, UNCTAD.

162 - World Investment Report 2013, UNCTAD.

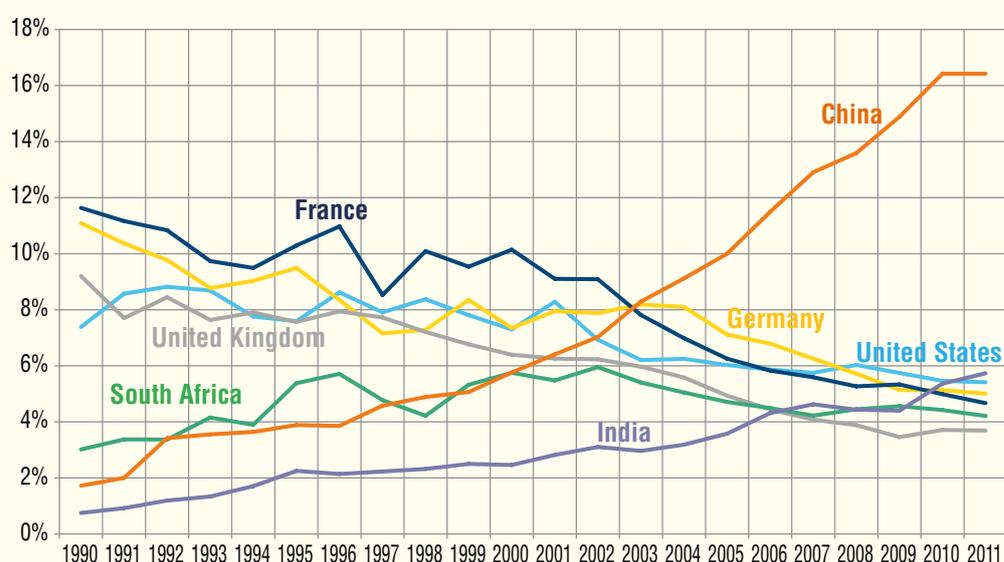
163 - "Lions on the move: The progress and potential of African economies", *op. cit.*

164 - CHELEM database, CEPII, 2013.

In 2012, given the preponderance of oil in bilateral trade (four oil-producing countries are among France's top five suppliers in Sub-Saharan Africa), France recorded a €275 million trade deficit with Sub-Saharan Africa, although it had had a trade surplus of €538 million the previous year. The source of this was an increase in imports from Equatorial Guinea, which rose nearly five-fold between 2011 and 2012. The trade deficit with Equatorial Guinea rocketed from €236 million in 2011 to €1.814 billion in 2012¹⁶⁵.

Excluding oil, France enjoys a largely surplus balance of trade with Sub-Saharan Africa (nearly \$9 billion). Countries exporting oil to France have trade deficits for other goods: Nigeria has the second-largest trade deficit with France (\$871 million). The same is true of other oil-exporting countries, such as Gabon, Congo, Angola and Equatorial Guinea.

Graph 2: Market share of the six biggest exporters in Sub-Saharan Africa



Source: CHELEM database, CEPII, 2013.

165 - French customs, 2013.

France's share is eroding fastest in its "traditional" areas

Since the early 2000s, France's trading position has fallen off sharpest in the CFA Zone, particularly against China.

Although market share only gives an imperfect view of the reality of value chains, and the preponderance of oil and aeronautics skews French trade figures, the trend is still of interest.

Over the long period between 1990 and 2011, China experienced impressive growth in its market share in Nigeria (2.3% in 1990, 7.8% in 2000 and 18.5% in 2011), South Africa (1% in 1990, 5.1% in 2000 and 15.1% in 2011), Cameroon (0.8% in 1990, 3.1% in 2000 and 15.0% in 2011), Kenya (almost on par with India at 0.6% in 1990, 6.0% in 2000 and 17.6% in 2011) and in Côte d'Ivoire (1% in 1990, 7.5% in 2000 and 8.3% in 2011). France lost 6.4% in Nigeria, 4% in Kenya and 0.8% in South Africa, 17.1% in Côte d'Ivoire and 22.2% in Cameroon.

France's loss and China's success is particularly notable after 2000. From 2000 to 2011, France's market share fell off sharply, in contrast to China, whose market share doubled in Nigeria, South Africa, Kenya, Côte d'Ivoire and Cameroon. For the same period, France's share fell by 11% in Côte d'Ivoire, 14% in Cameroon and 8% in Gabon¹⁶⁶.

In Cameroon, China and France have almost equal market shares, between 14 and 15%, although their trajectories are going in opposite directions. Although France had a market share of 28.4% in 2000, by 2011 it was only

the country's third largest supplier, behind China and Nigeria¹⁶⁷.

France's situation is similar to that of the UK in Kenya and Nigeria. However, although the former colonial power's share has eroded in both cases (by 5% and 6%, respectively), France experienced a more dramatic decline – a loss of 14% in Cameroon and 11% in Côte d'Ivoire between 2000 and 2011.

In 2012, China became Angola's top trading partner, ahead of Portugal. Chinese-Angolan trade rose from \$21.5 million in 2009 to more than \$58.5 billion (including oil sales) in 2012. Almost 240,000 Chinese nationals live in Angola. China is active in a wide variety of sectors in Angola, including transport infrastructure (airports, water, electricity, ports, roads, telecommunications, railways), social domains (schools, hospitals, new towns), the construction of administrative buildings, housing, sports infrastructures and telecommunication networks. A number of memoranda of understanding on cooperation have been signed for geology and mining, petrochemicals and refining. In 2011, Chinese lines of financing amounted to nearly €11 billion.

More worryingly, France is losing market share against Germany and the United States.

American and German positions also fell, but held up better, allowing them to outstrip France over the past decade.

The American position has remained fairly stable since 2000 in Cameroon (3.5% in 2011) and in Nigeria, where its market share remains high (8.2% in 2011). However, the US's share fell off in South Africa (6.1% in 2011 compared

166 - CHELEM database, CEPIL, 2013.

167 - Ibid.

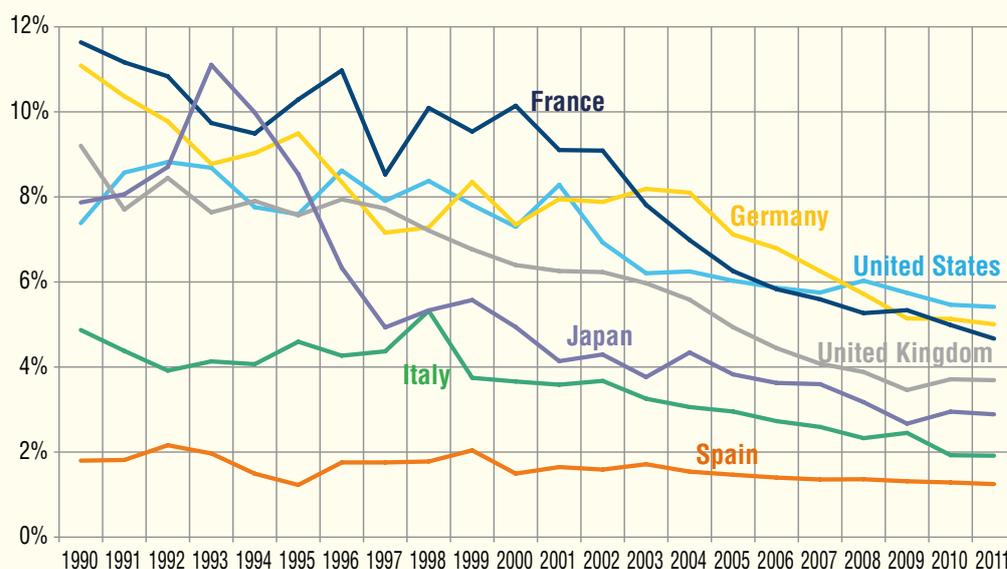
to 10.7% in 2000)¹⁶⁸. The US was the leading destination for exports from Lesotho and Chad in 2011¹⁶⁹.

Germany has also been able to hold its own in Côte d'Ivoire, Cameroon and Kenya, although its market share remains relatively low (between 2% and 3% in all three countries). Its position experienced a sharp drop in Nigeria, where it lost 4% between 2000 and 2011, and almost 10% between 1990 and 2011. It was about 3% in 2011 – a slightly lower level than France

(3.6%). However, since 2005, French market share has fallen twice as fast as that of Germany and Italy (2.4% against 1.2%). It is in South Africa – the region's leading importer – that Germany has done best, with an almost 11% market share in 2011¹⁷⁰.

Trade between Germany and Africa increased by 29.5% between 2005 and 2010. The increase is higher than that for Germany's foreign trade over the same period (24.8%)¹⁷¹.

Graph 3 : Market share of the largest industrialised countries in Sub-Saharan Africa between 1990 and 2011



Source: CHELEM database, CEPII.

168 - Ibid.

169 - African Economic Outlook 2013, *op. cit.*

170 - CHELEM database, CEPII, 2013.

171 - "Germany and Africa: a Strategy paper by the German Government", 2011.

France's lack of financial capacity in Africa is likely to impede the ability to maintain a profitable relationship with the African continent.

Within the WAEMU, French banks account for a mere 16% of loans, against 37% a decade ago. Primarily because of liquidity issues, France has been forced to sell off major assets in Africa. Examples of this are Vivendi's sale of Maroc Telecom, a highly profitable subsidiary, at a time when the telecoms sector is experiencing strong growth, and the sale of CFAO – a firm with a long-standing presence in Africa – to Toyota. In this, France has suffered the same fate as other European competitors (Fan Milk, created by a Danish national, which operates in the agri-food sector in Ghana, was acquired by a Dubai investment fund for \$350 million¹⁷²).

On the other hand, the Chinese are investing in South Africa, which is their financial hub for the rest of the continent. In 2007, the Industrial and Commercial Bank of China (ICBC) – the top private Chinese bank and the world's leading bank in terms of capitalisation – made the largest Chinese investment ever in Africa (\$5.6 billion). It acquired a 20% stake in the South Africa Standard Bank, the number one bank in Africa and established in many African countries. This will allow it to transfer funds across Africa¹⁷³.

France's market shares remain low elsewhere in Africa

France represents just 2.8% and 3.6% respectively of the total imports of South Africa and Nigeria, Africa's two largest economic powers.

In South Africa, France is the ninth-largest supplier and the third-largest European supplier, trailing Germany and the United Kingdom. Germany's market share amounts to 10.7%, whereas China's is 15.1%. France's share remained unchanged between 2000 and 2011.

In Nigeria, the US has a market share of 8.2%, the United Kingdom 4.3% and China 18.5%¹⁷⁴.

In English- and Portuguese-speaking countries, where economic growth is strong, France's trading position remains weak:

- In Kenya, despite rising exports, France remains a very minor partner: it is the country's thirteenth largest supplier, on a par with Russia and behind the UK and Germany. France has a market share of 1.5%, compared to 2.3% for Germany, 17.6% for China and 17.9% for India.
- In Ethiopia, France is in thirteenth place, with €162 million in imports and a 1.8% market share, trailing far behind China (21.4%), Saudi Arabia (13.2%), India (8.8%) and even Italy (5.0%).
- At a time when Germany and Spain appear to be investing heavily in Angola, no French business set up shop there in either 2011 or 2012. France's market share in Angola stood at 3.8% in 2012, making France the country's eighth largest supplier.
- Although French exports to Mozambique grew sharply (up 36%, primarily due to sales

172 - « Les fonds d'investissements du monde entier partent à l'assaut de l'Afrique », Le Monde, 6 September 2013.

173 - "The Chinese presence in Africa", CEPII letter No. 328, *op. cit.*

174 - CHELEM database, CEPII, 2013.

of pharmaceutical products, which accounted for more than half of total exports in 2012), France's market share remains negligible at less than 1%. In 2012, Mozambique was France's 118th largest customer and the source of the 79th highest trade surplus. Despite significant business opportunities in the energy sector, French FDI flows to Mozambique remain relatively low, at €12 million in 2012, for an estimated total FDI stock of €38 million.

- In Ghana, France's economic presence, which has shrunk in recent years (a market share that fell from 4.3% to 2.6% between 2008 and 2011, against 19% for China), remains modest in terms of both investment and trade. The upturn in French exports in 2012 (€330 million, a 7% rise) contributed to re-establishing a positive balance for bilateral trade excluding oil (+€62 million), but this is far from reflecting the momentum of this market, where imports have grown by 46% to \$15 billion, and where major emerging economies are playing an increasingly active role.

Sub-Saharan momentum – an opportunity for France

France has already benefited from African growth

The falloff in French market share between 2000 and 2010 conceals the fact that French exports to Sub-Saharan Africa have doubled. This means that France is already benefiting from African growth.

French exports to Sub-Saharan Africa rose from \$6.3 billion in 1990 to \$7.7 billion in 2000 and to \$17.5 billion in 2011. Growth has accelerated sharply since 2000 – an increase of 126% between 2000 and 2011, against 23% between 1990 and 2000.

These \$10 billion in additional exports created or maintained some 80,000 jobs in France between 2000 and 2011¹⁷⁵.

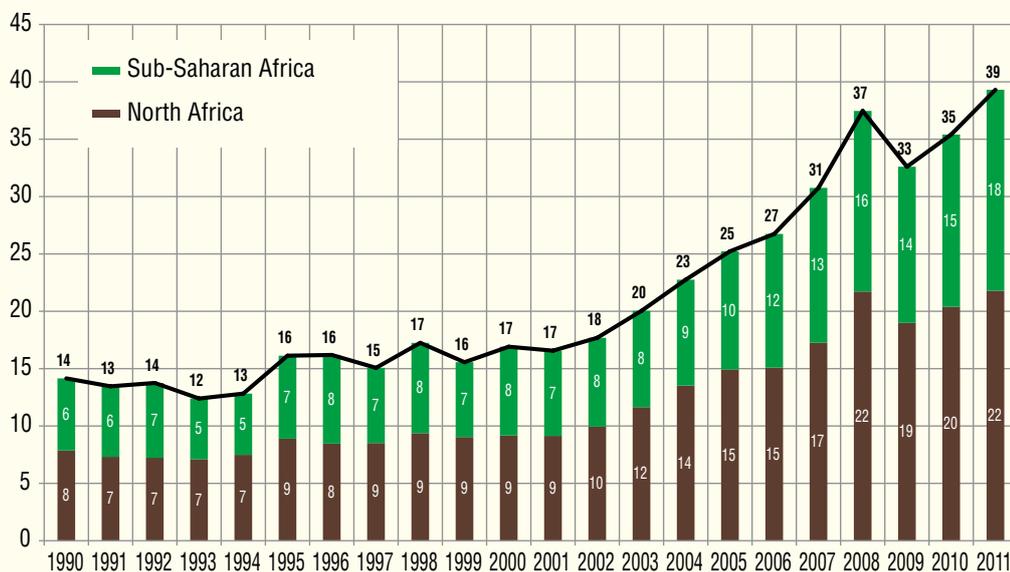
As a recent example, in September 2013, Mozambique ordered 24 trawlers and 6 patrol boats from Constructions Mécaniques de Normandie, for an estimated €200 million.–

South Africa and Nigeria accounted for 37% of growth in French exports to Sub-Saharan Africa between 2000 and 2011.

Côte d'Ivoire, Gabon and Cameroon were responsible for 14%.

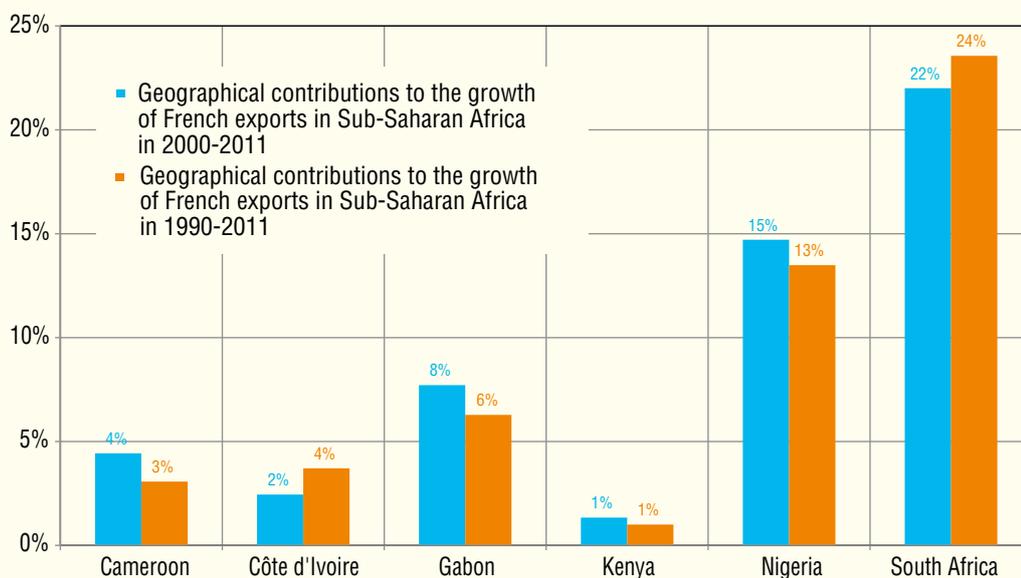
175 - By applying the ratio commonly accepted by economic literature of 10,000 jobs created per billion euros of exports.

Graph 4: French exports to Sub-Saharan Africa between 1990 and 2011 (in millions of \$)



Source: CHELEM database, CEPII.

Graph 5: Geographic breakdown of growth in French exports to Sub-Saharan Africa (1990–2011)

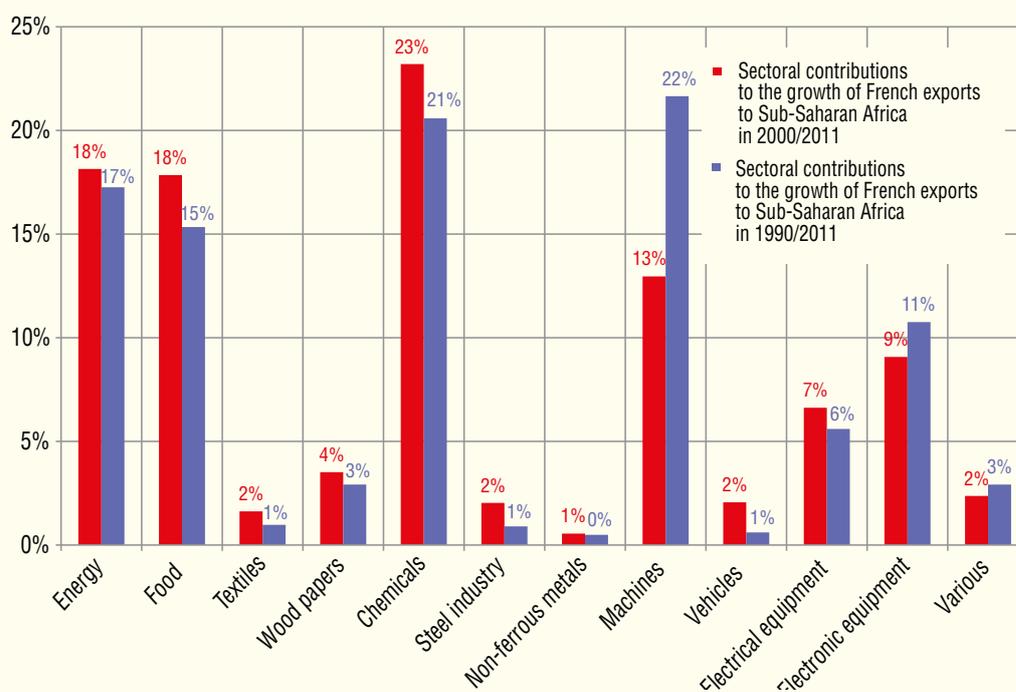


Source: CHELEM, DG Trésor

Chemicals (23%), energy (18%), food and agriculture (18%) and mechanics (13%) repre-

sented three quarters of the growth of French sales in the region between 2000 and 2011.

Graph 6: Sector contributions to the growth in French exports to Sub-Saharan Africa (1990–2011)



Source: CHELEM, DG Trésor

African growth could create over 200,000 jobs in the next ten years

African economic growth could create a large number of jobs in France. Based on a rough estimate, trade with Sub-Saharan

Africa could create or maintain some 200,000 jobs between 2011 and 2020.

Thanks to the emergence of consumers with disposable income and to efforts to include Africa as part of value chains, a large share of African demand matches France's economic strengths.

Box 2: Estimate of jobs linked to African growth

Economists generally agree that each additional billion euros in exports generates 10,000 new jobs.

Assuming that Sub-Saharan growth between 2011 and 2020 matches the pace of the past decade (16% annually), we can make the following estimates:

- **Scenario A:** France maintains its market share in Sub-Saharan Africa at 2011 levels, i.e. 4.7%. Surplus exports would total \$47 billion by 2020. Over 360,000 jobs could therefore be created or maintained in France by 2020;
- **Scenario B:** more realistically, France will see its market share in Sub-Saharan Africa fall off moderately to 3.5%. Surplus exports would then total \$31 billion over the period in question. In this case, almost 240,000 jobs could be created or maintained in France between 2011 and 2020.

NB: these estimates are based on a premise that is the topic of discussion within the scientific community, and should not be taken as a hard and fast rule. Furthermore, the database used (CEPII's CHELEM) only offers values in current dollars. The price effect is therefore not properly shown in the calculations, which is a major limitation.

Source: DG Trésor, October 2013.

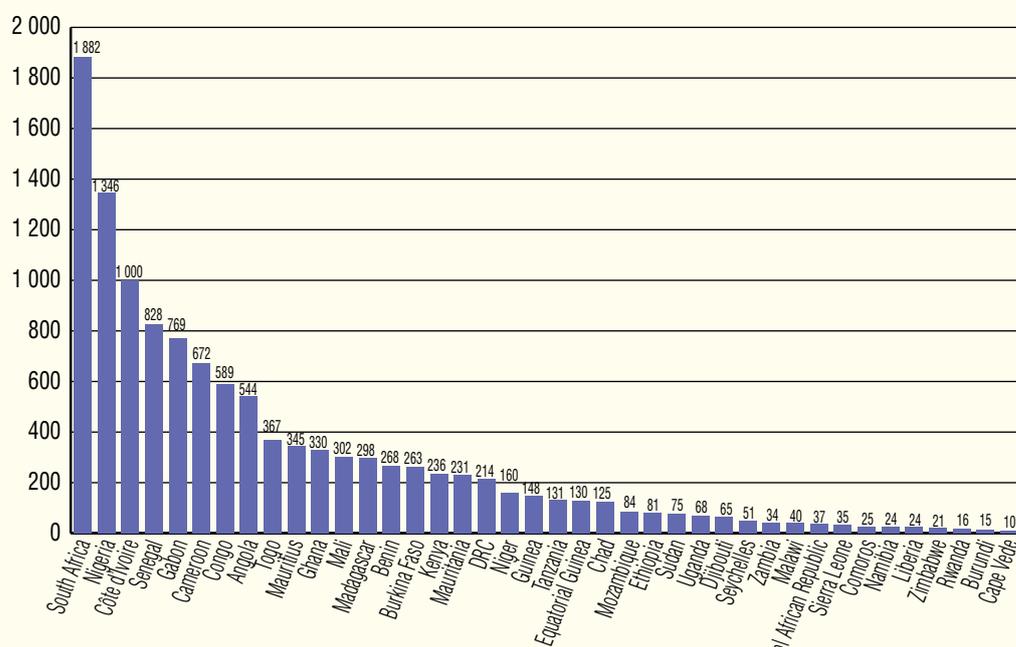
French companies already operate on the main African markets

South Africa and Nigeria are France's leading trading partners

France's top two customers south of the Sahara are South Africa and Nigeria. They account for some 30% of French exports to

Sub-Saharan Africa. Côte d'Ivoire, Senegal, Gabon, Cameroon, Congo, Angola, Togo and Mauritius together represent approximately 40%. These ten countries receive 70% of French exports to Sub-Saharan Africa.

Graph 7: The forty leading customers for French exports in Sub-Saharan Africa in 2012 (in millions of €)



Source: Customs, DG Trésor, 2013.

Box 3: Key Sub-Saharan recipients of French exports in 2011 and 2012

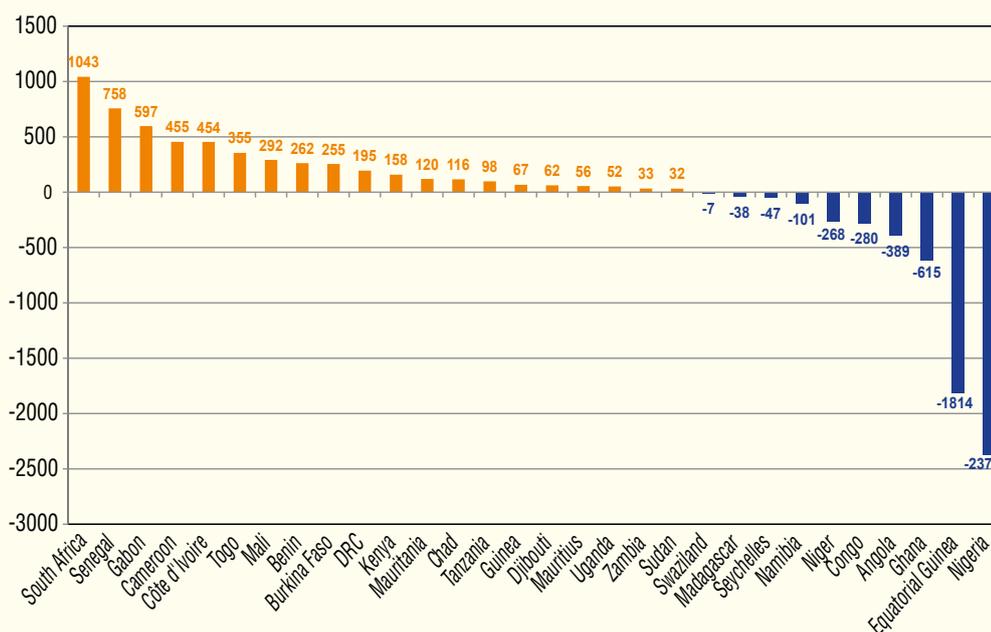
Country	2011 Export (in millions of €)	2012 Export (in millions of €)	Share of annual total		% cumulated	
			2011	2012	2011	2012
South Africa	2 300	1 882	18%	16%	18%	16%
Nigeria	1 477	1 346	12%	11%	30%	27%
Côte d'Ivoire	740	1 000	6%	8%	36%	35%
Senegal	889	828	7%	7%	43%	42%
Gabon	783	769	6%	6%	50%	49%
Cameroon	634	672	5%	6%	55%	54%
Congo	491	589	4%	5%	59%	59%
Angola	585	544	5%	5%	63%	64%
Togo	250	367	2%	3%	65%	67%
Mauritius	337	345	3%	3%	68%	70%

Source: Customs, DG Trésor, 2013.

South Africa accounts for France’s largest trade surplus in Sub-Saharan Africa, ahead of Senegal. However, France has a trade deficit

with the main oil-producing countries (Nigeria, Equatorial Guinea, Angola and Congo).

Graph 8: France’s twenty largest surpluses and ten largest deficits in Sub-Saharan Africa in 2011 (in millions of €)



Source: Customs, DG Trésor.

Of the 61,409 French firms that exported to Sub-Saharan Africa in 2012, SMEs and micro-enterprises accounted for the largest share (70%), mid-tier companies were responsible for 21% and large firms just 9%. SMEs and micro-enterprises are mainly established in French-speaking countries: South Africa and Nigeria – France’s two main customers in the region – are in 5th and 13th place, respectively. The major groups have a greater presence in non-French-speaking Africa.

And yet, it is these firms that are responsible for the lion’s share of exports (€3.6 billion, 36% of total French sales), just ahead of mid-tier companies with €3.4 billion (34%). SMEs and micro-enterprises, which are far greater in number, account for only 30% of the total value of French exports to Sub-Saharan Africa (€3.0 billion). Many French businesses have been very successful in key sectors of the African economy.

France enjoys close economic ties with North Africa

France has a close economic relationship with North African countries, and their economic expansion into Sub-Saharan Africa should be beneficial for French companies.

The expansion strategies of the three Maghreb countries could benefit French investors. If these countries' share of Sub-Saharan African imports has tripled over the past decade, rising from 0.7% to 2%, it is due to memoranda of understanding on cooperation (Morocco has signed 500 such memoranda with forty Sub-Saharan countries).

Within the EU, France is in an enviable position, with a market share of 13.5% (Morocco), 17.0% (Algeria) and 19.0% (Tunisia) in 2011. French exports have doubled in volume over the past ten years, despite the falloff due to the Arab Spring.

In terms of publications and welcoming students, France remains Morocco's leading scientific partner, ahead of Spain and the United States. France takes in over half of the 50,000 Moroccan students who go abroad to study. The Moroccan higher education system is largely based by the French model, and French remains the language of higher education in the sciences.

French companies are investing heavily in Morocco (€8.3 billion in 2011, or 53% of the total investment stock in North Africa).

French positions are most secure in the countries that are regional economic drivers: South Africa, Nigeria and Morocco.

France remains a top investor across the continent

France's trade figures do not fully reflect the reality of its economic ties with the African continent. France has exported a great deal of capital to Africa, which is not reflected in its market share. The downturn in France's share of the market – partly due to the fact that some African exports are made locally by French groups (Moroccan export of Renault cars, etc.) – does not therefore give a clear picture of France's influence.

Between 2005 and 2011, France stepped up investment in Sub-Saharan Africa by an annual average of 24%, compared to 16% in North Africa¹⁷⁶ and 9% for world FDI stock. French FDI in Sub-Saharan Africa increased fourfold, from €6.4 billion in 2005 to €23.4 billion in 2011. Sub-Saharan Africa's share of France's global FDI rose from 1% in 2000 to 1.2% in 2005 to 2.5% in 2011.

176 - French Treasury, June 2013.

Box 4: French FDI stocks in Africa between 2005 and 2011 (in millions of €)

	2005	2006	2007	2008	2009	2010	2011
North Africa (NAF)	6 577	8 210	9 688	12 223	14 816	16 152	15 723
Sub-Saharan Africa (SSA)	6 374	8 257	12 705	13 717	16 124	19 746	23 417
Africa (AFR)	12 951	16 467	22 393	25 940	30 940	35 898	39 140
World	551 515	578 849	636 836	714 323	780 255	880 898	948 898
AFR/World ratio	2,3%	2,8%	3,5%	3,6%	4,0%	4,1%	4,1%
NAF/World ratio	1,2%	1,4%	1,5%	1,7%	1,9%	1,8%	1,7%
SSA/World ratio	1,2%	1,4%	2,0%	1,9%	2,1%	2,2%	2,5%

Source: Banque de France.

French firms are investing billions of euros in key sectors, thus contributing to industrialisation efforts (Areva in Niger, Total and Schneider Electric in Nigeria).

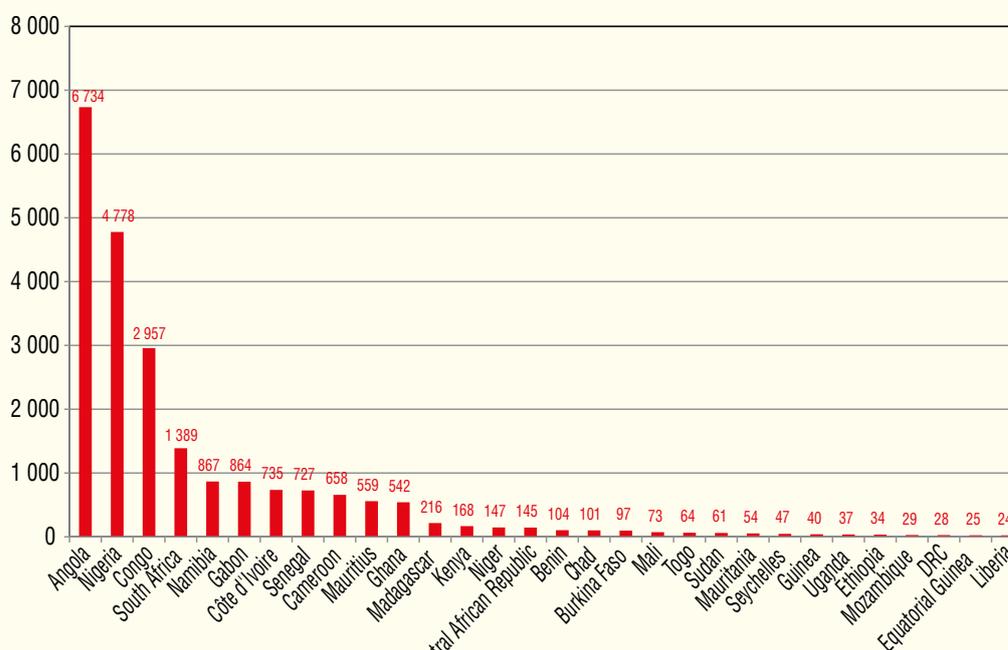
In Africa, France's stock of assets remains larger than those of its competitors, and major French groups have a solid presence in non-French-speaking Africa.

Major firms have a stronger presence in English-speaking Africa than SMEs, which largely operate in French-speaking countries. This explains why French investment stocks were highly concentrated in South Africa (€6.7 billion) and in Nigeria (€4.8 billion) in 2012. **This is the result of very large-scale investments made from 2004 onwards in Nigeria, and in South Africa starting in 2006.** French-speaking African countries lag far behind their English-speaking counterparts:

Gabon, Côte d'Ivoire, Senegal and Cameroon have lower capital stock (€864 million, €735 million, €727 million and €658 million, respectively). However, French FDI in Ghana remains low: the country is the seventh-largest destination for French FDI in Sub-Saharan Africa (€110 million in 2011).

Proparco is very well established in non-French-speaking African countries, owing to a business strategy that is in line with economic realities. In terms of loans (excluding multiple-country loans and French overseas territories), Proparco's largest debtors in 2012 were South Africa (accounting for 20% of Sub-Saharan outstanding debt), Kenya, Uganda and Nigeria.

Graph 9: The top thirty Sub-Saharan recipients of French FDI



Source: Banque de France, French Treasury, June 2013.

France's strengths and the challenge of Africa

Africa and France share people, culture and language

Africa is home to many French speakers

Of the 220 million French-speakers worldwide, nearly 100 million of them live in Africa.

French is one of the official languages of the major pan-African organisations (AU, OHADA,

AMU, ECA, etc.). More than half the member States and governments in the *Organisation internationale de la Francophonie* (OIF) are African (30).

Many economically vibrant French-speaking communities have been present in Sub-Saharan Africa for some time (the Lebanese community, etc.). Intra-African migration has also played a role in extending French speakers throughout the continent.

The *Alliance Française* is based in 36 African countries, nearly a quarter of the total number of countries worldwide where it operates. There are 127 *Alliance Française* structures

across Africa, offering classes to over 83,000 students¹⁷⁷.

French-speaking television channels are very widespread. TV5Monde Afrique and RFI from the France Médias Monde group (radio is very popular across Africa), and the *Agence Internationale d'Images de Télévision* (AITV/

RFO), which recently launched Info Afrique, a news programme devoted to current affairs in Africa, act as pre-sales vehicles for French brands.

A shared language naturally fosters trade between Africa and France¹⁷⁸.

Box 5: TV5MONDE Afrique in figures

- **Over 10 million African households** receive TV5MONDE Afrique in 48 countries (22 French-speaking, 17 English-speaking, 5 Portuguese-speaking, 3 Arabic-speaking and 1 Spanish-speaking). It is also available in more than 40,000 hotel rooms that account for over 14 million overnight stays per year
- **9 out of 10** people are aware of TV5MONDE in French-speaking Africa
- **21.4 million viewers** (aggregate weekly audience)
- **90% brand recognition** in every French-speaking capital: 94.6% in Kinshasa, 97.7% in Bamako, 93.6% in Dakar, with weekly audience figures reaching up to 80% (81.6% in Bamako, Mali and 64.8% in Kinshasa, DRC, where TV5MONDE is the leading international channel). Source: Africascope 2012
- **TV5MONDE** is available in Africa from Canal+Afrique and Multichoice, as a satellite channel on SES5 and Eutelsat 16A and in many MMDS, cable, TNT and analogue packages.
- **Over a million videos** viewed every week on TV5MONDE+Afrique WebTV

Source: TV5Monde, Press Release dated 18 February 2013.

177 - *Fondation des Alliances françaises*, 2013.

178 - « *Proximité et préférences dans les échanges internationaux de biens et services culturels* », François Rouet, culture et recherche n° 114-115, hiver 2007-2008.

There are still large French communities in Africa

As of 31 December 2012, there were nearly 235,000 French nationals in Africa according to the French Citizens Register. Based on data from the French Ministry of Foreign Affairs, some 117,500 live in French-speaking Sub-Saharan Africa (50% of French nationals in Africa), 98,000 live in North Africa (42% of French nationals in Africa, mainly in Morocco) and 19,000 live in non-French-speaking Sub-Saharan Africa (8%).

The number of French nationals in Africa has returned to its 1985 level, the year in which a sharp decline began¹⁷⁹. In some countries, French nationals form a large portion of “Western” communities. In Cameroon, although they represent only 0.03% of the population, French citizens represent the largest community from a Western country.

86% of French nationals in Sub-Saharan Africa live in French-speaking countries – primarily Madagascar, Côte d’Ivoire, Senegal and Gabon. In non-French-speaking Africa, the French presence is in relation to France’s investments: the largest French community is found in South Africa (38% of those in non-French-speaking Africa), ahead of Angola (11%) and Nigeria (10%).

Most importantly, this French presence is becoming less a community of expatriates: those with dual nationality now make up half of those living in Africa. This new reality is less visible in non-French-speaking Africa, where

expatriates are more numerous, and in Djibouti, where the French citizens are primarily recent civil and military expatriates¹⁸⁰.

In 1984, of the 70,500 French nationals registered with consulates in the Maghreb, 16,500 were dual nationals. Today they represent some 63,000 out of a total of 90,000¹⁸¹.

Africans form the largest immigrant population in France

France is primarily host to immigrants from North Africa. In 2008, out of nearly 2.3 million African immigrants, 70% of them (1.6 million) were from Algeria, Morocco or Tunisia¹⁸², while the remaining 0.67 million came from the rest of the continent. For that same year, 43% of France’s immigrant population came from Africa, 30% of which were from the Maghreb and the remaining 13% from the rest of Africa.

There are now four times as many immigrants from Africa (excluding the Maghreb) living in France than there were in 1985, and half of these have been in France for fewer than ten years. This population could number more than 800,000 in 2013.

Non-Maghreb immigrants are generally young. Half of them arrive in France before reaching the age of 25, and half are between 25 and 44, against 37% for all immigrants combined, and 30% in the population as a whole.

Some African populations are particularly well represented in France. For example, roughly half of those leaving Mali to settle in Europe live in France, a population of about 100,000¹⁸³.

179 - « *Les nouveaux Français d’Afrique* », François Soudan and Jacques Bertoin, Jeune Afrique, 30 June 2008.

180 - Ibid.

181 - Ibid.

182 - Ministry of the Interior, July 2013.

183 - Ministry of Foreign Affairs, April 2013.

The proportion of non-Maghreb African immigrants who have become naturalised citizens is similar to that of all immigrant groups combined. This means a slightly larger proportion requested and obtained French nationality based on the average amount of time spent in France. The portion of French immigrants among immigrant groups is constantly increasing. The descendants of non-Maghreb African immigrants are all French, with a relatively low percentage (13% against an average of 23%) holding dual nationality.

The ties between Africa and France also have their roots in significant migrant remittances. In France, it is estimated that annual financial flows based on remittances by migrant workers to their home countries total €8 billion. Some 60% of migrant workers from Sub-Saharan Africa send money back home¹⁸⁴.

On the other hand, **the task force was repeatedly told, particularly by younger African immigrants, that the lack of “ethnic” statistics (which are gathered in the UK, for example) means that the reality of modern French society cannot be properly assessed, and that this hypocritically impedes the recognition of French Africans.**

France is still the world’s leading destination for African students

In 2010, France was the world’s top destination for African students in terms of numbers, and it was the leading non-African country in terms of the proportion of African students among the total number of international students or those on international mobility programmes. In 2010, France welcomed 111,195 African students, against 37,000 in the US and in the UK, slightly over 17,000 in Germany, around 7,700 in Italy, some 5,500 in Spain and approximately 4,500 in Portugal.

The proportion of African students among foreign students studying in France remained at around 43% between 2006 and 2011. This is much higher than the average for OECD countries (9.3% in 2010).

Within the OECD, France tops the rankings for the number of students from Sub-Saharan Africa (50,470). In terms of the ratio of Sub-Saharan African students to total foreign students, France comes in second (18.9%), behind Portugal. Although Portugal hosts only 3.7% of Sub-Saharan African students, the ratio of Sub-Saharan African students to foreign students is 40.1%. France is ahead of the United Kingdom (8.2%), the United States (4.6%) and Australia (2.6%). In 2009, this ratio was 7.2% for Canada.

184 - « *L’intégration économique des migrants et la valorisation de leur épargne* », C. Milhaud, report to the Minister of the Interior and Urban Development, la Documentation française, September 2006 quoted in « *Afrique-France Réinventer le co développement* », Institut Montaigne, June 2010.

The majority of students come from North Africa: students from Maghreb countries represent over half of students from Africa (53%). In numbers of students, Senegal accounts for 18% of Sub-Saharan students, followed by Cameroon (12%), Gabon (8%), Guinea (7%), Côte d'Ivoire (7%) and Madagascar (7%).

However, although the OECD countries currently host most students from Africa, **the number of Africans studying in emerging countries (Malaysia, Brazil and even Saudi Arabia¹⁸⁵) has risen sharply in recent years. This increase is higher than that for students coming to OECD countries.** This trend is particularly noticeable in China. According to Chinese statistics, the number of African students rose from some 3,700 in 2006 to 12,500 in 2009. The number of African students studying in China thus grew by 232.8% in three years. Worldwide, the number increased by only 14.7%, and in France it fell by 4% during the same period.

In 2012-2013, economics and management were the most popular subjects among Sub-Saharan African students. They were chosen by 19.6% of students, compared to 17% in 2003-2004, on an equal footing with basic and applied science (roughly 19.6% against 17%), ahead of political science (16.8% compared to 14.3%) and the social sciences and humanities (10.9% against 12.4%). Other subjects were chosen by fewer than 7% of students. Breakdown between the various subject areas (economic, legal, cultural, scientific, etc.) appears very balanced.

Frances enjoys close, long-standing links with Africa via local authorities

According to figures from Cités Unies France (CUF), there are over 400 partnerships between French and African local authorities – or what is termed “decentralised cooperation”. Initiatives by the CUF, chaired by Michel Delebarre, are mainly based in Madagascar and French-speaking West Africa.

Many twinning projects are in place. For example, the city of Nice signed a twinning agreement with the District of Abidjan on 6 September 2013¹⁸⁶. The International Association of French-Speaking Mayors (AIMF) and Cités Unies France organise meetings between French and African elected officials. This initiative is supplemented by the Forum de l'action internationale des collectivités.

For example, 170 French regional authorities are working with Mali. Franco-Malian decentralised cooperation involves every major city in the country, and some 15% of Malian regional authorities. Since 2006, over €35 million (between €5 and 6.5 million per year) have been allocated to decentralised cooperation with Mali¹⁸⁷.

Regional authorities also play a role in non-French-speaking Africa: there are a number of partnerships in place in Ethiopia (Lyon/Addis, Charleville/Harar, Villeurbanne/Dire Dawa, Le Blanc Mesnil/Debre Berhane).

185 - No data for India, Turkey and South Africa.

186 - Letter by the CUF, September-October 2013.

187 - Ministry of Foreign Affairs, 2013.

France's significant role in local economies

France has a larger market share in Africa, especially in the CFA Zone, than a number of other countries

In 2011, France enjoyed the highest market shares in Gabon (over 30%), Senegal (18%), Côte d'Ivoire (14%) and Cameroon (14%). These countries also had the largest number of French export firms. **In the CFA Zone, France was roughly on an even footing with China in 2011**, with market shares of 17.2% and 17.7% respectively. China trailed France in Senegal (10%), Gabon (9%) and Côte d'Ivoire (8%)¹⁸⁸.

France largely outpaces its European partners and other emerging countries in Cameroon and Côte d'Ivoire. In Côte d'Ivoire, France's leading customer in the CFA Zone, it plays a key commercial role by being the country's second-largest supplier after Nigeria. However, it leads the way if natural hydrocarbons are excluded, with a 23% market share. French exports, although affected by the 2011 crisis, reached €1 billion in 2012 (a roughly 50% increase over 2011)¹⁸⁹.

By comparison, the UK's market position in both Kenya and Nigeria fell by about 4% in both countries.

French firms are well established in Africa

Thanks to the emergence of consumers with disposable income and to efforts to include Africa in value chains, a large proportion of African demand matches France's economic strengths.

Major French groups are active in the mining and drilling, services and equipment and manufacturing sectors.

Construction and public works companies are well represented (Bouygues, Vinci, Eiffage, Ponticelli Frères). Most of Lafarge's turnover in Africa is generated in non-French-speaking countries.

Major stakeholders in the **mining sector** include Areva in Niger (and a large project in Namibia) and Eramet, which is present in Gabon and Senegal.

French oil and oil services groups are also very well represented. Total is one of the leading exploration/mining and drilling firms in Africa, where it has long been present (62 years of continuous presence in Angola and Ethiopia). Total is also active in downstream oil operations. It is number one in distribution in both Ghana and Ethiopia – a country in which it is the last major player following Shell's departure in 2008.

Technip, which has been operating in Ghana since 2009, confirmed its long-term presence by investing in a 15,000 m² fabrication yard at Takoradi, which will offer logistical support for its vessels operating in Ghana. The company was awarded several key oil and gas contracts (development of the Jubilee field, the Gas Export Line and the FEED for a gas processing plant). Technip was the first foreign

188 - CHELEM database, CEPIL, 2013.

189 - Ibid.

company to set up a joint venture with the Ghana National Petroleum Corporation (GNPC) for local engineering projects (investments, technology transfer and expertise), and has also signed partnerships with universities to foster research and development.

The Réunion-based group Bourbon also plays a leading role in offshore oil services in West Africa, and operates in Angola.

In the **energy sector**, French firms are highly successful in Africa. Alstom is a strong leader in the electrical power sector in Africa, with contracts signed in 2011 and 2012 in Ethiopia. It is doing especially well in South Africa, having installed 80% of the turbines used by Eskom (the South African power utility). As the preferred bidder in the procurement process for rolling stock, Alstom is expected to sign a €4 billion contract for the supply of EMUs. Schneider Electric has been present in Africa for almost forty years, particularly in South Africa, Egypt and Algeria¹⁹⁰. The group has 2,500 employees in fifteen countries.

France is also represented with respect to **hydraulic engineering**. BRL Ingénierie, one of four companies in the BRL Group, specialises in land, coastal-zone and water resource management, hydraulic infrastructure and multidisciplinary engineering. It has been active in Ethiopia continuously for fifteen years. In 2012, BRL was awarded an eight-year contract to provide operations and maintenance (O&M) services for the 4,000-ha irrigated zone of Megech-Seraba north of Lake Tana. This is a world first, jointly financed by Ethiopia and the World Bank.

In the area of security and defence, Thalès is also well established, especially in Algeria

and South Africa, where it has been present since 1998. The group expanded its presence in Morocco, where its regional headquarters are located¹⁹¹. Thalès has just signed a €500 million contract to modernise South Africa's air traffic control system¹⁹².

French firms are also active in the consumer goods sector. For example, **L'Oréal** and **Pernod Ricard** have decided to set up a regional subsidiary in Ghana. Major mass retailers such as **Casino** have long been present in Africa, and Carrefour has recently partnered with CFAO¹⁹³.

In the telecoms sector, **Orange** operates in many countries (Kenya, Niger, Cameroon, Mauritius, DRC, Senegal, etc.). The turnover of Orange Cameroon, established in 1999, is the second largest of any French firm in the country, behind Perenco, an oil and gas company. It is also active in the more competitive field of internet service provision, and is investing regularly and heavily to expand its network.

Many French firms of varying sizes are present in the **agriculture, agri-food, forestry and fisheries sectors**. Several major groups, primarily active in France, are leaders in their field and have subsidiaries abroad and/or local partners, such as Danone and Louis Dreyfus (international agricultural commodity trading). Some groups specialising in tropical products, with which the AFD has long-standing relationships, have a foothold in Africa. Most of these companies are members of the French Council of Investors in Africa (CIAN). They include Compagnie Fruitière, Villegrain/SOMDIAA, GéoCoton, Michelin (natural rubber), Touton, Cémoi (cocoa), Groupe Rougier (tropical wood).

190 - « *Énergie : les besoins devraient doubler d'ici à 2030* », Jean-Marc Darboux, President of Schneider Electric Africa, Jeune Afrique Économie, 4 July 2012.

191 - « *Thalès International se déploie en Afrique via Rabat* », Ecofin news agency, 1 November 2011.

192 - « *Afrique du Sud : contrat à 500 millions d'euros pour Thales* », Jeune Afrique Économie, 24 May 2013.

193 - However, CFAO is now 97.81% controlled by Toyota.

The *Société Internationale de Plantation d'Hévéa* (SIPH), Africa's second-largest producer of natural rubber, is listed on the Paris stock exchange. Its majority shareholder is SIVCA, Côte d'Ivoire's leading group. SIPH recently sold a nearly 25% interest to Michelin and has launched development projects in Ghana (via its subsidiary Grel) and Liberia. In the fruit sector, in 2003 *Compagnie Fruitière* (Marseille) opened a subsidiary (Golden Exotics) in Ghana, which has two plantations totalling 3,500 ha. It employs 2,400 workers and exports its entire production of bananas (60,000 tons) and pineapples (10,000 tons) to the EU. The company is planning further investments in Ghana.

BGI Castel is present in a number of African countries. In Ethiopia, it has 55% of the beer market, owns three breweries (one of which was opened in 2012) and is currently setting up a wine business. The first products will reach the market in 2013; half of the expected 100,000-bottle production will be exported, mainly to the US, due to the large Ethiopian community there¹⁹⁴.

In the **healthcare** field, Sanofi – one of the world's largest pharmaceutical firms – is very active in Africa, well ahead of its competitors GSK and Novartis-Pfizer. The company's annual turnover on the continent is €1 billion, some €800 million of which comes from Sub-Saharan Africa.

In the **media** sector, via the subsidiary Canal+ Afrique, Canal+ is broadcast in around forty African countries, including many Sub-Saharan African countries (Senegal, Côte d'Ivoire, Cameroon, DRC, Gabon, Burkina Faso and Madagascar).

France's strategic assets also include **connections between maritime transport and port and hinterland logistics, as well as a long-standing presence in air transport.**

The Bolloré group, via its subsidiary Bolloré Africa Logistics, is a leading port services logistics firm, including in non-French-speaking Africa. It operates container terminals in Abidjan (Côte d'Ivoire), Douala (Cameroon), Tema (Ghana), Lagos-Tincan (Nigeria), Libreville-Owendo (Gabon), Pointe-Noire (Congo) and Cotonou (Benin). In 2010, Bolloré Africa Logistics was awarded the concession for several container terminals, including those at Freetown in Sierra Leone, Lomé in Togo, and Misrata in Libya. In 2011, it won the concessions for container terminals in Conakry (Guinea) and Moroni (Comoros)¹⁹⁵.

When CMA-CGM – the world's third-largest container shipping company – acquired Delmas, it became a leading regional African transport firm, with facilities in North, West, East and Southern Africa.

Air France-KLM group plays a major role in African air transport. Traditionally based around Dakar since the 1930s, Air France has broadened its network to include the major hubs (Abidjan, Dakar, Libreville, Douala, Johannesburg) and has added routes linked to the presence of oil companies (Port Harcourt, Pointe-Noire, Luanda and very shortly Port Gentil or Maputo). It serves 42 destinations across Africa, and has code-sharing agreements for six of these with Kenya Airways, as part of a joint venture with KLM on the East Africa-Europe route via Amsterdam¹⁹⁶. The company has stayed in Côte d'Ivoire and continues to provide uninterrupted service.

194 - French Treasury, June 2013.

195 - « *Qu'appelle-t-on les « intérêts » français en Afrique ?* », Pierre Magnan, Géopolis FranceTVInfo, 27 May 2013.

196 - Information sent by Air France-KLM to the mission.

Finally, in the financial services sector, **French banks continue to be well-positioned.**

The two main French groups remaining in Sub-Saharan Africa are Société Générale (SG) and BNP Paribas. In 2011, BPCE began to reactivate its African network. Crédit Agricole, on the other hand, largely withdrew in 2009, selling its network to the Moroccan Attijariwafa Bank¹⁹⁷.

SG is present in seven West African countries (Benin, Burkina Faso, Côte d'Ivoire, Ghana, Guinea, Mauritania and Senegal) and four in Central Africa (Cameroon, Congo, Equatorial Guinea and Chad). It also operates in Madagascar¹⁹⁸. By opening ten to fifteen branches annually in Côte d'Ivoire and Senegal, and two or three new branches annually in the other countries, SG hopes to have 1.7 million customers by 2015, against 1.2 million in 2012¹⁹⁹. BNP Paribas is present in six Sub-Saharan African countries, and the group's specific strategy for Africa includes consulting services for mergers and acquisitions.

French banks have many comparative advantages. Their uninterrupted presence for more than half a century gives them legitimacy and allows them to understand the local market. Their capital and their ability to adapt quickly to the convergence of Sub-Saharan African banking regulations (historically based on French regulations for French-speaking Africa) with international standards sets them apart from their local African competitors. Their networks in France and many Sub-Saharan countries make them a unique go-between for the remittances and investments between migrants in France and those migrants' countries of origin. They also offer mobile banking services.

This network offers a bulwark against political risks. When its subsidiary was nationalised by the Ivorian authorities in 2011, SG was able to offer its major customers the option of opening accounts with subsidiaries in neighbouring countries or in France, where IT operations are centralised²⁰⁰.

French firms are among the leading employers in Africa

French firms' expertise is known and appreciated in Africa

In addition to the US and the UK – its traditional partners – Ethiopia is looking to broaden relations with France. Emerging countries are not yet global partners of Ethiopia. Last April, the Ethiopian Prime Minister's first official visit outside Africa was to France, and the French President was the personal guest of the Ethiopian Prime Minister at the fiftieth anniversary of the African Union in Addis Ababa in May 2013. In addition, in its quest for knowledge transfer, Ghana has also turned to French companies.

French firms providing water services enjoy a high profile among Angolan authorities, owing to the quality of their facilities in the country prior to independence (1975). This has proved useful for these companies' current projects.

French companies are one of the largest employers on the African continent. In Cameroon, over 80,000 people are directly employed by French firms. Bolloré Africa Logistics, a subsidiary of the Bolloré group, is the leading transport and logistics company in Africa, with a network of 250 subsidiaries and nearly 25,000 employees across 55 countries, 45 of which are in Africa²⁰¹.

197 - « *Grandir ou sortir : dilemme des acteurs européens en Afrique* », Jean-Marc Vélasque, Banque et stratégie No. 314, May 2013.

198 - « *L'Afrique est indéniablement un relais de croissance* », Alexandre Maymat, Banque et stratégie No. 314, May 2013.

199 - Jean-Louis Mattei in the journal *Secteur Privé & Développement* No. 16.

200 - « *L'Afrique est indéniablement un relais de croissance* », Alexandre Maymat, Banque et stratégie No. 314, May 2013.

201 - « *Qu'appelle-t-on les « intérêts » français en Afrique ?* », *op. cit.*

Like other multinationals, major French groups tend to be seen as global companies whose original nationality is no longer important. This is true for the majority of the twenty-nine CAC 40 firms present in South Africa.

France and Africa are partners in financial institutions

In 2011, France was the fifth largest non-regional shareholder in the African Development Bank (AfDB). At €380 million for the period 2012–2014, its contribution to the concessional arm of the African Development Fund (ADF) was the fifth largest. France has historically been the third largest contributor to the ADF, behind Japan and Germany²⁰².

In 2012, non-regional countries represented 40% of the AfDB's capital and 30% of its senior executives. For Europe, these figures were 21% and 16%, respectively. French nationals constitute the largest non-regional group among staff, and the second largest all nationalities combined (6.1% of international staff, after Ivorians). France is well represented compared to its share of the bank's capital stock (3.75%, behind Nigeria, the United States, Japan and Germany, but ahead of other European countries). This same advantage is apparent with respect to executives (three directors and five division heads, two more than in 2012). With 6.7% of senior executives, France trails Cameroon, but is equal with Nigeria and the United States. Japan and Germany and, more generally, non-regional countries, have less representation²⁰³.

Within the AFD group, France has an outstanding asset in the *Société de promotion et de*

participation pour la coopération économique (Proparco) - a quasi-African stakeholder. Since taking stakes in the Development Bank of Southern Africa (DBSA), the West African Development Bank (BOAD), the Moroccan Bank for Foreign Trade (BMCE), the Bank of Tunisia and the Bank of Africa group (BOA), **Proparco has been a unique African shareholding vehicle within a French governmental structure.**

Proparco, which is established in North Africa (Tunis, Casablanca, Cairo), West Africa (Lagos, Abidjan), Central Africa (Douala), East Africa (Nairobi) and South Africa (Johannesburg), operates in key African economic sectors. In Ghana, Proparco granted a \$7 million loan to Ghana Home Loans (GHL), which offers long-term financing for home-buyers, and holds around 50% of the mortgage market. It also provided \$40 million in debt financing (out of \$212 million) for the second tranche of the Takoradi 2 power plant. Proparco's portfolio focuses on the banking, manufacturing and services sectors.

202 - Biannual report to French Parliament, Implementation of the framework document « *Coopération au développement : une vision française* » (2010-2011), Ministry of Foreign Affairs, November 2012.

203 - French representation to AfDB, data as at 31 December 2012.

Africa: a priority for French development policy

In 2010, 45% of net French bilateral aid went to Sub-Saharan Africa (€2.6 billion). This was mainly in the form of grants and debt write-offs. France is the second largest bilateral donor to Sub-Saharan Africa by volume (€2.9 billion) out of Development Assistance Committee (DAC) members, after the United States (€5.8 billion), and ahead of Japan (€1.2 billion). It is the largest donor in the EU (€3.6 billion), ahead of the United Kingdom (€2.2 billion). It is in fourth place for earmarking its combined aid (bilateral and multilateral) for Sub-Saharan Africa (45%), ahead of the United Kingdom (40%) and Germany (28%).

Debt write-offs represent the largest category of bilateral ODA (41%). In Côte d'Ivoire, France is the leading bilateral contributor, with its Debt Reduction and Development Contract (C2D).

The AFD deploys a wide range of financial instruments in Sub-Saharan Africa, where half the agencies in its network are located. Loan subsidies are, on average, higher than in the other zones where the AFD operates. The percentage of AFD staff working in Sub-Saharan Africa in relation to the total AFD network fell in 2012, due to slower recruitment than in the network as a whole. However, the AFD's Sub-Saharan Africa network has continued to grow with a 25% rise in staffing levels, even though this zone already accounted for nearly three-quarters of network staff. Between 2002 and 2012, seven new agencies (nearly a third of all new agencies) were opened in Sub-Saharan Africa.

In 2012, nearly 50% of the AFD's activities²⁰⁴ were focused in Sub-Saharan Africa (assistance totalled nearly €350 million, a 40% increase over 2011) – this represented 69% of the agency's budget provided by the French government. Its authorised commitments totalled €2.4 billion in 2011²⁰⁵, against €980 million in 2007, an increase of 150% in four years. A total of €8.3 billion was authorised over a four-year period²⁰⁶.

Between 2003 and 2012, Sub-Saharan Africa was the primary beneficiary of AFD-financed grants and loans (40% of the total). The AFD's priority focus on Sub-Saharan Africa was confirmed on 31 July 2013 by the Inter-ministerial Committee for International Cooperation and Development (CICID).

Proparco's outstanding loans in Sub-Saharan Africa increased threefold between 2003 and 2012. In 2012, Sub-Saharan Africa was the top beneficiary (29%) of Proparco's loans (excluding multiple country and French overseas territories loans). In terms of equity investments, Sub-Saharan Africa is in second place behind the Mediterranean (30% compared to 41%), while Proparco's very limited guarantee activity is focused on these two areas.

Guarantees from the *Compagnie Française d'Assurance pour le Commerce Extérieur* (Coface) to sub-Saharan Africa totalled €11.6 billion in 2012, of which €10.1 billion was for South Africa. Other financial instruments include funds held by DG Trésor, the Emerging Country Facility (*Réserve Pays Émergents* – RPE) and the Private Sector Research and Assistance Fund (*Fonds d'Étude et d'Aide au Secteur Privé* – FASEP). The RPE provides concessional loans to some twenty emerging

204 - Annual report of AFD, 2012.

205 - Added to which are the activities of guarantees and special mandates, which represented €0.3 billion in 2011, giving a total of €2.7 billion of Sub-Saharan commitments in 2011 for the group.

206 - AFD, June 2013.

countries; at the end of 2012, its commitments in Sub-Saharan Africa totalled €156 million (for example, a €7 million loan in 2012 to improve the telecommunications system of the Kenya Wildlife Service). Grants from the FASEP, which cover more countries than the RPE, are used to help local stakeholders carry out analyses for infrastructure projects or investments²⁰⁷

France is also one of the leading contributors to European development assistance: its contributions account for 19% of the total, a figure that has doubled in 20 years²⁰⁸. The EU and its Member States are the number one source of official development assistance within the OECD, representing over half the total, with €52.9 billion in 2011.

In 2011, EU assistance to Africa amounted to 37% of total European ODA. This figure has fallen slightly since 2005, when the figure was 44%. In absolute terms, Africa's share in European assistance has increased substantially, rising from €7.2 billion in 2005 to €9.7 billion in 2009, €8.4 billion of which went to Sub-Saharan Africa²⁰⁹.

French naval and military power contributes to security in Africa

France's military credibility and its strategic interest in Africa are assets which are **vital to the economic interests of both France and Africa**. France contributes significantly to African security, while learning to play by new rules.

Africa's location at the junction of maritime trade flows to the Mediterranean, the Gulf States, Asia and South America makes it of strategic interest to France. The 2013 White Paper on Defence and National Security states that much of Africa is of critical interest for France, including the Sahel, from Mauritania to the Horn of Africa, a portion of Sub-Saharan Africa and the Atlantic coast.

The permanent French military presence in Côte d'Ivoire, Chad, Senegal, Gabon, Djibouti and Réunion, and its ability to protect and evacuate European nationals, boosts economic stakeholder confidence. Some 5,000 French troops are stationed in various areas²¹⁰. France has signed eight defence agreements (Cameroon, Central African Republic, Comoros, Côte d'Ivoire, Djibouti, Gabon, Senegal and Togo) and sixteen technical cooperation agreements²¹¹. The new agreements exclude involvement in the countries' domestic affairs.

Djibouti, for example, is a logistical and technological hub and a financial centre, and it offers seaport access for the hinterlands of Ethiopia, and soon for South Sudan, which is growing rapidly. A permanent military installation provides ongoing protection for European

207 - According to the French Treasury, €273 million has been used to finance over 400 contracts and over 150 French enterprises in 55 countries across all of the world's continents since 2000.

208 - French policy on development aid, Court of Auditors, June 2012.

209 - Advice of the Senate No. 108 of 17 November 2011 in the name of the commission for foreign affairs, defence and armed forces on the draft law on funding for 2012, Tome IV « Aide publique au développement ».

210 - « Qu'appelle-t-on les « intérêts » français en Afrique ? », Pierre Magnan, Géopolis FranceTVInfo, 27 May 2013.

211 - White paper on defence and national security 2013.

commercial vessels transiting through the Suez Canal. French firms are therefore well positioned to play a role in any future multimodal transport management contract between Djibouti and dry ports in Ethiopia. The Ethiopian government is planning to outsource the management of these ports, which are currently State-operated. Recent difficulties in this area are being resolved.

There are many ties between the French and African military. These include training in French military schools, the *Ecole de Guerre* or in Africa's regionally-oriented national training institutions, joint high-level security seminars (such as the Forum on the African Continent organised by the Institute of Advanced Studies in National Defence (IHEDN), the network of defence attachés, development workers and military advisors.

Moreover, French military intervention in Mali as part of a United Nations Security Council resolution, supported by many African countries and institutions, showed that France is still a real power in Africa and reinforces the majority respect for France's action in Africa.

France strongly supports African regional integration

The **CFA Zone**, which celebrated its 40th anniversary in 2012, is a unique regional economic and monetary body. It consists of the eight members of the West African Economic and Monetary Union (WAEMU), the six members of the Economic and Monetary Community of Central Africa (CEMAC) and the Comoros Union. The monetary forerunners of these eco-

nomie unions, the Central African Monetary Union (UMAC) and the West African Monetary Union (UMOA, founded in 1962), are the oldest monetary unions, and also the longest-lasting in economic history²¹².

In September 1939, as part of a set of measures in connection with the declaration of hostilities, the CFA Zone was founded by a decree introducing harmonised foreign exchange legislation across all territories in the French colonial empire. After the various countries achieved independence, most of them, along with France, decided to maintain the Zone.

The CFA franc is currently used in fourteen African countries and by over 135 million inhabitants. The exchange rate is guaranteed by the French Treasury. The Regional Stock Exchange (*Bourse Régionale des Valeurs Mobilières* – BRVM) was developed within the WAEMU.

The CFA Zone guarantees economic stability and provides a forum for discussions between African partners. Semi-annual meetings of CFA Zone finance ministers are held on a regular basis. The political and (less directly) security effects provided by the Zone help build private sector confidence.

Cape Verde (1998) and, more recently, Sao-Tomé and Principe have signed monetary agreements with Portugal, giving them limited special drawing rights in euros, in exchange for commitments to pursue policies of macroeconomic stability.

212 - As the Union of the Comoros is not a member of a monetary union, its membership of the CFA Zone is approved by the agreement on monetary cooperation between the French Republic and the Federal Islamic Republic of Comoros of 23 November 1979.

Box 6: The CFA franc

- The CFA franc was introduced on 26 December 1945. At the time, it stood for “franc of the French Colonies in Africa (franc des Colonies Françaises d’Afrique)”. In 1958, this was changed to the “franc of the French Community in Africa (franc de la Communauté Française d’Afrique)”. After the various countries achieved independence, the CFA franc became the “franc of the African Financial Community” (franc de la Communauté Financière Africaine) in the WAEMU, and the “franc for Financial Cooperation in Central Africa” (franc de la Coopération Financière en Afrique centrale) in the CEMAC.
- Since 1945, the CFA zone has only experienced two changes in parity, in 1948 and on 12 January 1994, when the CFA and Comoros francs were devalued by 50% and 33%, respectively.

Source: 40th anniversary of the franc zone monetary agreements; DG Trésor, 2012.

France is also a founder member of the **Indian Ocean Commission (IOC)**, an intergovernmental organisation for regional cooperation whose members include, in addition to France, the Comoros, Madagascar, Mauritius and Seychelles. All are members of the Common Market for Eastern and Southern Africa (COMESA) and, with the exception of the Comoros, the Southern African Development Community (SADC). The IOC is a continuation of relations with the entire eastern and southern Sub-Saharan African coast, and also with other Indian Ocean powers (such as Australia). Réunion plays a strategic role in this.

France provides active support to African legal organisations focused on market integration and legal certainty. In particular, France supports the **Organisation for the Harmonisation of Business Law in Africa (OHADA)**, cre-

ated under the Port Louis Treaty of 17 October 1993. OHADA facilitates trade and investment, ensures businesses’ legal and judicial certainty, trains OHADA professionals and researches business law. OHADA is a real African success story: it has fostered unified business law and paved the way for legal certainty.

France also actively supports the **Inter-African Conference on Insurance Markets (Conférence interafricaine des marchés d’assurance – CIMA)**, an OHADA partner and successor to the Conférence internationale des contrôles d’assurances established in 1962. The CIMA promotes the integrated development of insurance markets within the CFA Zone. Lastly, this joint legal framework also includes the **African Intellectual Property Organisation (AIPO)**.

Rebuilding French-African economic relations

France must call for and support growth in Africa. In this way it can consolidate its economic position in Africa and find opportunities for growth. It has nothing to fear from Africa's economic ascension and competition from African firms. If it provides support, France will benefit from this growth and will not suffer setbacks. To achieve this, it must rebuild its relationship with Africa from the ground up, while taking care of its interests.

Visas: a roadblock to France's economic influence

France's loss of market share in Africa is partly the result of many African countries opting to diversify their economic relations and to break off traditional ties.

People interviewed by the task force had varying views of France. These range from attraction/respect ("culture, military credibility, longstanding knowledge of the area, acknowledgement of high-quality technical expertise, especially in the public sphere"), to rejection ("company margins, especially in the banking and air travel sectors, an attitude that is both colonial and passive in terms of actions by French businesses, suspicious treatment of those requesting visas, rejection of the French administrative and linguistic model, which is seen as the cultural source holding back French-speaking Africa") and indifference ("France is a partner like any other or it means nothing").

In general, non-French-speaking African countries see France as a tourist and cultural destination, rather than a place to do business or invest. The natural European hub for South Africans is London. For Angolans and Mozambicans, it is Lisbon: Angolans have taken advantage of the financial crisis by acquiring Portuguese companies. Ethiopian Airlines chose Liege as the site of its European cargo hub because of its proximity to markets for Ethiopia's flower exports.

Over and beyond the question of market share and the perception of the continent by France's economic stakeholders, **visas are an obstacle to France's economic influence, primarily in French-speaking Africa. The government is aware of this and has introduced reforms** (see below).

China's growing appeal is the result of a strategy by the Chinese authorities to promote Chinese language learning and to strengthen economic and academic ties with Africa. This strategy relies on the twin measures of grants and visa policies. As China repeatedly emphasised during the most recent China-Africa summits, it wants to make it easier (both financially and administratively) to host African students, **by increasing the number of government grants and relaxing visa formalities.**

Chinese government grants cover tuition fees, on-campus accommodation, some living costs (a monthly sum that varies depending on the level of studies), and, in some cases, the return airline ticket. Universities and partner reception programmes handle most of the visa application formalities, and government grants are sufficient proof for China's National Immigration Agency²¹³.

213 - China Scholarship Council.

French firms have widely diverging views of Africa

Over and beyond the issue of the French economy's level of export competitiveness, French firms are not focusing on Africa. Even though this situation is improving, **Sub-Saharan Africa continues to suffer from an overall negative image and does not inspire certain French businesses**. Africa, which has turned more to the major emerging countries, sometimes plays a very minor role in the portfolios of highly globalised French firms, which sometimes sell off assets to raise capital. Some French firms do not invest in Africa, while others are pulling out (after sixty years in South Africa, Crédit Agricole withdrew in 2011).

French companies do not always appreciate the potential offered by countries far outside traditional French export zones. The Ethiopian

market remains largely overlooked by most French exporters, as it still conjures up images of the famines of the 1980s.

In other cases, French businesses have been late starters in Africa. For example, Veritas, whose business is flourishing in Africa, only earns 2% of its turnover there. By contrast, this figure is much higher for major American companies (7% for Nokia and 10% for Coca-Cola and Unilever), and they plan to double their turnover in Africa in the coming years²¹⁴. Wendel made its first African investment in 2013, becoming the largest shareholder in the Nigerian mobile telephone mast operator, IHS. Others are reviving their presence in Africa: Renault has ambitious trade objectives in Ghana, and Rothschild and Lazard banks have reactivated their Africa departments.

Box 7: Perception of Africa by French micro-enterprises and SMEs

- The UPS-CGPME survey of November 2012 shows that micro-enterprises and SMEs have a clear preference for Europe: only 6% of those surveyed export to Sub-Saharan Africa, against 21% in the EU, 10% in Asia and 10% in North Africa.
- Sub-Saharan Africa is still in last place when it comes to prioritising geographical zones: 4% stated that it was their first choice compared with 8% for North Africa and 54% for the EU. 7% listed it as their first and second choice, compared with 13% for North Africa and 61% for the EU. However, there was a 13% increase in the trade sector.

Source: "PME, les clés de l'export", 3rd Survey, November 2012. The survey was conducted among 410 companies employing between 0 and 250 employees whose export business represents more than 5% of turnover, and that have been active in exports for at least a year.

214 - Speech at the London Stock Exchange on economic growth and the role of business in international development, Justine Greening, Secretary of State for International Development, 11 March 2013.

France is neglecting its economic interests in Africa

Many Africans who spoke with the task force were surprised that France is neglecting its economic interests in Africa.

They believe that France has the perfect right to act in its own economic interests and that it should forget the idea that it has a moral obligation towards Africa. They pointed out France's inability to be awarded procurement contracts following its military commitments, as in Mali.

France's partners do not appear to share these concerns: in October 2012, the British government unveiled a policy entitled "Strengthening UK relationships in Asia, Latin America and Africa to support UK prosperity and security"²¹⁵. The British believe that in the current

"global trade conflict", it is necessary to have a presence in emerging economies ("As the PM has said, we're in a global race. But if you want to be ahead of the game, be at the front"). In the US, President Obama launched the "Doing Business in Africa" campaign in November 2012 to attract American firms to African markets.

Some French firms in Africa spoke to the task force about the French government's historic feelings of wariness with respect to economic success on the African continent. We need to make the current economic situation more widely known, provide support for development of economic projects in Africa, and offer political support to French businesses to help them strengthen their positions and conquer new markets.

215 - Department for Business, Innovation and Skills, Foreign and Commonwealth Office, UK Trade and Investment. *Cette politique repose sur l'idée que le renforcement de relations économiques et politiques avec les pays en forte croissance est essentiel à la prospérité et à la sécurité nationales britannique et mutuellement bénéfique.*

216 - Speech at the London Stock Exchange on economic growth and the role of business in international development, Justine Greening, *op. cit.*

Box 8: From «Françafrique» to the new «France's African partnership»

- Nowadays, the term “Françafrique” is both vague and pejorative. It originated when the presidents of the newly-independent African States, starting with Félix Houphouët-Boigny, asked General de Gaulle (who was also in favour) in the 1960s that France maintain close ties in all areas, including economic and military, with its former colonies.
- Later, “Françafrique” became associated with cross-financing, bribery and corruption, dubious contracts, the defence of private interests and anti-competitive rents, parallel diplomacy and secret networks. This obscured what was a vital, natural and special human and economic relationship, and blinded the French population to changes that had taken place in Africa.
- This generated a controversy that was more a French issue than a Franco-African one, to which were added heated discussions about Rwanda, Côte d'Ivoire and interventions in Africa, among others. This happened to such an extent that in recent years, France has been the only world power to wonder whether it is shameful to have an “African policy”.
- Given the ties between France and Africa, Africa's potential, legitimate expectations of Africans and the world's focus on Africa, this is a self-defeating attitude. The members of the task force felt that an in-depth historical and political analysis of this issue was outside their remit. They left the past behind and turned to the future, towards the Africa of today and tomorrow, with no language or ideological barriers, towards new priorities in the general interest, and towards the partnerships to be built. No African interviewed suggested any other approach..

() See in particular the defence agreement between the governments of France, Côte d'Ivoire, Dahomey and Niger of 24 April 1961.*

Source: Task force.

NINE PROPOSALS FOR A SHARED ECONOMIC AGENDA WORKING TOWARDS AFRICAN AND FRENCH GROWTH

For France to play a role in African growth it will have to help Africa address the challenges it faces as outlined in the first part of this report. This will involve: i) promoting human capital and exchanges between France and Africa; ii) seeking diversified financing solutions; iii) implementing industrial partnerships in key sectors for African growth; iv) continuing to support regional integration in Africa.

Promoting the exchange of human capital

Reform procedures for economic visas

Every French and African economic stakeholder interviewed by the task force mentioned systematic problems in obtaining visas, the amount of red tape and the frustration this causes.

The inefficiency of the French model (obsolete IT systems, long processing times, no remote procedures, etc.), the wait-times, the universally deplored disrespect and lack of transparency are proof of France's ambivalence towards the African economy and the failure to view visas as powerful economic tools.

Special derogation schemes to encourage economic talent to come to France have had limited success. As an example, the Skills and Talent permit (Carte Compétences et Talents – CCT) introduced in 2007, targeted skilled individuals in certain African countries (the so-called “priority solidarity” countries). Very strict rules for renewal compounded a certain number of administrative contradictions (in some cases, the permit was not issued in France even though a long-term stay had been approved by the French consulate in the home country). Very few permits have actually been issued (five in 2007, peaking at 372 in 2009 and 262 in 2012) and then only to Moroccan and South African nationals²¹⁷.

Africans and French business leaders interviewed by the task force believe that this situation is dissuasive for individuals and compromises intellectual exchange and trade between France and Africa. Businesspeople are using other airlines for their European travel, while students with the necessary resources are choosing other destinations for their higher education. As a reciprocal measure, some African countries have introduced a visa for French citizens visiting their country. Obtaining visas and work permits for International Business Volunteers (VIE) is becoming increasingly difficult²¹⁸.

217 - Report of the IGAE, IGA, IGAENR and IGF on the admission of foreign talent, April 2013.

218 - Ubifrance, July 2013.

The top priority is greater freedom of movement for economic players between Europe and Africa. Tangible progress is expected on this extremely symbolic topic. Real change would be welcomed by Africans and is vital for speeding up economic exchanges.

At a time of heightened security considerations, initiatives should be introduced to take greater account and ensure better movement of African businesspeople, investors, students and teachers/researchers. How people are received and welcomed, in both the home and host countries, now represents a competitive advantage. Automatic, fast and trouble-free procedures are minimum prerequisites for the priority reforms as seen by the task force.

France should adopt best practices in this area, following the line taken by the United States, Canada and even China, which understand visas as the key to attracting talented Africans. France could offer students both a visa and a grant, and long-term visas could be issued to African economic players following

a streamlined selection procedure. The US issues ten-year visas, but with very exacting targeted controls.

In March 2013, aware of this situation and its negative impact, the French government approved a circular aimed at facilitating the issuing of economic visas based on “positive criteria lists” and improving how individuals are received. An assessment of these initiatives to be conducted before the year-end will gauge their effectiveness and pinpoint the remaining provisions to be introduced so that obtaining visas is no longer a roadblock to economic exchanges between France and Africa.



Proposal no. 1

Continue and step up measures to overhaul french policy for economic visas to foster the movement of economic stakeholders between france and africa.



Promote training in Africa

Roll out partnerships in education and training

Education and training are long-term commitments for which there is high demand in African countries. They provide a substantial “yield” in terms of partnerships.

As the likelihood of an economic boom in Africa improves and as priorities are now focussed on growth and jobs, African countries are showing renewed interest in **vocational training, including in higher education.**

Many studies and reports²¹⁹ show that, in terms of quality and volume, current training options do not meet the requirements of the market in Africa and that there is an urgent need for skills at all levels²²⁰, **especially higher-level technicians.** This situation is holding back economic development, competitiveness and foreign investment. Experts stress **the urgency of promoting vocational training in scientific and technological fields (including short courses) in higher education.** These training options must be tailored to address current economic and environmental challenges and encourage the inclusion of young people.

France could bolster its visibility in Africa by starting up an innovative technical and financial support initiative to promote the emergence of high-quality training for technicians and engineers. This would cater for the requirements of the African labour market and be underpinned by strategic partnerships between institutions and businesses, especially French ones.

Many groups already fund beneficial vocational training (Total and its IFP School Sponsorship Programme, etc.). The issue can be addressed through closer links between training establishments and businesses by strengthening capabilities and dialogue throughout the process of designing suitable courses and during implementation and management of training projects. The International Institute for Water and Environmental Engineering (2iE), established by a public-private partnership in Ouagadougou, is a shining example and should be held up as a model.

The initiative would be based on a scheme for encouraging calls for projects, pinpointing and supporting training projects with strong potential, jointly devised by high-level institutions and companies.

Specifically, the initiative would consist of :

- Informing businesses and training establishments in Africa of the goals and methods;
- Examining project proposals, on the basis of a predefined training model to be introduced, technical support, equipment and infrastructure requirements (support provided by businesses), from project leader applicants (training establishments and partner businesses);
- Choosing the most promising projects based on their relevance to economic priorities, the training capabilities of the establishment and the involvement of businesses, as well as the soundness of planned financial and governance models;
- Ensuring the chosen project leaders have technical support for fine-tuning their project

219 - Conferences and reports devoted to professional training in 2012: ADEA, 3rd international UNESCO congress on TVET, EFA Report 2012 “Putting education to work”, *Perspectives Économiques Africaines, Assises francophones CONFEMEN* ; 2013 study by the consultancy SOFRECO for the CIAN on “strengthening skills in Africa through a better training/work balance” making an assessment of more than 90 establishments and training centres with regard to the needs expressed by more than 100 French companies present in 13 African countries.

220 - Bloom, Canning and Chan (Higher Education and Economic Development Africa Human Development series, World Bank 2006) consider that Sub-Saharan African growth is as much as 23% less than its production capacity, due to insufficient human resources; “Accelerating Catch-up: Tertiary Education for Growth in Sub-Saharan Africa”, Shahid Yusuf, William Saint, Kaoru Nabeshima, World Bank 2008.

submission, as required, and helping find partners, especially French partners, that can assist with the technical and financial implementation of the training project.

Given the fairly widespread presence of French companies, the task force believes that the initiative should cover the entire African continent, including North Africa and the English and Portuguese-speaking countries.

Although this process should prioritise project leaders working with French stakeholders and using French service providers, it should be geared towards more flexibly addressing the diversity of local demand (especially South/South projects).

Potential synergies and connections with the Africa Higher Education Centers of Excellence Project to be rolled out by the World Bank in late 2013 should be explored.

Resources should be allocated for a multimillion-euro subsidy fund. The initiative and the subsidy should be introduced under the current cooperation system, offering improved synergy with similar bilateral projects (such as French Development Agency (AFD)/Ministry of Foreign Affairs (MAE) support for the regional engineering school 2iE in Burkina Faso, AFD training support in the network of African electricity utility schools, the Ecole Nationale Supérieure Polytechnique de Yaoundé, Ghana Institute of Management and Public Administration, etc.).

The initiative should provide these African centres of excellence with regional, continental and even global influence (such as in mining, water engineering, etc.). Steps could also be taken with African partners towards establishing equivalence of qualifications.

In higher education, opening establishments in Africa and forging partnerships between universities is an effective way of leveraging human capital.

In 2012, the Ministry for Higher Education initiated a bold France-Morocco partnership in higher education and research. The goal is to set up French higher education establishments in Morocco by 2014 and for a consortium of French universities to be involved in priority areas (engineering, management, healthcare, architecture). In tandem, intermediate training geared towards management (export executives) and the acquisition of high-level technical skills will be rolled out. The establishments are expected to welcome large numbers of students from Sub-Saharan Africa.

A small number of African-oriented initiatives have been introduced in France (Europe-Africa Campus at Sciences Po, African-French business school networks), but joint institutions are rare. Local branches have been opened up using the model of the Sorbonne (Cairo) and that of business schools (ESC Toulouse in Casablanca), as have establishments such as the Abidjan Institute of Finance (with Adetef support), and these models could be replicated. It is in the government's interest to welcome these achievements and to involve private and public higher education establishments. Partnerships could be established through Sofia-Antipolis type university-business cooperation.

French government **grants** have not been reviewed since 2003 and many fewer are available than a decade earlier. As part of a broader strategy of optimising resources earmarked for international grants (EU, government including the MAE, Ministry for Agriculture, Ministry

for French-Speaking Communities, corporate foundations), as recommended by the inter-inspectorate task force on welcoming foreign talent²²¹, this should include a marked shift towards Sub-Saharan Africa in association with African countries.

Doctoral and post-doctorate grants are an inexpensive and effective vehicle, especially when coordinated with the business world. **Industrial Research Agreements (Conventions industrielles de formation par la recherche – CIFRE)**, which are fully funded by the government, enable businesses to recruit postgraduates whose R&D work will lead to a PhD thesis. In 2012, there were only 30 Sub-Saharan African PhD students (2% of the CIFRE).

For the scheme to more widely benefit Africans with high potential, businesses and African higher education establishments need to be made aware of it and relations have to be formalised with French research bodies for joint thesis supervision. The measure would cost nothing as the CIFRE budget is not currently oversubscribed given actual demand.

Lastly, more systematic **scientific partnerships** between research institutes and think tanks could foster improved mutual understanding and bolster R&D in Africa. Prestigious research centres such as the IRD, the CIRAD, the EHESS or the CNRS could outline country-specific strategies that are in line, insofar as possible, with economic priorities.

Develop French e-learning initiatives for Africa

The knowledge economy will play a major role in the 21st century. The task force welcomes the launch of the French Digital University initiative (France Université Numérique) and suggests leveraging the French-speaking market for higher education to produce massive open online courses (MOOCs) geared towards Africa. The courses could cover both higher education (free online lessons) and vocational training.

In 2011, the AFD initiated a wide-reaching survey of ICT in education to single out operational projects with both market mechanisms and socio-economic ramifications. The idea was to provide new educational services to the most disadvantaged so as to conduct tangible experiments on these technologies' potential prior to any rollout of these instruments as part of cooperation projects²²².

The AFD is currently working on consolidating the efforts of the informal working party comprised of donors (*Agence universitaire de la francophonie* [AUF], Unesco), companies, business incubators, ministerial representatives and NGOs, from both North and South. It is also supporting a small project for digital tablet use by middle school children in Niger, managed by Aide & Action, the Orange Foundation and Orange Labs (R&D) with the Nigerian Federal Ministry of Education.

Lastly, the AFD has just started work on an initial €1.5 to €2 million multi-country project to support the implementation of three to five pilot digital initiatives that meet the requirements stated by African teachers and their specific professional settings.

221 - Mission of the IGAE, IGA, IGAENR and IGF on the admission of foreign talent in France, April 2013.

222 - Study launched in partnership with Orange: "ICT to serve the base of the pyramid – innovative economic models in education, health, agriculture and financial services".

Following on from the working party's conclusions in October 2012, two goals have been identified: **teacher training** (i.e. the successful *Initiative francophone pour la formation à distance des maîtres* (French-speaking initiative for distance learning for teachers – IFADEM) implemented by the *Organisation Internationale de la Francophonie* (OIF)/ *Agence universitaire de la Francophonie* (AUF), with AFD support²²³), and **digital publishing**, providing improved access to a wide range of high-quality educational materials, which would cut costs and lower the environmental impact.

Contribute to African elites returning home

In addition to the academic and business spheres, partnerships could be forged to pave the way for people returning to Africa. Securing the return of elites and the ability to attract managers from the global job market contribute to a country's growth (e.g. engineers in Morocco, Nigeria and Sudan). To staunch the brain drain, African countries and France should set out their requirements to formalise exchanges of qualified workers with France.

The example of Morocco could serve as a template for such flows. Moroccan students study and begin their careers in France before returning to Morocco to hold positions of responsibility. According to a survey carried out in 2012 among Moroccan students and university graduates, 72% of them plan to return to Morocco after their studies²²⁴.

As part of the Support Scheme for Setting up Innovative Businesses in the Mediterranean (PACEIM), the Ministry of Foreign Affairs (MAE) subsidises technology startups in the Southern Mediterranean by young North Africans and

Lebanese trained in France. It could be worth examining the possibility of extending this scheme to the Sub-Saharan zone and coordinating it with the FASEP (Private Sector Research and Assistance Fund) managed by the Ministry for the Economy and Finance.

Identify and leverage young African business talent

France does not know how to rally African business elites. During President Obama's two visits to Africa (to Ghana in 2009 and Tanzania in 2013, as well as in August 2010 at the 50th anniversary commemoration of African nations' independence) he met with hundreds of young people from the continent and announced that he wanted to make the Young African Leaders Forum a standing institution. In France, the MAE's *Personnalités d'avenir* programme has been a success and the tabling of a "talent passport"²²⁵ as part of the National Pact for Growth, Competitiveness and Employment is a necessary initiative, but greater efforts are required.

Identifying, leveraging and monitoring young African business talent should be mutually beneficial for French and African businesses through a variety of actions, including:

- Coordinating an African and French "future business talents" scheme along the lines of the Young African Leaders Forum or offering fellowships for young talented business people under which both French and African individuals would make brief trips to either France or Africa to meet public- and private-sector economic decision-makers. Candidates could be selected through the embassy network and AFD agencies. The AFD's corporate university

223 - The IFADEM concerns Benin, Burkina Faso, Burundi, Cameroon, Côte d'Ivoire, Madagascar, Niger, DRC and Togo.

224 - Report of the IGAE, IGA, IGAENR and IGF on the admission of foreign talent, April 2013.

225 - This occurred after the failure of the "skills and talents card".

(the Financial, Economic and Banking Studies Centre – CEFEB) could be involved in implementation and monitoring;

- Supporting the introduction of LeAD Campus programme offered by the AFD's CEFEB. This programme provides young high-potential African executives and businesspeople working in the private sector, government departments or NGOs with supplementary seminars, work placements and coaching from French and African senior executives, thus preparing them for managerial positions;
- Buttressing and bolstering current tried-and-tested programmes critical to establishing a network of expertise and fostering high-level relations. One example is the “Economic Policy Management” (EPM) programme established by FERDI (Foundation for International Development Study and Research). This programme, which is funded by the World Bank, is based in Clermont-Ferrand and is a centre of excellence on par with the world's top programmes, such as that offered by Columbia University;
- Identifying young African and French entrepreneurs seeking funding and putting them in contact with potential private equity investors;
- Encouraging contact between talented Africans living in France and relevant African businesses and government departments.

Promote diversity in the economy

A country's long-term growth is contingent on improving the status of women. In Africa, women are employed in a wide range of jobs and activities in an economy that remains, for the most part, informal. This compromises

their development and therefore the growth of countries²²⁶.

France has introduced a cross-disciplinary “gender and development” policy for the period 2013-2017. The goals are to raise awareness and train male and female stakeholders, to support research, to promote dialogue with civil society and to introduce accountability as regards the effectiveness of official development assistance. Although the “gender dividend” is factored into the development projects, there are still roadblocks to female empowerment. To remove them, specific policies are needed that combine female emancipation through changing mentalities with access to home ownership, capital and every type of social protection, are needed.

Promoting networking amongst businesswomen and the role of women in public and private sector economic governance must be supported. Such a policy could be based on African and French best practices. There have already been some initiatives, such the first Global Forum of Francophone Women organised by the Ministry for French-Speaking Communities in March 2013.

To establish discussion forums for African and French women who are deeply involved in economic affairs and to increase the percentage of women in male-dominated economic institutions, France could introduce other initiatives to:

- Promote and raise awareness of African female politicians' involvement in introducing governance, economic and financial reforms in their countries or in regional African institutions;
- Support South-South and North-South networks of female business leaders, forums and

226 - « *Perspectives économiques pour l'Afrique subsaharienne. Questions et scénarios* », *op. cit.*

the exchange of best practices. Identify the many existing African networks and establish ties with associations of French female entrepreneurs and company managers²²⁷;

- Establish a France-Africa network of women in positions of responsibility in government to spotlight their role and develop the exchange of best practices. Appoint a project leader, in conjunction with the African Union²²⁸.



Proposal no. 2

Refocus training for human capital, university and research cooperation and intellectual exchange to contribute to development

- Introduce significant enrolment fees for foreign students in France. Earmark some or all of the resulting revenue for grants for excellence, with the priority being given to Africa;
- Boost cooperation in terms of research and university exchanges by French businesses providing guidance and by encouraging corporate sponsorship;
- Promote the emergence of excellence in training for technicians and engineers, corresponding to the requirements of the labour market in Africa, through partnerships between institutions and companies, especially French ones;
- Provide grants for vocational training programmes;
- Select a specific set of CIFRE (a programme enabling PhD students working in a research laboratory to complete their theses whilst being paid by a private firm) theses on development, and give a large number of African students and researchers access to this programme ;
- Introduce massive online open courses (MOOCs) for Africa;
- Initiate programmes for identifying, training and assisting young African business talent;
- Promote discussion forums for African and French women executives in the private and public sectors.



227 - The Fédération Pionnières and the FCEM (Femmes Chefs d'Entreprises – female heads of businesses, an official branch of MEDEF), which already have international relations with Africa, for example.

228 - A similar initiative was launched within the Euro-Mediterranean framework last September with the support of the Secretariat of the UfM in Barcelona.

Diversifying financing instruments

Supplement existing financing for infrastructure

Extensive financing is needed for infrastructure and a large number of national, regional and multilateral instruments have been set up.

In 2007, the Nigerian government set up the Africa Finance Corporation to drive investments and establish partnerships to fill the infrastructure gap. It plans to invest \$3 billion in Sub-Saharan Africa.

Many multilateral initiatives have been introduced. These include the Programme for Infrastructure Development in Africa (PIDA), jointly managed by the AU Commission, the secretariat of the New Partnership for Africa's Development (NEPAD) and the AfDB, as well as the World Bank's Multilateral Investment Guarantee Agency (MIGA). The Infrastructure Consortium for Africa (ICA) brings together private infrastructure financiers and is hosted by the AfDB. Its members are the G8 member countries, the World Bank, the AfDB, the European Commission, the EIB and the South African Development Bank.

France took the lead in putting infrastructure on the G20's agenda. During the French Presidency in 2011, a high-level panel highlighted the need to overhaul existing networks as a priority (the so-called brownfield projects) instead of the slower option (greenfield) of building new infrastructure, and identified a list of major African projects²²⁹.

In 2005, the EU established a Euro-African Partnership for infrastructure, with the major objective of financing Trans-African networks selected by the AU and NEPAD. Since 2007, the main instrument has been the EU-Africa **Infrastructure Trust Fund** (ITF), managed by the EIB, which provides grants to Sub-Saharan Africa in addition to long-term funding from donors designated by the Member States. The ITF has credits of €393 million, €309 million of which is financed by the Commission. The Fund provides real leverage and access to European grants for many infrastructure projects.

There is still a large amount of public-sector financing (40% of investment in infrastructure in Sub-Saharan Africa). The private sector mainly funds the ICT sector (80%) and the electricity industry to a very small extent (10%)²³⁰. The Emerging Africa Infrastructure Fund, founded in 2002, provides loans in dollars and euros to private businesses for new infrastructure projects or to upgrade existing infrastructure.

Some initiatives are aimed at fostering private investment. The British government's Department for International Development, working with other European and international donors (Austria, Germany, Netherlands, Ireland, Sweden, Switzerland and the World Bank's International Finance Corporation) set up InfraCo to encourage private investment in infrastructure in developing countries²³¹. In 2012, the AfDB's Board of Directors approved an \$18 million investment in InfraCo Sub-Saharan Infrastructure Fund (ISSIF), which hopes to raise \$200 million.

229 - "High Level Panel on Infrastructure Recommendations to G20 – Final Report", October 2011.

230 - "Misperception of Risk and Return in Low Income Countries", *op. cit.*

231 - "InfraCo Sub Saharan Infrastructure Fund : une capitalisation de 200 millions \$", Ecofin news agency, 14 August 2012.

Box 9: EU-Africa Infrastructure Trust Fund (ITF)

- The Infrastructure Trust Fund (ITF), was established in April 2007. It is an innovative financial and political instrument consisting of grant resources from the European Commission and 12 Member States (minimum contribution of €1 million)
- Its overall goal is to attract and deploy resources and technical skills to support investment in regional infrastructure in Sub-Saharan Africa (cross-border projects or national projects with proven regional impact) in four sectors: energy, transport (road, rail, sea, air), water and ICTs.
- Projects must be long-term and development-oriented, and located in an EDF-eligible African country. Sustainability and development criteria are assessed on the basis of the project's financial and economic feasibility, the environmental impact, and the project's long-term contribution to economic growth and poverty reduction.
- There are different types of ITF grant support: i) interest rate subsidies on medium/long-term project loans (up to 3% within the limit of 50% of the interest rate); ii) technical assistance, including feasibility studies and project-related institutional capacity building; iii) investment/direct grants to decrease the overall investment costs or finance the social and environmental aspects of a project; iv) insurance premiums, although this option has not been deployed nor clearly defined.
- Between April 2007 and the end of 2012, 54 projects had benefited from €378 million in European grants, which enabled approximately €2.5 billion to be raised, mainly by the EIB, KfW and the AFD, to fund a total of €6.5 billion in infrastructure projects.

Source: *Un Fonds Fiduciaire européen pour l'Afrique : un instrument fédérateur des financements européens*, Jean-Marc Bellot, French Development Agency, 16 October 2013.

The AfDB set up the **Africa50 Infrastructure Fund** to leverage private funding to accelerate infrastructure delivery in Africa (with an initial equity investment of \$10 billion, the AfDB is hoping to attract \$100 billion of local and global capital)²³². The Fund's action will be focused on high-impact national and regional projects –including PIDA priority projects– in the energy, transport, ICT and water sectors. The main

investors will be African governments, using their national resources, as well as the AfDB, and funds will be raised globally.

Based on the initial taking of capital holdings in the Fund, the aim is to marshal supplementary equity funding from a wider number of risk-averse investors with large capital reserves, particularly pension funds, sovereign funds and central banks.

232 - "Africa in 50 Years' Time", AfDB, September 2011.

Although France does not have a bilateral public fund for infrastructure in Sub-Saharan Africa, the *Caisse des dépôts et consignations* did set up the InfraMed Fund in 2009 in partnership with *Cassa depositi e prestiti* (Italy), EFG Hermès (Egypt) and the *Caisse de dépôt et de gestion du Maroc*. This is a long-term investment fund for new urban energy and transport infrastructure in the Maghreb and Mashreq countries.

The strength of firms from emerging countries (China, India, Turkey) lies in their ability to offer attractive financing terms, especially in terms of grace periods, for unitary amounts of \$1 billion or more (in the rail and telecommunications sectors). On the other hand, multilateral instruments come under fire for their discouraging complexity and their long lead-times (MIGA, EIB).

The abundance of instruments firstly calls for investment in existing European and multilateral instruments to support regional projects, by attempting to streamline procedures and make funds more rapidly available. Secondly, it calls for bolstering France's bilateral initiatives, as this will have an immediate impact for African populations.

France should therefore provide technical support and expertise to the AfDB for the Africa50 Fund ramp-up, thereby promoting and structuring France's technical offering for various infrastructure projects.

In spite of the positive results, France could table suggestions to improve the Infrastructure Trust Fund:

- Involve Member States more. At present, the AFD, EIB and KfW seem to be the main recipients of Commission resources;
- Extend grants to national projects to meet the immediate priorities of African people and countries, especially for food security, sanitation and drinking water infrastructure projects, and financing for social sectors. This applies to all the facilities granted by the ITF that prioritise major national projects;
- Broaden eligible sectors or factor in those that have been bypassed due to the regional nature of the Fund (especially water and sanitation) or to the priorities of the continent (agriculture and food security, social sectors, etc.);
- Make the conditions and methods of diversifying and allocating funds raised more flexible to supplement subsidised loans already granted bilaterally.

Lastly, the future development of the InfraMed Fund could be compromised by the geopolitical situation in a number of countries in its catchment area. Consequently, the *Caisse des Dépôts* and the AFD should join forces to promote a new equity and mezzanine debt financing fund for African infrastructure. This would in turn stimulate major co-investors with their own networks, such as other international deposit funds, global sovereign wealth funds, major African institutional investors and public sector donors.

Moreover, more innovative financing could be considered on the basis of studies already conducted (infrastructure bonds, guaran-

tees, credit enhancement) by building on the reports from the Leading Group on Innovative Financing for Development under Nigerian presidency. The task force therefore supports the G20 initiative on standardising infrastructure projects and discussions could be extended to include Sub-Saharan Africa as a priority. The issue of the mutually-supportive use of African foreign exchange reserves to guarantee private investment in African infrastructure could be tabled within an inter-regional framework.

The task force considers the securitisation of receivables in the infrastructure sector as a possible financing avenue, given prior achievements and the potential income Africa could draw from the growth of its infrastructure. This mechanism is already in use through the closed financing circuit for transactions supported by China.

Securitisation of the portfolios of development banks acting in Africa is a major way

of leveraging funding and should be considered. Securitisation eases debt-to-equity ratio constraints, thereby enabling the banks to take on more debt to fund new projects. The securitisation of sovereign debt held by development banks is still problematic owing to the mandatory involvement of the Paris Club, its concessional nature and long maturity dates. Securitisation is however easier for non-sovereign debt, provided packages that are sufficiently attractive for the market can be put together. This securitisation would also have the advantage of placing African business projects on the debt markets, thus making them aware of the risks for private sector businesses operating in Africa.



Proposal no. 3

Support the financing of infrastructure in Africa

- At multilateral level, support the AfDB's Africa50 Fund by seconding French experts;
 - At European level, broaden the geographical and sector-based intervention of the Infrastructure Trust Fund and make the methods of use more flexible;
 - At domestic level, bring the Caisse des Dépôts et Consignations (CDC) and the French Development Agency (AFD) closer together to establish a major vehicle for financing African infrastructure, that can be used at short notice and can act as a driving force for other economic operators.
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Improved security for investments

Improving the security of business transactions is vital for ensuring investor confidence and thereby the pace and sustainability of investments. While it is important to strengthen markets, it is just as important to strengthen governments.

France is involved in underpinning the business framework in public fields such as the land registry, customs, taxation (to ensure revenue or establish policies for redistribution to limit the effects of growing inequality during economic take-off), the management of government shareholdings in private sector companies, security (fighting organised crime), central government and maritime safety. France provides special support for overhauling legal systems (commercial courts, training judges and legal ancillaries, anti-corruption measures, development of arbitration). As part of tax cooperation, it would be propitious to examine all taxation conventions with African countries.

The scourge of counterfeiting is spreading rapidly across Africa, especially from India and China, and is detrimental to both French and African interests (especially in medicinal products). There could be greater cooperation in the fight against counterfeiting.

Support risk assessment instruments

The introduction of **public and private mechanisms is lowering the cost of financing through better country risk assessment.** Increasing the number of rating instruments,

with support from multilateral, bilateral and regional development banks and private investors, could attract more investors by closing the gap between perceived and actual risk.

In this area, Proparco's credit risk expertise could be used to draw attention to the over-assessment of risks so as to encourage a preference for "African" risk. Better use of current ratings or other similar initiatives involving the private sector could be considered.

There is a wealth of highly-relevant data (AFD, World Bank, EIB, AfDB, etc.) but it is not available to international investors. Closer collaboration between international donors themselves and between them and Afristat (Sub-Saharan Africa Economics and Statistics Monitoring Centre) could foster market access for private investors. Compiling a list of successful and unsuccessful projects in recent years could also help rationalise risk perception in Sub-Saharan Africa.

Investors should build up a public database containing data from international financial institutions to pool their assessments of risks in Africa.

As of now, and to more closely quantify the actual African risk, the task force suggests rating fifteen or so African companies. Owing to the skewed assessments from the main international rating agencies which are unfamiliar with the African economy, the opinion of ratings agencies for emerging countries could be sought. A rating costs between €50,000 and €150,000. The relevant companies could receive funding for these assessments to encourage them along this path.

Develop guarantee systems

The task force believes that attracting French investors to Africa would be the reflection, financially speaking, of French confidence in the outlook for African growth and political stability.

The guarantee mechanism (ARIZ) of the **insurance fund for private investment financing risk in the zone in which the AFD operates** is currently the leading source of guarantees in Africa, after the World Bank's MIGA which provides guarantees exclusively covering political risk. The ARIZ fund devotes 98% of its activities to Africa.

The ARIZ fund has earmarked €250 million for Sub-Saharan Africa to facilitate access for SMEs and microfinance institutions to bank loans and capital by providing guarantees against risk (credit risk in the event of default on debt servicing, political or climate risks, etc.) made available to its financial partners (banks, financial institutions and private equity bodies). Eighty partners currently have access to this mechanism. The guarantees granted can be individual or portfolio-based.

Since the French Cape Initiative in 2008 to support growth and employment in Africa, the fund has enabled €1 billion of guaranteed financing (assisted) to be granted after having provided €500 million in guarantees²³³.

The AFD also initiated the creation of the GARI (Guarantee Fund for Private Investment in West Africa) regional multi-donor guarantee fund for the benefit of the banks of ECOWAS Member States. The AFD is the main shareholder with 27% of the capital.

The task force suggests strengthening the AFD's support for national guarantee funds (assistance or counter-guarantee). The AFD is currently supporting the guarantee fund of Burkina Faso, using EU funding, and an agreement with the *Caisse centrale de garantie marocaine* (CCG) is about to be signed.

Lastly, opening the AFD's ARIZ guarantee mechanism to equity, rather than only to debt, so as to cover direct investments as well as those made with funds earmarked for Africa would be a major step forward.

Proposal no. 4

Reduce the cost of mobilising the private capital and the risk premiums applied to Africa

- At multilateral level, put forward a proposal within the OECD for a technical reassessment of the model for analysing African financial risks, together with an international conference, involving rating agencies and financial institutions, to discuss how to strengthen capabilities, transparency and rating models for African private equity;
- At domestic level, open the AFD's ARIZ guarantee mechanism to equity, so as to cover taking interests as well as loans, particularly to kick-start social and solidarity-based economy projects;
- Co-finance the rating of fifteen African companies to begin to quantify the actual African risk.

233 - ARIZ grants a maximum 50% guarantee on loans, except in the case of microfinance, where the guarantee may be up to 75%.

Expand financing of the economy

Lack of funding for businesses and loans to individuals is due to strict regulatory requirements and an aversion to the long-term rather than banks' financing capacities, as lending institutions complain of excess liquidity. Sub-Saharan Africa has stable demand deposits with no maturity period. Banking practice is in any case broadly short-term, with 60% of loans maturing within less than a year and frequently at exorbitant interest rates (more than 25% in Ghana).

As a result, there are no major savings-investment balance issues, but instead a **lack of capital**, i.e. long-term savings made available to businesses with low shareholders' equity. The banking system's failure to transform savings into investment stalls savings by stopping them from being converted into productive capital.

To address this issue, partnerships in areas of public or private-sector technical expertise beneficial for business (tax, security, port businesses, etc.) and partnerships for the development of private equity, long-term public investment and a financial centre for the real economy, could be forged.

Foster a formal economy with more bank use

Despite 42% annual growth of the balance sheets of African banks since 2002²³⁴, the entire African banking sector (except for South Africa) is almost one-tenth the size of the larg-

est Chinese bank and about the same size as the tenth-largest German bank²³⁵.

The Sub-Saharan banking sector has a strong oligopolistic structure (in Angola, although there are 23 institutions, the three main banks hold 60% of all deposits), poor coverage (for example, there is one branch per 83,000 inhabitants in Ethiopia, and all branches are in urban areas) and low bank use (in Africa, only 7% of the population has a bank account, 5-10% in Ethiopia, and 20% in Angola). However, Morocco, where the bank use rate doubled from 25% in 2002 to 50% in 2012²³⁷, is an example for the rest of the continent.

Low bank use can be partly explained by cultural distrust of the financial system, which is sometimes seen as an income-control instrument owing to traditional government intervention in the sector.

Overall, the Sub-Saharan banking sector provides only 20% of financing of the economy (compared to 77% in Morocco and 145% in South Africa²³⁸). Businesses have difficulty securing financing while banks generally have excess liquidity (on a global scale, 32.5% of businesses have difficulty securing financing but this figure is 44.9% for businesses in Sub-Saharan Africa²³⁹). Economic stakeholders have problems accessing credit which in turn prevents diversification (in Angolan commercial banks, only 67% of deposits are transformed into loans).

Many African countries have micro-financing institutions, particularly in the rural sector, but they often lend at very high interest rates

234 - "Misperception of Risk and Return in Low Income Countries", *op. cit.*

235 - « Évolution du secteur bancaire africain : nouveaux acteurs, nouveaux modèles ? », « Secteur privé et développement » journal No. 16, Proparco, May 2013.

236 - « Transfert d'argent vers l'Afrique : des coûts toujours aussi prohibitifs », Maëlan Le Goff, CEPII blog, 19 September 2012.

237 - "Misperception of Risk and Return in Low Income Countries", *op. cit.*

238 - *Les Afriques* No. 240, April 2013.

239 - World Bank, Enterprise Survey.

(25% in Ghana). In addition, their capital base remains weak and below minimum capital adequacy ratios and they have to compete with small unregulated companies that have proliferated since 2000. In Ghana, only 173 out of 600 companies are licenced and they charge exorbitant interest rates (up to 100% in Ghana).

By being physically present, French banks, which offer financing for the uncovered portion over and above the 85% guarantee for export financing, could provide expertise in funding financial projects, contribute to local banking system reform or help manage currency flows in countries that have “de-dollarised” their economies.

With the exception of South Africa, there has been no direct strategy for setting up banks in emerging and developing countries in Sub-Saharan Africa in recent years. As a result, French banks could play a major role in the renewed French approach. Constraints in terms of banks reducing their balance sheets mean that French banks would have to coordinate their action.

Bolster long-term financing options

Private equity should also be developed as it could fund a range of local mid-size businesses that do not exist at present, by contributing their equity²⁴⁰. African economies are currently composed of a large number of informal micro-companies, funded by microcredit, a few major businesses and SMEs that receive very little private equity. It is these SMEs that currently have the most momentum as they are being buoyed up by Africans living abroad, better qualifications and demographics. Private

equity transactions are still too low. South Africa ranked 11th in the world in terms of the value of private equity deals in 2012 (\$1.2 billion, compared to \$4.2 billion in France, for example, and \$0.9 billion in Germany).

Retirement funds and insurance companies could channel long-term savings. The insurance sector is even more underdeveloped than the banking sector in Sub-Saharan Africa, with the notable exception of South Africa and Kenya. Major French investors could include African risk in their portfolios, both directly or by investing in companies that operate in Africa and which may offer a point of entry for groups.

France could also rally public stakeholders offering long-term financing. The CDC, with its long-term commitment to Sub-Saharan cooperation, particularly through a partnership with its Moroccan *alter ego*²⁴¹, could also help set up sovereign funds (Senegal, a project with CDC in the Congo).

Migrants should also be encouraged to put their savings into banks in France. New technologies could be used to facilitate remittances and ensure that they are channelled into investments. For French banks operating in Africa, these transfers could be used to guarantee loans to SMEs and individuals which would be backed by revenue streams from mainland France.

The task force recommends encouraging the expansion of life insurance and retirement insurance, extending the role of insurance companies in raising long-term financing and supporting the Inter-African Conference on Insurance Markets (CIMA).

240 - « *Afrique-France Réinventer le co développement* », Institut Montaigne, June 2010.

241 - Website of the *Caisse des Dépôts et Consignations* (CDC) (Deposit and Consignment Office).

Develop markets and financial professions

Without the development of markets which help allocate resources –something that is even more important when they are scarce – growth is difficult.

African financial markets are cash-poor and their nascent nature both hampers conversion into productive capital and keeps African savings invested in mediocre assets. With the exception of major markets – such as South Africa or, to a lesser extent, Nigeria – Sub-Saharan stock exchanges posted average turnover of 10% in 2008 compared to up to 50% in emerging Asian economies²⁴². There are very few listed companies (36 on the Ghana Stock Exchange (GSE), with the majority being subsidiaries of foreign companies established in Ghana; trading on the GSE was only €264 million in 2011).

Weak financial markets make it difficult to attract SMEs. In Ghana, a venture capital trust

fund financed by a tax was set up to attract Ghanaian SMEs to the local stock market, via an “alternative market” mechanism allowing these firms to be more easily listed on the Ghana Stock Exchange. This fund is unique in West Africa and could be used as a model for ECOWAS Member States. However, the fact that the GSE in Accra is still too small substantially limits the results²⁴³.

The lack of a capital market also hinders expansion of the pension fund sector, which is still very small compared to the banking sector (in 2010 there were only five pension fund management firms in Angola²⁴⁴).

France has built a finance model for the real economy that proved to be more resistant during the global financial crisis that began in 2008. The development of financial markets could be supported through partnerships providing technical skills (shareholdings, etc.). Paris Europlace is thought to be interested in establishing this type of cooperation.

Proposal no. 5

Help bolster the financing capacity of the African economy

- Establish in France a business centre of public (CDC, AFD) and private (banks, insurance companies) financial players that work with Africa to address subjects of joint interest. Coordinate this with an African counterpart to create a partnership forum;
- Encourage private equity in Africa - through microfinance, development capital and pension funds - by setting up legal structures for venture capital such as Venture Capital Mutual Funds (FCPR);
- Foster the development of life insurance and retirement insurance in Africa and support the Inter-African Conference on Insurance Markets (CIMA);
- Forge partnerships with forward-looking African stock exchanges to buttress local development (share markets, etc.).

242 - « Les marchés financiers en Afrique : véritable outil de développement ? », « Secteur privé et développement » journal No. 5, Proparco, March 2010.

243 - Ibid.

244 - Ibid.

Strengthen European financial instruments vis-à-vis Africa

France could act as a driving force to better steer EIB initiatives vis-à-vis Africa.

At present, the EIB provides twice as much financing in the Mediterranean area (€1.7 billion per year), where it is in first place ahead of the World Bank and the AfDB, and more in Eastern Europe (€800 million), than in Sub-Saharan Africa (€750 million for the ACP zone under the Cotonou Investment Facility, the majority of which covers Sub-Saharan Africa). There is no inter-changeability between this financing. South Africa receives aid under an EIB external mandate.

The EIB's Statute strictly limits its capacity to act beyond external mandates. In the ACP zone, it rolls out resources and special mechanisms that are considerably restricted in terms of volume. In theory, its Statute, annexed to the Treaty on European Union and the Treaty on the Functioning of the European Union, does not allow it to take on direct risk outside the EU. Therefore, while the EIB's action is therefore limited, the requirements identified could give it real opportunities in developing countries.

Alongside Germany, France could suggest helping the EIB to ramp up with respect to the African economy.

At a time when liquidity is in short supply, we should consider revising the current rules and practices to create a specific EIB subsidiary for financing outside EU and EU-accession countries. This subsidiary would be jointly owned by the Member States and possibly have African shareholders. It would be involved

in EIB own-risks operations without guarantees from the Commission.

In the meantime, France could support wider geographic intervention by the EIB and introduce the guarantee and risk-sharing instrument. Currently, in the ACP zone, Kenya, Uganda and Mozambique receive the most financing. One of the goals of the new allocation under the 11th European Development Fund is to extend the EIB's geographical reach to the weakest or highest risk countries. France should also support the stated commitment of the EIB to identify investments in other countries, centred on projects involving more preliminary technical assistance. The Bank is represented in Africa through its regional offices (Dakar, Nairobi, Pretoria) and plans to bolster its local presence through local agents in the EU delegations (particularly in Abidjan and Yaoundé).

Besides supporting wider action by the EIB in Africa, the introduction of a special mixed loans and grants instrument for Africa would consolidate European intervention capabilities by involving the financial institutions of Member States (see above).

In the longer term, an increase in international assistance arrangements and the size of the global issues to be addressed could call for a partnership between the international EIB and Europaid to form a major European development bank. This solution would provide substantially more financing to our African partners.

Lastly, the creation of a special mixed loans and grants instrument for Africa, factoring in national projects and broadened sectors, would mean that intervention would no longer be limited to infrastructure and regional pro-

jects as is the current case with the ITF (see above). The more abundant resources could be earmarked for sectors where need is greatest (agriculture and food security, social sectors, water and sanitation, etc.). The best way of achieving this would be to revise the ITF.

Enhance exchanges between development banks

Launched in 2008, the AfDB's African Financing Partnership (AFP) is a collaborative, co-financing platform with seven other Development Finance Institutions (DFI) involved in private sector projects in the fields of infrastructure, the extractive industries and financial institutions. The DFI's are the Development Bank of Southern Africa (DBSA), the *Deutsche Investitions und Entwicklungsgesellschaft* (DEG), the EIB, the *Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden NV* (FMO), the Industrial Development Corporation of South Africa (IDC), the International Finance Corporation (IFC) and Proparco.

Its goal is to heighten cooperation between these partners and to streamline the procedures for assessing and co-financing joint projects. France should give its full support to this tangible process-related work.

The partnership does not include sub-regional banks which could supplement the role of the traditional multi-lateral donors both to fund major transnational infrastructure projects and attract private investors.

At the initiative of the AFD, 19 national and sub-regional development banks from around the world set up the **International Development Finance Club (IDFC) in 2010**. Notable Club members are the AFD, the KfW²⁴⁵, the Industrial Development Bank of Turkey (TSKB) and development banks in Asia (the Japan International Cooperation Agency (JICA), the China Development Bank (CDB) and the Small Industries Development Bank of India [SIDBI]), South America (the Development Bank of Latin America [CAF], the Brazilian Development Bank (BNDES) and the Mexican Nacional Financiera (NAFINSA) and Africa (the West African Development Bank (BOAD), the DBSA and the Moroccan Caisse de Dépôt et de Gestion [CDG]). The Club represents a total balance sheet of \$2,100 billion, four times that of the World Bank Group.

It promotes exchanges and pools the expertise and innovations of its members. In 2013-2014, the IDFC is focussing its work on green finance. The Club provides France with a high-level forum with African development banks and with the banks of the major African economic stakeholders.

With the exception of the Moroccan CDG, African IDFC members are all regional banks. As a result, it may be a good idea to organise a seminar of multi-lateral, bilateral, continental and sub-regional development banks on the theme of the African economy.

245 - The secretariat is currently at KfW.



Proposal no. 6

Increase the EU's capacity for intervention in Africa

- Extend the scope of intervention of the EIB in Africa;
 - Roll out a financing instrument that combines loans and grants via the Infrastructure Trust Fund (ITF);
 - Organise a special seminar on Africa involving multi-lateral, bilateral, continental and sub-regional development banks.
- 

Implementing industrial partnerships in key sectors

Marshal French expertise

France can contribute to the African agenda by forging industrial partnerships in its areas of expertise. It can rally its businesses, local authorities, public agencies and research institutes. It can act as a major business partner and leading investor, as a scientific and university partner, as the premier host country for African students and provider of technical expertise and as an influential partner whose priorities are directed towards Africa. Working with their African counterparts, 62,000 French businesses and micro-enterprises operate in Africa, are making tangible contributions to Africa's economic revival and are looking to take advantage of this momentum.

The strategy outlined by the Ministry for Foreign Trade in December 2012 pinpointed four groups of activities relating to capital goods, consumer products and services:

- **“Better eating”**: a wide range of quality products, food safety and traceability, and healthy eating, as well as goods and machinery for farmers and the agri-food industry;
- **“Better health”**: pharmaceutical products, medical devices and equipment, health and beauty products, cosmetics, and healthcare services;
- **“Better communication”**: software applications, embedded digital technology, high-value-added electronic parts and products, security, e-services;
- **“A better urban lifestyle”**: urban engineering, architecture, construction and energy efficiency, environmental materials and services, urban transport.

This task force believes that all French-African business partnerships should lead to technology transfers. In this respect, it welcomes international initiatives promoting North-South technology transfers giving unhindered access to knowledge while upholding the intellectual property rights of Southern countries. It also supports the voluntary measures introduced by businesses to foster these transfers, especially in fields that are of vital importance to Africa (health, food, etc.).

Beyond industrial partnerships, France is directly affected by some of the more global items on the African agenda such as the climate, migration and the environment. As a result, France has much to gain from being a stakeholder in certain African initiatives through forging or being involved in institutional partnerships.

Contribute to the African sustainable development agenda

To mark its 50th anniversary in 2013, the African Union launched Agenda 2063 for a true renaissance of Africa. The Agenda is grounded in an economic programme for African integration, promotion of sustainable and inclusive growth, investment in human capital, and industrialisation that protects natural resources.

As France is entirely committed to finding a global agenda for the planet's sustainable development, it fully signs up for this African vision and supports implementation of this new economic agenda. It backs African efforts to drive growth that respects the environment, protects natural resources and biodiversity and saves energy.

Joint interests and financing could be found in several areas:

- **The resistance of African infrastructure to climate change:** upgrading Africa's key infrastructure in view of its exposure to climate change could be a fresh and bold initiative meeting criteria in terms of volume and visibility as required by Africans. Such an initiative could only be implemented by a group of financiers and would represent a medium to long-term commitment to Africa, using both the financial capacities of these institutions and supplementary international climate resources (green and infrastructure funds, European facilities, etc.). Studies, including the AICD (Africa Infrastructure Country Diagnostics), to assess the impact of climate change on African infrastructure are ongoing;

- **Tackling climate change and more intensive agriculture by limiting greenhouse gas (GHG) emissions.** African countries need practical, measurable solutions for wide-scale rollout of the best agro-ecological solutions in arable areas. They need appropriate policies and instruments for sustainable allocation of land for farming, routes, forests and protected areas. African decision-makers should be allowed to have their say at agricultural and climate talks in which the views of North countries (intensification with lower emissions but with intensive use of capital and knowledge) may contrast with those in the South (funding from the North to adapt farming in the South to climate change). A group of African negotiators and decision-makers could make suggestions and be more involved in the climate-smart agriculture approach at international level, and the international agro-economic research system (i.e. CIRAD, IRD, INRA).

- Access to sustainable energy, through the UN's SE4ALL (Sustainable Energy For All) initiative to rally new investments to speed the transition to a low-carbon economy and to combat energy poverty (see below);
- Support for businesses. To galvanise private sector stakeholders around climate issues, discussions could be held to table incentives (financial, taxes, etc.) to promote new economic models.

Furthermore, there is no doubt that African countries should be involved in global sustainable development efforts and have a chance to explain their priorities and opinions. The task force believes that France should continue to support and assist African countries in this respect. The UN Climate Change Conference being hosted by France in 2015 will provide an excellent opportunity for Africa to take part in international climate change talks.

The task force urges French and African businesses to pinpoint and implement measures geared towards building an environmentally-friendly African growth model via, for example, more resistant infrastructure and access to sustainable energy.

Contribute to exploiting and transforming natural resources

Natural agricultural and extractive resources represent a significant portion of the economic activity and exports of most African countries. The African Economic Outlook²⁴⁶ focuses on four layers of public policies to be implemented: i) putting in place the right conditions for energy diversity and bolstering sectors working with natural resources; ii) set-

ting up an environment specific to the natural resource sectors (regulations that provide incentives for investment, an effective land management and ownership system as well as a supply of skills and research specific to these sectors); iii) responsible management of revenue to forestall “Dutch disease” and environmental difficulties; and iv) active policies to promote structural transformation.

For the extractive industries, linkages through the supply chain (backward linkages) hold potential for employment creation and capacity building that can be the basis for new activities in a variety of sectors.

“Investors and partner countries can do much to improve this state of affairs [foreign intervention]. Transparency initiatives and multi-stakeholder dialogues are a positive force in this respect. Further, international firms can do much to partner local firms and schools to ensure that local jobs and capabilities are created. Partner countries can do more to allow for African exports of processed goods”²⁴⁷.

The major **mining concerns** long established in Africa - Areva and Eramet - can be involved in the industrial and commercial development of local economies, through partnerships centred on creating shared added value with producer countries.

As mining resources are largely unknown, exploration is one of the main areas for action by major donors (particularly the World Bank) looking to help African countries finish building the geological map of the continent. The Bureau of Geological and Mining Research (BRGM) could provide recognised expertise in identifying mining resources and the AFD could support such very long-term partnerships.

246 - African Economic Outlook 2013, *op. cit.*

247 - *Ibid.*

In terms of **legal support with executing contracts**, France initiated the World Bank's introduction of a fair legal support facility to help with the negotiation of major contracts and payment of legal fees, and is also a foremost contributor in this respect.

Similarly, the African Legal Support Facility (ALSF) set up in 2008 by the AfDB aims to provide legal advice and technical assistance to African countries when negotiating major contracts for developing natural resources. The ALSF has 52 members, including France. Between 2010 and 2012, it supported 17 projects and demand currently exceeds available resources²⁴⁸. In committing itself to contributing \$5 million, France has become the foremost bilateral contributor to the Facility.

France is also very involved in the issue of transparency, particularly for mining activities. Together with the ALSF, the World Bank's EITI Multi-Donor Trust Fund (MDTF) provides assistance in negotiating and renegotiating contracts, optimising the tax and royalties system and supporting governments in their relations with mining operators²⁴⁹. France, the US and UK will seek candidacy status for the new Extractive Industries Transparency Initiative (EITI) by 2014²⁵⁰.

The task force recommends continuing to support international initiatives to heighten transparency in the extractive industries and to build African legal capabilities for executing contracts (AfDB's African Legal Support Facility).

Partnerships for productive and sustainable farming to foster food security across Africa

The stakes for African agriculture are both local and global.

Africa has the world's largest stock of arable land (see above). It is potentially able to feed its populations and even to export provided it can make the required productivity gains. Agriculture is a source of domestic-led growth that could both generate a large number of jobs, as it is more labour-intensive than the mining sector, and help to staunch the rural exodus.

Agriculture represents a source of wealth, value creation, and potential currency revenue. The wealthiest economies are also major agricultural producers. Of the 17 countries with the fastest-growing agriculture sectors between 2000 and 2008, 11 are amongst the 50 countries with the strongest economic growth between 1998 and 2008. Out of these 17 countries, seven are African. Similarly, out of the 20 countries where agriculture makes up the largest share of GDP, 17 are African, seven of which are in the aforementioned group of 50 countries²⁵¹.

World demand for agricultural produce has continued to rise owing to population growth, higher incomes and the need to eliminate malnutrition, which affects 13% of the population. This new demand can be met by (i) cutting post-harvest losses, (ii) improving land and water yields and managing fishing resources; (iii) leveraging land and water resources that can be used for agriculture and aquaculture throughout Africa.

248 - French Treasury, May 2013.

249 - Ibid.

250 - Final Communiqué of the G8, 20 June 2013.

251 - "African Agriculture", Ibrahim Forum 2011, Mo Ibrahim Foundation.

This could be achieved by prioritising acceptable social models (family-based farming rather than industrial farming leading to land inequality), using ecologically-intensive technical models without environmentally harmful side effects (deforestation, GHG emissions, soil erosion, pollution, and water table depletion),

fostering better health security, including in terms of metabolic diseases (high blood pressure, diabetes), being less dependent on the most costly energy (labour, fertiliser, transport, cold chain) and more capable of adapting to extreme weather conditions.

Box 10: Feeding Africa and the world

The agricultural development of Africa continues to be top priority, with challenges in the following areas:

- Food supply: reducing famine and supporting the population growth of a continent that will have a billion new inhabitants within a generation.
- Industrial: processing commodities locally, close to the consumer markets. Creating integrated industries.
- Ecological: saving, protecting and enriching soils, halting desertification, bringing climate change under control through the development of rural hydropower, and reining in the impact on climate of the relentless development of livestock sectors.
- Educational: training farmers, livestock farmers and rural craftspeople who are facing the strongest agricultural growth ever witnessed.
- Social: creating sustainable income for the poorest and youngest populations, enhancing the value of property – the only potential asset of the most disadvantaged – and developing cooperative structures to pool investments, risks and downstream leverage initiatives.
- Political: creating an inclusive society, reducing social inequalities and stabilising consumer prices while increasing revenue for producers.
- Financial: using long-term financing for a sector that is more capital-intensive than industry, implementing the capabilities for energy-production, logistics and storage required to maximise the value of products, rallying rural savings and expanding agricultural loans.
- Global: in the future Africa could feed itself and potentially export. Balances in global supply, greater price stability and better quality and security of the supply will depend on the ability to free up surpluses. Making Africa “the breadbasket of the world” could be the achievement of a generation.

These goals have been ignored and donors have cut assistance to the African agricultural sector. Africa did not receive the resources earmarked for the Green Revolutions in China, India and Mexico. This neglect is compounded

by the fact that the colonial slave systems essentially left agricultural investments to the peasantry. Agriculture is a blind spot in the growth of Sub-Saharan Africa.

Africa now has to undergo a “double” Green revolution that is sustainable both in terms of agriculture and the environment.

We cannot simply state that Africa has abundant water reserves and arable land. Water tables are falling with the fast-growing population, soil erosion is rife even in wealthy regions, productivity is falling and badly-managed crop intensification is depleting soil and water resources of their nutrients. Deforestation has broken the water cycle, lack of storage space exacerbates price volatility, there is less competitiveness between producers and the depreciation of capital and its redirection to other sectors uproots populations. Together with the lack of infrastructure which impacts negatively on agriculture, these factors represent the other bottleneck stifling development.

France should lend its support to African countries which are calling for agriculture to once again become a priority for multilateral financing. French businesses can provide the human, financial and technological responses to all of Africa's problems as this is one of their fields of expertise in which they have a comparative advantage. Major private companies, SMEs, cooperatives, research and training centres and local authorities are accustomed to working together in this area. Partnerships can be easily forged with African businesses of all sizes. Cooperation with third-party companies or the private and sovereign funds of emerging countries is of mutual benefit and less affected by competitive rivalries as the field is huge and requirements in terms of growth and food security are universal.

The French livestock, grain, oilseed and vegetable sectors can take a bold and comprehensive approach. Contractual partnerships should be encouraged country by country and they will generate wealth and create jobs in both France and Africa. Such contracts that would feed Africa and the world sustainably have never been technically implemented or given political priority. Experiments need to be conducted before they become widespread.

Partnerships can bring young African and French rural peoples closer together. This is a project for a generation.

France is a major player in the agricultural and agro-industrial sector

France considers that ensuring long-term and sustainable food security for the planet and protecting the natural assets of biodiversity are global challenges that require global governance. This is the thinking behind the international diplomatic commitments made by global bodies and through global policies, in which France plays a leading role. These include the FAO's Committee on World Food Security (CFS), the G20 and G8 initiatives on food security, the Convention on Biological Diversity (CBD) and the Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES).

The agri-food sector is both the priority for many African governments and France's leading industry²⁵². It is a major source of innovation. The "one principle and seven strategic goals for innovation" report submitted by Anne Lauvergeon covers vegetable proteins and plant-based chemistry and highlights France's export capacities in terms of agriculture, its agri-food industry and tradition of culinary innovation²⁵³.

Many French businesses in the agriculture, agri-food, forests and fisheries sectors could benefit from these sectors branching out internationally²⁵⁴:

- Major firms that mainly operate in France may be leaders in their field and have foreign subsidiaries and/or local partners;
- Groups that have developed activities in Africa and specialise in tropical products;
- Many SMEs that sell materials (greenhouses, irrigation equipment, milking equipment, cold chain, and animal and plant genetic material);

- Fair Trade SMEs that are members of the French Platform for Fair Trade (PFCE) and social enterprises; satellite service companies for monitoring fishing, deforestation, harvest forecasts and agricultural insurance;

- High-quality engineering, public and inter-professional, private and social and mutually supportive expertise;

- Mass retailers via their presence in emerging countries, where they are major buyers in local agri-food sectors, and owing to their increasing role in marketing certified tropical products (fair and ecological trade).

Opportunities for an institutional partnership in the agricultural field

As regards industrial processing of agricultural produce, France could be an intermediary for African interests at the G20. The AFD has recently devised a strategy in this respect. Beyond issues concerning local industrial processing and warehousing, we should look into the possibility of forging partnerships with existing clusters in France, which are structured in sectors, together with the Ministry of Agriculture, Agrifood and Forestry and the Ministry for Foreign Trade.

France must support policies adopted by African countries and the regional economic communities since 2008, particularly the ECOWAS' Common Agricultural Policy (CAP).

Lastly, in December 2012, the European Commission launched the Global Alliance for Resilience Initiative – Sahel and West Africa (AGIR) which aims to "*completely eradicate hunger and malnutrition*" in the Sahel and West Africa over the next twenty years, by promoting greater resilience for vulnerable populations (agricultural producers, agro-pastoralists and

252 - According to the AFD, 13,500 companies (98% of micro-enterprises/SMEs with strong territorial entrenchment), €159 billion turnover (19% of manufacturing industry), €30 billion added value, 415,000 jobs.

253 - « *Filières agricoles et agro-alimentaires françaises et AFD* », Jean-Luc François, AFD, October 2013.

254 - Ibid.

pastoralists and poor urban and rural workers). This initiative reinforces the guidelines and commitments of West African countries under the ECOWAS' CAP.

The task force recommends continued support for the Global Alliance for Resilience Initiative – Sahel and West Africa (AGIR) which focuses specifically on strengthening markets and promoting value chains and agri-food processing as part of its mandate to combat malnutrition.

Bos 11: The Commission's AGIR Initiative

- The Initiative focuses on four strategic pillars: a) restoring and strengthening the livelihoods and social protection of the most vulnerable populations; b) strengthening health and nutrition, in particular by strengthening the implementation of programmes intending to provide social safety nets; c) increasing food production, the incomes of vulnerable households and their access to food in a sustainable manner; d) strengthening governance in food and nutritional security, especially by supporting/strengthening early warning and information systems.
- The third pillar includes strengthening of local, national and regional markets and value chains, including support for the agri-food processing and distribution sector.
- Although it was introduced by the European Commission, the Initiative aims to rally all the technical and financial partners operating in the Sahel and West Africa, and particularly bilateral European cooperation programmes, as well as other donors such as USAID.
- An EU Technical and Financial Partners Coordination-Platform has been established to support the rollout of the Initiative and to foster coordinated resilience measures in the seventeen member states of the ECOWAS, WAEMU and the Interstate Permanent Committee for Drought Control in the Sahel (ICDCS).
- The AGIR Initiative is currently being implemented at regional level (ECOWAS, WAEMU, ICDCS). We must now work towards its adoption by the target countries so that it is fully integrated into national policies.

Source: AGIR Memorandum, Jean-René Cuzon, AFD, 3 September 2013.

Partnerships for urban development

With annual population growth of over 3%, Africa will experience an urban revolution over the next 40 years. There will be 1.2 billion African citizens in 2050, compared to 600 million in 2012.

The populations of some major cities (such as Lagos and Kinshasa) are set to double in a few years. One of the consequences of this growth is the emergence of new districts with a lack of infrastructure. Over 60% of the urban population of Sub-Saharan Africa lives in “informal settlements”. In these countries, building secondary cities offers an opportunity for growth and balance.

According to the AfDB²⁵⁵, the demand for investment in basic urban infrastructure and housing in Africa to meet basic human needs come to \$40 billion per year. Current local government investment capacity is probably

a tenth of this figure. The priority poor countries need to underpin this urban growth with strategic and regional planning and build appropriate urban infrastructure and facilities.

Another priority is the improvement of the management capacities of local public stakeholders. This requires better allocation of resources at national level and, when there is a political commitment in this respect, the decentralisation of responsibilities and, more importantly the related resources, to the authorities in charge of local development.

Urban development in Sub-Saharan Africa must involve bolstering the responsibilities of African local authorities and increasing their financial independence, through (i) stable and foreseeable government appropriations over time, and (ii) setting up local tax systems. With concrete project ownership capabilities and relative financial autonomy, local authorities would be better able to raise funds to finance projects in their region.

255 - African Development Bank Group, “Urban Development Strategy of the African Development Bank”, 2012.

Box 12: Creating new urban models together

At the end of the 19th century, Africa had thirty million inhabitants across thirty million square kilometres. It was an empty continent. By 2050, Africa will have two billion inhabitants, mainly in urban areas.

There is no historic precedent for such profound change, not even in modern day China or India. Africa has to start from scratch. If urbanisation is left unchecked and prey to market forces, a very dangerous urban no-man's-land emerges. Signs of this can already be seen with vast impoverished peri-urban zones, pollution, paralysed transport systems, urban violence and unrest over inequality.

For several centuries, France has been building controlled urban environments. French companies know how to construct housing for all income groups, how to treat water, energy, transport flows, waste and pollutants. They know how to create spaces for leisure and protect the environment. But, more needs to be done. We need to innovate in clean energy, insulation, cutting costs and digital technology. With their research capabilities, French businesses involved in construction, public works, energy, urban equipment and urban services can work with African cities through comprehensive and bold sector-based approaches. These businesses often have solid experience in Africa and have established corporate social responsibility models. Not many other sectors are more able to set up and develop businesses in Africa. The number of urban professions is increasing at the same time as the industrialisation of the continent and major companies with domestic capital and staff are being set up everywhere. So the partners are already in place.

We need to cooperate with the countries that are interested and get a head start. We should sign contracts to create “new towns” together, by pooling the know-how and technologies for urbanisation that respects the environment and the social balance. We need to find the financing together.

Urban infrastructure is one example of projects for which there are economic models for profitable investment and delegated management. When built through partnerships with French and national businesses, having bilateral or multilateral performance guarantees, they could provide a regular return on the investment, both in terms of annual yields and long-term capital gains. They would provide an excellent vehicle for liquidity that the private financial sector and foreign sovereign funds should use in the long term.

The French *Caisse des Dépôts et Consignations* has already established cooperation initiatives with its African counterparts to jointly identify the methods and standards for this financing.

Development can be promoted by sharing the experience of “model cities” at the cutting edge of urban innovation with Africa to pave the way for controlled urbanisation. Local authorities on both continents could heighten cooperation on this core issue.

Source : Task force.

Partnerships in the infrastructure, energy and transport sectors

Africa has decided to upgrade its infrastructure, the shortcomings of which are longstanding and well-documented. This will be done so as to limit impact on climate change and improve the continent's carbon footprint. As often as possible, infrastructure projects should be approached from a regional viewpoint, thus fostering effectiveness and relevance.

In line with the decisions taken by the G20 Summit in Cannes, French support will primarily target the energy, transport and urban development sectors. The extent of the task means that numerous players (donors, private stakeholders) have to be rallied to the cause and the conditions for the emergence of balanced public-private partnerships (PPP) have to be created. Support for bolstering institutional frameworks and the capacities of the relevant players is also beneficial and can be provided through the AFD.

Growing demand for energy from African countries requires efficient and sustainable energy development to:

- Secure and strengthen energy systems with particular emphasis placed on regional interconnections;
- “De-carbonise” power generation and improve energy efficiency;
- Develop innovative projects, particularly for renewable energy and promote new institutional policies.

Launched by the UN Secretary-General in September 2011, the SE4All Initiative has set

out to marshal new investments to speed up the global energy transition to a low-carbon economy and to fight energy poverty. **The task force believes that this UN Initiative is significant and strongly encourages any African countries that have not already opted in to do so.**

A particular priority is harnessing African hydropower potential (for example in Guinea and Cameroon). Only 4-8% of this potential has been harnessed, while hydropower remains the most competitive of all energies continent-wide.

Many French businesses have acknowledged expertise in renewable energy, electricity networks and energy efficiency. They are ideally placed to cater for energy demand which is an increasingly important issue for both African governments and international donors. Again, the AFD's role as coordinator by supporting access to energy as a priority is of vital importance.

As regards hydrocarbons, Africa has reserves that are largely untapped and unexplored, essentially along Africa's eastern coast (Mozambique, Tanzania, Kenya). France has major groups (Total, Technip, Bourbon, etc.) and a network of SMEs and mid-tier companies operating in the oil and gas sectors. They are well versed in deep-water and ultra-deep-water offshore technologies.

The top priority **in the transport sector** is regional infrastructure (railways, ports, airports), as well as urban transport and the national infrastructure needed for manufacturing activities (public transport, rural tracks and roads). The refurbishment and extension of current railways, which are mostly in a very poor state, should be a priority with the modernisation of existing lines having sufficient levels

Box 13: The SE4ALL Initiative

- The SE4ALL Initiative has set three goals for 2030: 1) ensuring universal access to energy; 2) doubling the rate of energy efficiency; 3) doubling the share of renewable energies in the world energy mix.
- To date, 77 developing countries have signed up to the initiative: 42 in Africa and the Middle East, 18 in the Americas and the Caribbean, 12 in the Pacific and 5 in Central Asia.
- Membership of the initiative is aimed at getting states to contribute to the global objectives being pursued by SE4ALL, allowing each country to define its own priorities and to develop its own action plan.
- Governance for the initiative is being put in place steadily with i) a secretariat in Vienna; ii) a consultation committee co-presided by the UN Sec-Gen and the President of the World Bank; and iii) an executive board chaired by the Director of the Bank of America.

Source: AFD, 2013.

of traffic. The private sector would need to be involved in a management capacity.

The **maritime and port sector** is also a basic driver of African growth. The task force recommends benefitting from the presence of French groups in the key maritime transport and port industries (CMA-CGM and its subsidiary Delmas, Bolloré, etc.) to foster the emergence of African sectors in partnership with French sectors.

As for aviation, no major national or regional airline has had either regional or continent-wide success in West and Central Africa. Nevertheless, Kenya Airways and Ethiopian Airlines are economic success stories and are looking to develop international services beyond their regional airspace. As an example, in addition its Addis Ababa hub through which it provides 1,000 flights a week to 70 interna-

tional destinations (including four in China, two in India and two in the US) and 17 domestic airports, Ethiopian Airlines has established a new hub in Lomé since taking a 40% stake in ASKY. It has plans to open another hub in Lusaka and, in the longer term, one in Central Africa (DR Congo or the Congo).

Competition with Turkish, Qatari and Emirates national carriers is increasingly steep on inter-continental routes.

Since the liquidation of Air Afrique in 2002, many countries have set up their own national carriers. This has led to a large amount of overlap and chronic over-capacity in West and Central Africa. Most airlines in these zones are experiencing severe cash-flow problems in spite of strategic partnerships with major international groups (Aga Khan in Burkina Faso and Mali, Air France in Côte d'Ivoire,

etc.). There has been no real improvement in the quality of national and above all inter-regional services.

The task force suggests supporting African countries that want to be involved in a regional aviation cooperation project. The partnership could be forged by bolstering the current technical cooperation between Air France and the airlines in Senegal, Côte d'Ivoire and Burkina Faso. The goals would be to promote access to both regional air links and links between Europe and Africa, to improve the viability of African airlines and to work towards cutting prices.

Invest in cultural industries and the digital economy

The emergence of projects grounded in African cultural creation and the promotion of French cultural content must be supported. **Cultural industries** now play an essential role in globalisation²⁵⁶. They project an image and create jobs. Culture and the French-speaking world are still major drivers for international economic influence.

In both France and Africa, the cultural sector is very well established. This encompasses audiovisual production, radio, cinema, music, books, arts, crafts, design and fashion. African and French creativity is especially thriving in all these areas. This is borne out by the number of festivals in Africa (Fespaco in Ouagadougou, *Rencontres de la photographie* in Bamako, the Dak'Art Biennale, *Festival Écrans Noirs* in Yaoundé, etc.).

With the volume and quality of sales of African art, its network of dealers, its private museums

(*Musée Dapper*) and the landmark *Musée des Arts Premiers* at Quai Branly, Paris has gained a larger share of the African art market in Europe. This holds true for modern art, photography and visual arts, particularly in the wake of the "Africa Remix" exhibition at Beaubourg, with experts, specialised galleries and world-class African artists all taking up residence in Paris.

African demand for professional partnerships is even stronger than that for funding, particularly in terms of: i) setting up on-site audiovisual production facilities tailored to local demand and which foster transfers of relevant knowledge concerning international standards; ii) using Parisian recording studios and opening up studios in Africa; iii) developing museum exchanges; iv) further supporting local creativity (subtitling and translation of Nollywood productions or soap operas, distribution, etc.); and v) supporting specialised training.

Creators and artists should be seen as economic stakeholders and have the same preferential visa arrangements as recommended by the task force (see below).

Like the virtual economy, **the digital economy** provides significant potential for innovation and growth. Mutual benefit could be derived from proposals for the joint development of digital services (banking applications, healthcare, e-learning), for vocational digital training, for social uses of digital technologies and for leveraging public data.

The share of digital technology in trade with Africa is set to grow significantly. France could enter major new markets in Africa as it has a thriving and renowned economic sector (Gemalto and Atos and Steria digital govern-

256 - « *La mondialisation immatérielle* », Daniel Cohen and Thierry Verdier, Conseil d'analyse économique, 2008.

ance instruments. France should therefore drive digital innovation in the manufacturing, service, farming and environmental sectors to enable them to adapt to African circumstances and demand.

The freeing up of frequencies after the migration to digital terrestrial television (DTT) scheduled for 2015 in many Sub-Saharan African countries offers strong potential for infrastructure rollout and digital services. The Chinese have taken a very bold approach by offering huge funding from the China Development Bank, mobile networks, terminals and satellite packages. The French digital offering could

be better structured to take advantage of businesses already operating in Africa (Orange, Alcatel), to forge partnerships with third countries for funding and to put the building blocks in place. Working with French digital service companies such as Deezer, France could set up a broad offering ranging from network rollout to services.

The task force recommends forging partnerships in the cultural industries for co-productions, knowledge transfers and setting up local production structures (audiovisual, cinema, music, etc.).



Proposal no. 7

Encourage French-African industrial partnerships in key economic sectors, including agriculture, energy, transport, urban development, consumer goods, the digital economy, cultural industries, healthcare, tourism and security

- Create specialised working parties to inform French companies and sectors about financial instruments at the disposal of donors and the projects and opportunities in Africa;
- Set up institutional partnerships between France and African countries to provide a strong foundation for forging connections between businesses and to foster technology transfers;
- Promote pilot initiatives among private companies to develop business models in each relevant sector;
- Involve French and African local authorities (regions, cities, etc.) in specialised working parties, pilot initiatives and institutional partnerships.



Promote sustainable economies and corporate social responsibility

Both French and African businesses are faced with issues such as social inclusion and **corporate social responsibility** (CSR). Besides their primary business activities, and depend-

ing on their capabilities, they resolve matters relating to living together, solidarity and the environment. In light of the higher stakes and levels of responsibility required by the international community, they are complying with new CSR principles and standards and applying the regulations in force in the countries in which they operate. Certain businesses have

Box 14: Corporate Social Responsibility

Businesses make a multi-faceted contribution to development, reducing poverty and achieving the Millennium Development Goals. They provide goods and services directly and, in the case in point, to areas related to economic and social infrastructure, basic services such as water and energy, food and natural resource-related activities.

Part of this contribution is also how they provide these services; the attention they pay to human resources, to their employees and their families, to reducing the potentially negative environmental impact of their activity or to promoting related opportunities and, lastly, to the quality of their governance (attitudes towards corruption, financial transparency, etc.). Lastly, national and international businesses in the private sector can decide to do more to support development than what is stipulated in their economic mandate or what is required under national or international rules.

The last two forms of involvement in matters of general interest have become vital, particularly for international businesses investing in developing countries that are often confronted with inefficient public services, deep-rooted inequality, severe poverty, pervasive corruption, limited business structures with restricted supplier networks, and where financial transactions such as taxes and duties paid by them may represent a significant proportion of the balance of payments, GDP and budgets of the local countries. Their expertise, experience and the quality of their staff can contribute to significantly improving the supply of basic services to the population, raising employment standards, bolstering sub-contractor and SME structures, and heightening financial transparency. On the other hand, failure by international businesses to adopt best practices in the field can sometimes have severe ramifications on their environment.

Closer collaboration between businesses and national and international public stakeholders, especially in Africa, is therefore of tantamount importance in improving both the consistency and quality of development policies. This is vital to enable private sector businesses to underscore their legitimate role in the economies of the countries in which they operate and to ensure the sustainability of operations. There will also be many benefits in terms of innovation and proximity to customer bases, reducing the number of ongoing or potential disputes and improving supplier quality and service levels.

Source: Task force.

an active role in promoting innovative social economy models through which they form partnerships with civil society stakeholders..

The task force suggests encouraging these approaches and promoting networks, initiatives and discussions at corporate level. Support should also be given to the proposals and practices of African employers for wider-reaching CSR.

The French Minister for Development has tasked Emmanuel Faber, Deputy Managing Director of Danone, and Jay Naidoo, Chairman of the Global Alliance for Improved Nutrition (GAIN), with reviewing the subject of innovation for sustainable development. The conclusions of their work should be broadly the same as those of this report on this point.

Promote corporate social responsibility.

African businesses should be active stakeholders in the initiatives established by international bodies. These include the UN Global Compact, the Global Reporting Initiative (GRI), ISO 26000 (and the Principles for Responsible Investment [PRI] and Principles for Sustainable Insurance [PSI] for the financial world), platforms such as the World Business Council for Sustainable Development (WBCSD) and others involved in promoting sustainable development. Other European initiatives like Corporate Social Responsibility Europe could be oriented towards Africa.

Setting up a permanent multi-stakeholder CSR forum in France will foster discussion and promote CSR vis-à-vis its partners. In July 2013, the French government tasked the forum with starting a dialogue and promoting greater accountability for multinationals and principals with respect to their subsidiaries and their suppliers in developing countries.

The forum could also form the basis for talks with African countries.

Some progress has been made towards promoting CSR in Africa at the behest of various French ministries and business organisations (MEDEF and CIAN). There are also many laudable initiatives in Africa geared to taking better account of international standards, and these should be encouraged.

Using local business networks, African private sector managers and executives need to receive appropriate training with an eye to building adequate local capacities to draft standards, references and regulations that factor in the local situation and priorities (particularly regarding implementation lead-times), but which quite clearly draw on internationally recognised standard procedures. All voluntary initiatives undertaken by African and French businesses enabling progress by methods and with transparency must be encouraged.

Numerous initiatives have been introduced by African and French businesses to promote the **social and solidarity-based economy** and foster employment and local innovation. In certain priority sectors (food security, adapting to climate change, financial inclusion, supply of basic services to the poorest, the environment, etc.), targeted initiatives to support the social economy may be decided on jointly. Businesses operating in the social economy, whilst never becoming real profit centres, provide a major service to populations, support local innovation and help structure the economy.

A public initiative centred on the AFD could be used to co-finance experiments in innovative activities with long-term and moderate profitability²⁵⁷.

257 - We note that it was the AFD that enabled the development of the revolutionary Vergnet pumps a few decades ago.

Box 15: Impact investing

Over the last decade, the social and solidarity-based economy has gained significant ground both in developing and industrialised countries. New operating methods have emerged, including microfinance and, more recently, “impact investing”. This involves achieving social goals through market instruments, particularly capital investment instruments. The goals may include promoting employment, entrepreneurship, alternative energy sources, healthcare, education, basic services and protecting natural resources. In these areas, the profit expectations of “impact funds” take a backseat in favour of their social objectives. The strategies of these funds range from quasi-philanthropy to market profitability-related activities, but never encroach on the territory of traditional charities or associations that give grants (they are investors). The funds do not have venture capital or development for profit policies.

Impact investing has an essential role to play as an innovative instrument for African development. It contributes directly to the Millennium Development Goals but, as it is earmarked for the economy and entrepreneurship, it has a direct impact on employment and the quality of the entrepreneurship structure and its governance. It also contributes to structuring financial markets, countries’ human capital endowment and to bolstering their savings. Impact investing could therefore be used to partly meet the pressing need for national policies to strengthen SMEs and improve essential services. It could also be used in the CSR policies of major businesses to expand the supplier network, improve their social impact in their environment and provide them with new forms of innovation. Impact investing is an important and beneficial new instrument in the battery of development policies implemented by both the public and private sectors.

From the outset, impact investing was pushed forward by foundations and private wealth vested in social objectives or directly rolled out by major groups as part of their in-house CSR policies. Today it is increasingly being supported by a wider movement of private businesses using special external funds in which they can pool their resources, and by public investors, that were previously reticent as their mandates and instruments were not suitable for so-called “hybrid organisations”. Under the British presidency, the G8 organised a Social Impact Investment Forum in 2013 at which an international task force was created to put forward measures for support and promotion.

Source: Task force.

Setting up an entry point within the AFD group for combining skills and funding would heighten efforts made in terms of CSR by businesses, bolster the expansion of their activity, improve the brand image of French investment by differentiating it from that of emerging countries, and heighten French impact in terms of ODA. It would also open up a whole new range of operations for the group. The world's major groups use this as part of their strategy for expansion and development, making it a factor for international competitiveness.

These local projects implemented by businesses will very likely be geared towards providing products and services to the poorest populations, stepping up the rollout of social services for workers and the assigns of the employees of the relevant businesses, heightening use of local investment offerings from companies and taking a closer look the environmental impact and services related to investments.



Proposal no. 8

Promote the sustainable economy and corporate social responsibility

- Strengthen the French policy for corporate social responsibility (CSR) and support for African countries to better factor in this responsibility, while taking account of African proposals in this respect;
 - In the AFD's calls for tender concerning funding, and as from the pre-qualification stage, verify the accuracy and requirements for CSR;
 - Within the AFD group, introduce an entry point for funding for the social and solidarity-based economy and impact investing, with particular or exclusive focus on the African continent;
 - Open the AFD's ARIZ guarantee mechanism to equity, quasi-equity and loan transactions, accompanying the emergence and development of social and solidarity-based economy funding projects.
- 

Supporting African economic integration

Being convinced of the potential benefits, Africa is now fully committed to regional integration. The economic benefits associated with regional integration were underscored by Paul Krugman in his theory of economic geography²⁵⁸. Heightened integration of domestic African markets would lead to economies of scale, cut transport costs and build inter-regional infrastructure.

This shift involves the integration of existing sub-regional blocks that become key economic and political entities. As an example, the ECOWAS showed its capacity for action and confirmed its political credentials during the Mali crisis and by re-establishing the democratic process in Guinea-Bissau.

On the economic front, support for regional bodies in Africa helps:

- Foster an institutional, regulatory and technical environment for business and sector-based public policies that is both viable and incentivising, conducive to rallying public and private investment and ensuring its profitability;
- Secure funding for preparing and implementing large-scale structuring regional projects and the operational rollout of regional sector-based public policies;
- Protect and manage regional public assets, especially water resources, and leverage the energy (hydropower), agriculture/food security (hydroagriculture) and transport (navigation) sectors.

Support the consolidation and expansion of business law harmonised by OHADA

A very effective means of creating value is to have a real body of business law and the means for enacting it. In this respect, France very actively supports the system proposed by OHADA (Organization for the Harmonization of Business Law in Africa). This Organization is a legal vehicle for fostering economic integration that is unique in the world. **OHADA, which has just celebrated its 20th anniversary, has members from seventeen French-, Spanish- and Portuguese-speaking countries in Africa.**

Drawing on its nine Uniform Acts, OHADA is the source of unified, certain and incentivising law, which is a real asset for African and French businesses. Providing an integrated and harmonised legal area, OHADA helps attract long-term investments by offering protective legislation against political risks (member states cannot amend their legislation unilaterally) thus encouraging lower risk premiums, allowing businesses to pool their costs and governments to reform.

OHADA is also a common asset that France currently undervalues. Using this vehicle, France could put itself in a strong and open position when dealing with investors from the English-speaking nations, English-speaking African and emerging countries. The recent revision of the Uniform Act Organizing Securities, which is a landmark reform²⁵⁹, shows that OHADA legislation, although inspired by French law and tailored to the circumstances of its member states, sometimes goes a lot further to address globalisation issues. The influence of

258 - Increasing Returns and Economic Geography, Paul Krugman, Journal of Political Economy, University of Chicago, 1991, vol. 99, No. 3, cited by "Misperception of Risk and Return in Low Income Countries", *op. cit.*

259 - « L'enjeu économique de la réforme de l'Acte uniforme OHADA portant organisation des sûretés : un atout pour faciliter l'accès au crédit », Lionel Yondo Black, Droit et Patrimoine No. 197, November 2010.

this contemporary and simple law, adapted to Africa's economic and social environment, will spread to other African countries, especially Portuguese-speaking countries that also have a legal system grounded in continental law²⁶⁰.

French support for OHADA through cooperation initiatives (Ministry of Foreign Affairs [MAE], DG Trésor and the AFD) should foster its **development and the improvement of regional coordination**.

Training in, and promotion of, OHADA legislation would allow legal professionals and economic players to better embrace and apply this law. Extending the subject areas covered by OHADA, as required to expand the economic activities of the area, in particular by ensuring more consistent business legislation in the OHADA zone (leasing, franchises, factoring, etc.), should be considered to strengthen unified business law within this vast economic zone.

OHADA operating methods should continue to be improved so that this budding regional organisation is able to be fully involved in building national and regional public policies to promote business set up and expansion. OHADA needs to be one of the central vehicles for improving the business climate in the area. To this end, OHADA legislation should facilitate access to funding for regional businesses and innovate to play host to investment funds oriented towards Africa that are currently directed towards vehicles located outside OHADA zone (mostly based in Mauritius).

OHADA should be involved in improving the effectiveness of commercial law by strengthening the mechanisms for resolving trade dis-

putes and supporting initiatives to consolidate the technical and institutional jurisdiction of commercial courts at national and regional level²⁶¹.

OHADA national commissions need to be supported at national level. These commissions, with both public and private sector members, are tasked with examining and monitoring OHADA issues on behalf of governments. Building the capacities of these commissions would foster exchanges between the public and private sector on business law, improve coordination with OHADA, increase adoption of OHADA legislation by businesses and ensure greater consideration of national characteristics during the legislative enactment process.

Better coordination of public policies for business development (competition law, banking and financial regulation, taxation, etc.) between the different regional institutions (in particular, the Bank of Central African States (BEAC) and the Central Bank of West African States (BCEAO), WAEMU, CEMAC is also essential.

Consolidation would favour **the geographic expansion of OHADA**, with focus firmly placed on Portuguese-speaking countries (the Guinea-Bissau success story would help attract Portuguese-speaking countries, including Mozambique and Angola). This would require intellectual output and its distribution (OHADA legislation, works and training) in Portuguese. To make OHADA law accessible to English-speaking businesses, OHADA output would also have to be translated and distributed in English. This would also foster enlargement to include English-speaking countries (Ghana, Nigeria, Kenya, Uganda, etc.)²⁶².

260 - "The challenges of reform: a wish to promote the creation of enterprises, commercial exchanges and confidence in the OHADA"

261 - "Commercial justice in the OHADA zone: a challenge to improve the business climate", FIAS report.

262 - "The new legal impetus of OHADA", Abdoullah Cissé, university professor, Droit et Patrimoine No. 201, March 2011.

Support the expansion of the CFA Zone to make it a stronger regional block

The CFA Zone drives growth and helps its member countries withstand and resist shocks. As such, it could have an even broader inter-regional economic integration role to further African growth.

The common desire to build a truly integrated market is a critical issue. The economic benefits of the regional integration of CFA Zone countries were flagged up in September 2012 in a working paper from the FERDI (Foundation for International Development Study and Research). Strengthening financial integration meaning cheaper banking services, lower interest rates, extended maturities and a broader range of services would lead to GDP per capita growth of about 0.5 to 1.5 points in the West African Economic and Monetary Union (WAEMU) and 2.5 points in the Economic and Monetary Community of Central African (CEMAC)²⁶³.

The current CFA Zone would benefit from being expanded to neighbouring countries, in particular Ghana, Liberia and Sierra Leone. Ghana could drive this expansion as it is open to the deregulation of trade with its neighbours within the framework of the ECOWAS. It would have a larger outlet for its products in neighbouring countries and would become a regional hub for investments.

The CFA Zone would thus become a stronger regional economic block and a forum for pan-African dialogue. This integration would improve discussions with Nigeria and have significant ramifications for French-speaking

Africa. It would also lead to more effective work with regional economic communities, especially the ECOWAS and the Economic Community of Central African States (ECCAS).

This new economic area could symbolically drop the name "CFA Zone". Types of monetary mechanisms and the role of central banks and its development banks could be discussed collectively. Its cornerstone could be a monetary stability agreement to tackle balance of payment problems whilst allowing the currency to float against the euro.

Central banks have instruments to make setting up a business easier, to structure primary banks, support banking service penetration in the economy, encourage the emergence of a mortgage market (contributing to establishing a favourable ecosystem and making the land register, developers and builders more professional), give themselves a regulatory role and contribute to proper management of public accounts. Central banks could drive growth or the introduction of a framework conducive to long-term savings. The use of current account surpluses could also be discussed with African partners.

Foster stepped-up regional and interregional integration

Regional integration is the answer to weak intra-African trade, which accounts for between 10% and 15% of African exports, compared to 50% in Asia²⁶⁴. Africa is a fragmented continent with a large number of landlocked countries: fifteen African States have no coastline access²⁶⁵. The South African Development Community (SADC) is the most integrated region (51% of exports in 2010), ahead of the ECOWAS

263 - "Evaluation of the benefits gained from regional economic integration in African countries of the franc zone", coordinated by Patrick Guillaumont, Anne-Marie Geourjon and Samuel Guérineau, FERDI, 19 September 2012.

264 - "Misperception of Risk and Return in Low Income Countries", *op. cit.*, and Mo Ibrahim Foundation, 2011.

265 - Increasing Returns and Economic Geography, Paul Krugman, *Journal of Political Economy*, University of Chicago, 1991, vol. 99, No. 3, cited by "Misperception of Risk and Return in Low Income Countries", *op. cit.*

(28%), the Common Market for Eastern and Southern Africa (COMESA) (12%), the Arab Maghreb Union (AMU) (6%) and the ECCAS (3%). Moreover, trade tariffs are amongst the highest in the world, on average 50% higher than those in Latin America and Asia²⁶⁶.

African markets are being opened up through Economic Partnership Agreements (EPAs). Restarting the currently stalled talks would involve helping each African partner choose the most appropriate situation for them.

When they were drafted in 2007, the intention was for EPAs to replace the 2000 Cotonou Agreement for promoting regional integration through the signing of free-trade agreements between the EU and African regional subgroups. EPAs also enabled compliance with WTO law. Cotonou arrangements gave non-reciprocal preferential tariff treatment to 77 ACP (Africa Caribbean Pacific) countries but not to a category of countries with the same economic characteristics (all developing countries or all the least developed countries, for example).

African civil society organisations and governments were reluctant to take part in such free-trade talks in view of i) the unfavourable balance of power between African countries and the EU, ii) the vulnerability of their still-nascent economies when faced with unbridled competition on their markets from European products, iii) the loss of tax revenue after removing tariffs and iv) the difficult regional construction process.

The European Commission is now looking to sign interim EPAs with individual countries instead of with regions. These interim agreements only cover reciprocal opening of markets

to each other's goods (in 2007 the contentious issues of the deregulation of services, competition and investment were addressed) and include, as consideration, development provisions which have yet to be drafted.

Advantage could be taken of the extension of the deadline for ratification of interim EPAs until 1 October 2014, which France actively supported, to provide support to African partners. If the option chosen is the EPA, then African countries should be granted as much flexibility as possible: highly asymmetrical opening of markets (excluding contentious sectors for African partners) and a longer transition period for removing tariffs, for example, factoring in trade and development with a greater focus on the development aspect.

However, if the choice leads to rejection of EPAs and a return to the ordinary law of the Generalised System of Preferences (GSP), partners will have to be eligible for the GSP Plus regime, which is more favourable.

266 - "African agriculture", Ibrahim Forum 2011, Mo Ibrahim Foundation.



Proposal no. 9

Support regional integration in africa

- Continue French support for OHADA, particularly with an eye to boosting its appeal by improving the effectiveness of commercial law and the functioning of national commissions, and facilitating the expansion of its jurisdiction;
- Expand the CFA Zone to make it a strong regional block and a forum for ongoing economic discussions with English- and Portuguese-speaking countries. Propose a plan of action to member countries aimed at highlighting the growth-driving role of central banks in the CFA Zone;
- Continue support for African countries negotiating Economic Partnership Agreements (EPAs) with the EU.



FIVE PROPOSALS TO MARSHAL FRANCE ALONGSIDE AN AFRICA ON THE MOVE

When Africa began to emerge as an economic force, France failed to take account of this new economic reality.

- French public opinion still generally considers Africa as a continent of poverty and wars that needs to be helped;
- The French government has not yet fully taken on board the transformation occurring in Africa;
- The private sector's view of Africa varies. Groups that were traditionally present have often partly relocated to other continents, major international groups now see Africa as just one investment opportunity amongst many and prefer business relations with rapidly growing and economically stable countries (Nigeria, Ghana, Kenya, South Africa). SMEs without a historical presence in Africa still shy away from the African market in view of the perceived risks.

Sub-Saharan Africa is therefore a reflection of France's strengths and weaknesses in terms of globalisation.

In recent years, some political and economic decision-makers have gradually become more aware (an example is provided by the African "agenda" put forward by France at the G8/G20 summits in 2010). Some major French groups have already factored African economic emergence into their strategies and the public authorities and the government have started to redeploy their efforts towards Africa:

- The very fact that this report was commissioned bears witness to the motivation and commitment of the Minister for the Economy and Finance concerning this subject;
- Frequent visits by the Minister for Foreign Trade, the Minister for the Economy and Finance and the Minister of Foreign Affairs enable strategies to support French exports to be rolled out in Africa;
- Numerous ministerial meetings in Paris such as the one organised in the premises of the Ministry for the Economy and Finance on the occasion of the fortieth anniversary of the monetary cooperation agreements with the CFA Zone;
- A number of initiatives have been launched in the French-speaking world (teaching in Africa) and the digital sector (seminar on digital transition in Sub-Saharan Africa organised in November 2013);
- The economic diplomacy established by the Ministry of Foreign Affairs provides instruments to renew economic relations with Africa.

We now need to go further and act more quickly. Our economic relationship with Africa requires real redeployment so that France can regain its position amongst the competition on the continent. To do so, France must take full responsibility for its interests there.

Reactivating French influence on the continent

The governments of countries now investing in Africa are engaged in a strategy of power plays. For the major emerging powers such as China, India, Brazil and Turkey, Africa offers a source of raw materials for their development, a new investment opportunity and a chance to flex their political muscles on the international stage. The same holds true for industrialised countries seeking to secure energy and raw material supply as witnessed by the increased presence of German businesses in Angola and Nigeria.

Rapidly build a high-level structured relationship

Interviews conducted by the task force and studies carried out by the economic departments in Africa show that the African politicians (in Nigeria, Mozambique, etc.) lament the lack of involvement of their French counterparts in political discussions unrelated to crises and global issues. French political networks seem to be little present outside West and Central Africa where their influence has fallen off significantly.

An empirical calculation using online data from the Minister of Foreign Affairs and French embassies in Africa puts the number of official visits by the French President and Prime Minister to Africa at 64 between 2003 and 2013 in a total of 23 countries, with an average of around six visits per year. Besides a few English- and Portuguese-speaking countries (South Africa, Ghana, Nigeria, Angola), these visits were mostly to French-speaking countries – especially the Maghreb, Sahel countries,

West Africa and Central Africa – **and largely ignored the countries of Southern Africa, East Africa and the English-speaking countries of West Africa.** Over the last decade, French visits have been primarily to North Africa (eight to Morocco, seven to Tunisia, four to Algeria, three to Egypt), to Senegal and to countries where there has been French military intervention (Mali, Côte d'Ivoire, Libya, Chad).

By way of comparison, whilst the total number of official Chinese visits to Africa is still well below those by France (30 compared to 64, according to official Chinese statistics), **China has visited more African countries than France over the last decade (24 compared to 23).** Moreover, Chinese visits seem to cover a wider geographic spread taking in – apart from a few countries in the Sahel and West Africa – all the main French- (DR Congo in 2013), English- and Portuguese-speaking countries.

When choosing where to visit, France tends to favour countries with which it already has historical, linguistic and/or economic ties whereas official Chinese visits reflect a determination to expand and bolster Chinese presence and influence in Africa.

For the same period, the number of official American visits to Africa was relatively low (nearly a quarter of those by France). Whilst mainly focussed on South Africa and the main English-speaking countries of West and East Africa (Ghana, Nigeria, Tanzania, Kenya, Botswana, Uganda), American visits to Africa also took in several Arabic-speaking and French-speaking countries such as Egypt, Benin, Senegal and Rwanda. In 2011, Angela Merkel chose to visit Angola, Kenya and Nigeria, while David Cameron went to South Africa and Nigeria in 2011.

Between 2003 and 2013 only France made official visits to Niger, Chad, Côte d'Ivoire, Burkina Faso, Libya, Madagascar and Djibouti.

The US and China made their presence felt in a dozen countries, particularly in East Africa (Botswana, Kenya, Mozambique, Namibia, Uganda, Seychelles, Sudan, **Tanzania, Zambia**), but also in some West African countries (Benin and Liberia). Tanzania seems to be benefiting from particular attention from these two countries, with the United States and China having visited the country twice and three times, respectively.

The British, who are reaffirming their presence in Africa, will have a dozen new trade envoys appointed by Prime Minister David Cameron, including some for Africa (Angola, Mozambique, Kenya, Nigeria, Ghana, Ethiopia), with mandates that may cover several countries. These trade envoys, distinct from business ambassadors who focus on an economic sector, are members of both houses of Parliament. Budgets for their visits are provided by the Foreign and Commonwealth Office (FCO) and managed by a UK Trade & Investment team, an equivalent body to Ubifrance. These budgets are set to rise as they currently only allow two visits per year to the countries and four visits in regional Britain to businesses and regional Chambers of Commerce. These figures are considered insufficient in the light of the extent of interpersonal relations in Africa.

Similarly, more frequent visits by high-ranking African civil servants to enable them to find out about French institutions and their expertise, which would address a need in African countries (*Agence France Trésor*, Government Shareholding Agency, *Autorité des Marchés Financiers*, etc.), and reciprocally (AFD,

Coface, DG Trésor, Adetef, AFII, etc.) should be organised rapidly.

Involvement in economic bodies to boost business ties

France should be systematically involved in all multilateral banks as well as public and mixed development banks in Africa, holding governance functions and thereby establishing partnership and business ties.

Owing to the constraints burdening French resources, France's ability to affect the choices as to how multilateral donors' funds are used is vital²⁶⁷.

In particular, exerting upstream influence on the drafting of calls for tenders from multilateral development banks would benefit French businesses. For example, when searching for new economic diversification projects, the Development Bank of Angola (BDA) is expected to play a pivotal role in ramping up the country's business management skills and building viable business plans, especially concerning the development of agri-industrial groups.

Being present in multilateral institutions would also allow France to carry weight faced with an "Anglo-Saxon" approach that is sometimes sceptical of or even hostile to French initiatives. The World Bank, which was rather circumspect of the benefit of OHADA, has changed its view owing essentially to a diagnostic study of its effective Uniform Acts by a group of experts from the Bank's Investment Climate Department (which includes the FIAS, the multi-donor technical assistance fund, to which France contributed a million euros per year

267 - According to Proparco, the SFI would have a strategic project with US\$4.5 billion of financing.

between 2007 and 2012). Under a tripartite agreement (AFD/DG Trésor/FIAS), a member of the AFD has been seconded to this working group. The reforms implemented following the group's work have shown that OHADA member states had both the ability and the determination to reform.

France has provided continuous official development assistance, including significant contributions at EU level and by rolling out all other forms of assistance. The meeting of the Inter-ministerial Committee for International Cooperation and Development (CICID) on 31 July 2013 confirmed the geographic priority given to Africa.

In the case in point, better advantage could be taken of Proparco's work in Africa (or that of other private or multilateral investment funds) and its influence in terms of business ties. Proparco has unique knowledge of African industry and makes significant investments in Africa that contribute to its growth. A bolder interest-taking policy by the AFD group and, in particular, Proparco, in African businesses would also foster business relations with Africa (see below).

Better use of French sources of influence

French people working for foreign companies (outside the network of French foreign trade advisors [CCEF]) represent a source of French influence which is not adequately leveraged by local public representations especially in countries where France has limited economic operations. We should also better identify French-Africans working in Africa who are not registered with consular departments.

Obviously, this network would have to be identified and coordinated by embassies or economic advisors using the business contacts and networks of other French stakeholders (CCEF, ICC, AFD, etc.).

France should also better monitor, over time, African business executives trained in France or following French methods in Africa (especially in the lycée français network) and who are working in Africa or elsewhere in the world.

Lastly, the task force suggests that French people of African origin should be appointed as diplomatic staff in Africa.



Proposal No. 10

Bolster France's influence in Africa

- Restart high-level governmental relations with the African continent. Increase presidential and ministerial visits to high-growth African countries and improve the welcome given to African political leaders in France, including by key French institutions, and step up exchanges with their African counterparts.
- Contribute to Africa-oriented public and private economic policy-making bodies by establishing a secondment policy with respect to regional and multilateral bodies dealing with Africa as concerns French strategic and economic interests and ensure an improved follow-up
- Target and support the network of French executives employed in foreign firms operating in Sub-Saharan Africa, and monitor French-trained African business executives.

Relaunching French economic presence in Africa

Draw on the economic success of French-Africans

Young people of African origin living in France represent a key socio-economic driver for France. Investing in this generation means investing for both France and Africa.

In the absence of real support from public authorities, Africans living in France have begun to build their own economic networks. The task force met some of these associations.

The Club EfficiencE association was set up in 2007 with the sole goal of making it possible for “average” Afro-French people to be successful. With 530 Afro-French executive and

business leader members, and without any public or private sponsorship, the association estimates that in a few years’ time there will be more young Africans born in France than immigrants but that they might be less ambitious than those coming from Africa. The association helps promote African entrepreneurs and acts as a “business finder” establishing links between French-Africans, African economic stakeholders and French investors.

The African Association for a New Generation of Leaders (AfricAngels) is another non-profit association set up in 2009 under the Act of 1901 by French-Africans and Africans to help develop entrepreneurship having a positive socio-economic effect in Africa. It supports entrepreneurs, raises awareness of entrepreneurship and CSR, finds and provides funding and, lastly, promotes entrepreneurs of various African origins and presents the *Prix de l’entrepreneur africain de France*.

Box 16: Club EfficiencE is conducting three projects:

- **Gotha Noir**, a work published every two years to publicise the emergence of Afro-French success stories and whose profits go to scholarships
- A **scholarship** in conjunction with Sciences Po, Essec et Ecole Polytechnique to promote and encourage admission to the top schools for all deserving young people coming from underprivileged backgrounds of all types, so as to diversify the French elite. These scholarships are awarded at a networking function culminating in a fund-raising gala.
- The think tank called “Réfléchir aujourd’hui pour agir demain”, comprised of people invited to **business dinners and symposiums** who discuss their career paths, share their knowledge of the business world, investment in Africa and in emerging countries. The idea is to encourage entrepreneurship and enhance the dual French and African cultural background.

Source: Interview with Dr. NKamgoue, founder and chairman of Club EfficiencE.

OSER l'Afrique is an association of young Africans living both in Africa and France. It was established in 2009 and carries out sporadic initiatives in Africa. Its members include students and executives from fifteen different countries and it hosts other associations such as *Club Dauphine Afrique*, ESCP Europe's African Business Club, Melting Pot Development and Essec Africa.

Foreigners living in France have also set up other bodies like the *Forum des Organisations de Solidarité Internationale Issues des Migrations* (FORIM), formed in 2002, that has member organisations representing African, Asian, Caribbean and North African people living in France. Its members include a large number of umbrella organisations of Africans living in France (700 member associations in total) and it has representations in regional France. Its chair and the chair of *Coordination Sud* accompanied President Hollande during his African tour.

Leveraging the success of French-Africans in France and in Africa would be both a powerful catalyst for integration and a key asset for economic partnerships with Africa. Brazil has been very involved outside the Portuguese-speaking countries and highlights ethnic ties. President Lula has often referred to the fact that Brazil is the second largest black nation after Nigeria with 76 million Afro-Brazilians out of a population of 190 million²⁶⁸.

All these initiatives bear witness to the vitality of Africans living in France and they must be involved in French economic strategy in Africa. Politicians must consult them more frequently, government departments must involve them more tangibly in drawing up and

implementing their strategies and business organisations must give them a greater role in their activities and events. It is obvious that Africans living in France must be represented in the French-African public-private Foundation and take part in its various initiatives.

Raise young people's awareness of Sub-Saharan Africa

Around 42% of the 2,300 **International Solidarity Volunteers (VSI)**²⁶⁹ work in Sub-Saharan Africa. However, in the priority intervention areas identified by the Ministry for Foreign Affairs (MAE), support for growth/the private sector/trade/infrastructure is only in fourth position in front of agriculture and food security but behind education and vocational training, healthcare and sustainable development/climate/environment-energy. The most popular volunteer training areas are the human sciences, with trade and the economy occupying eighth position²⁷⁰.

On the other hand, the number of **International Business Volunteers (VIE)** working in Sub-Saharan Africa is relatively stable (539 in 2013 compared to 537 in 2012) but accounts for only 7% of total VIEs worldwide. In Sub-Saharan Africa, there are more VIEs working for SMEs/mid-tier companies than in all the other continents²⁷¹

Strengthen the economic network in Sub-Saharan Africa

Policies that shifted France's diplomatic and economic networks away from Sub-Saharan

268 - AFD et FERDI, "Africa and the major emerging countries", "A savoir" collection No. 19, *op. cit.*

269 - Website of Internet France Volontaires.

270 - 2011 statistics of MAE.

271 - Ubifrance, July 2013.

Africa, contrary to economic common sense, are proof of France's lack of understanding of the real nature of the transformation of Africa.

Two-thirds of staff downsizing in the diplomatic network between 2007 and 2011 concerned positions in Sub-Saharan Africa while in the EU zone outside continental Europe the reduction was only 12.5%. "Overall, the shifts reflect the changing face of French foreign policy: greater presence in emerging countries (China, India) – with the notable exception of Brazil (-6%) and South Africa (-8%) – and withdrawal from French-speaking Africa (Senegal, Madagascar, Cameroon, Gabon)"²⁷².

While French public institutional representation (apart from the representation of regions and their agencies, the private sector and French foreign trade advisors [CCEF]) is especially strong in Europe, "commercial support in Sub-Saharan Africa has been substantially cut following the transfer of offices (five Ubifrance offices), in most cases not offset by the existence of Chambers of Commerce"²⁷³.

This withdrawal has not been counterbalanced by investment of French resources in non-French-speaking Africa. France closed its economic mission in Mozambique at a time when a special economic zone was being set up a country where growth was 7.4% in 2012²⁷⁴. Ubifrance also left Ghana in 2011.

France lacks visibility in non French-speaking Africa

In Angola, France does not have either a bilateral chamber of commerce or a business club that would provide businesses with a local contact and promote French presence. Similarly, in respect of major projects, Coface should have a higher profile vis-à-vis the Ministry for

the Economy and Finance where opinions as to the choice of financial institutions or even credit insurers are still relevant.

Consideration should be given to the structure of the French network in Sub-Saharan Africa and to its organisational model²⁷⁵, to coordination between the network of embassies (economic departments, Ubifrance), public financiers (OSEO, CDC, etc.), regional authorities, French foreign trade advisors, Chambers of Commerce and Industry (CCI), AFD agencies, agencies focusing on the appeal of regions (AFII), stakeholders with technical expertise, bodies responsible for welcoming foreign students (France Campus) and multilateral or European organisations. This was one of the issues addressed by the "internationalisation of the French economy" task force under the Government Modernisation Programme supervised by the Minister for Foreign Trade.

Public structures must ensure that broader and more global information on the African market is provided to SMEs established in Africa as these businesses are not always aware of the potential and interrelationships between African countries. As an example, Systra, which operates in South Africa, was able to enter the Angolan market through the joint efforts of the economic department and the Ubifrance office in Luanda.

The situation is however starting to change.

Proparco reopened its Lagos office in 2012, Ubifrance opened a regional office in Nairobi, Kenya in September 2013 after having opened one in South Africa in September 2010 followed by Angola, Cameroon and Côte d'Ivoire in September 2012. The reopening of an office in Mozambique has been announced.

272 - Referenced from the 2013 Court of Auditors.

273 - MAP Report No. 2013-M-029-01 on the evaluation of support mechanisms for the internationalisation of the French economy, 26 June 2013.

274 - "New Opportunities and New Risks: the perspectives of Sub-Saharan Africa and Mozambique", paper of David Lipton, First Deputy Managing Director of the International Monetary Fund in Maputo, 6 May 2013.

275 - Business clubs are developing in anglophone Africa (cf. Franco-Kenyan Business Club in Nairobi).

The British have done the same. They recently reopened their Embassy in Côte d'Ivoire, opened a new Embassy in South Sudan and reopened the UKTI office in Mozambique. A year ago, the UK announced its intention to re-establish a diplomatic presence in Liberia, Madagascar and, when security permits, in Somalia²⁷⁶.

Greater local authority involvement in national policies

Strengthening direct ties between African and French local authorities could help bolster trade. Local authorities have a major role to play in building institutional and industrial partnerships worldwide. Relations between local authorities are not hindered by the North-South divide. There is no relationship of assistance and authorities are on an equal footing as they share the same preoccupations and concerns, including electoral issues. **The momentum of these partnerships can be seen in the strong networking of local authorities around the world.**

French local authorities have forged partnerships, some of them long-term, with their African counterparts.

Many regions have already introduced their own export-support schemes, some of which can offer substantial leverage together with government schemes. Five regions offer schemes that follow on from Ubifrance's support services (trade fairs, joint missions, International Business Volunteers [VIE]) and involve local, public and private stakeholders (regional development agencies, chambers of commerce, chambers of agriculture, consultan-

cies). As an example, in the Pays-de-la-Loire region, regional assistance may be as much as double the government subsidy. In addition, with the exception of three regions that offer no financial support, all the others assume some of the expenses involved in recruiting VIEs²⁷⁷.

In Aquitaine, it is estimated that 320 companies work with Africa and around 2,000 regional SMEs export there. The local authority is considering teaming up with Toulouse and Marseille which also have their own associations of exporters²⁷⁸.

The government should highlight the supplementary role that local authorities, especially in the regions, can play in certain sectors (sustainable cities, access to water and sanitation, support for local production, etc.) to export French expertise and promote their partnerships with the AFD (the AFD and Cités Unies France [CUF] have been bound by a framework agreement since 2006) and Ubifrance, on the one hand, and with local businesses, on the other. They could be eligible for technical assistance funds to enable them to deploy their human resources (town planning, transport, water network management, waste, etc.).

A comprehensive French offering based on balancing urban development with agricultural production could be assembled. Crops are mainly earmarked for export and subsistence agriculture that barely feeds rural populations, with urban populations relying on international aid. African development is reshaping regional planning around rural infrastructure and the city-countryside relationship (warehousing, delivery, etc.). The requirements of African cities will cover urban development financing (property taxes) and urban policy implementation.

276 - "African Investment Summit", paper of Mark Simmonds, Minister in charge of Africa, 5 November 2012.

277 - "Decentralised economic cooperation: state of relationships", joint report of the CUF, APD, CNER and the DAECT, March 2013.

278 - "France: reconquering lost markets", *Jeune Afrique Économie*, 26 June 2012.

Whilst regional authority initiatives for Asia and the Middle East are centred on promoting the economy (43% of initiatives in Asia), entrepreneurship and business partnerships (38% of initiatives in the Maghreb/Mashreq regions), those for Africa seem to be focused mainly on the agricultural sector (44%). Following the example of the Talents du Monde programme organised in Brittany to promote young African business leaders, cooperation between regional authorities and partner countries could put more onus on factoring in the economic dimension so that it matches reciprocal local interests.

We therefore need to draw on and ensure the consistency of regional authorities' economic diplomacy initiatives with those of the government. In the interest of transparency and performance, we should also introduce new indicators to monitor and assess the impact of these schemes on the economic growth of partner countries and the support given to French businesses.

Give fresh impetus for technical cooperation in Sub-Saharan Africa

Many of France's competitors call on technical experts in the field to steer the upstream drafting of norms and standards or to draft calls for tenders that are favourable to their businesses. In this area, everyone the task force spoke to felt that France is not doing nearly enough. The issue of the contribution of French technical expertise to French economic interests is crucial.

Germany, Japan and South Korea also provide resident technical experts and consultants to local project owners during the drafting of

calls for tenders. France, on the other hand, does not seem to be sufficiently involved in this upstream phase in respect of funds released by the AFD.

Germany has prioritised investment in the number of German technical experts abroad. The GIZ (*Gesellschaft für Internationale Zusammenarbeit*), a company governed by private law, is fully owned by the government and is the only German technical cooperation agency, besides projects implemented by the KfW. It has offices in 87 countries and employs 13,000 people, 11,700 of whom work abroad managing projects in 130 countries²⁷⁹.

As from the early 1990s in France, and more tellingly following the 1998 reform, there was a substantial overall reduction in French technical consultants. Their number fell from around 11,000 in 1979 to 2,806 in 2000, and to just under 1,000 in 2011²⁸⁰. According to MAE data provided to the task force, there are 292 international technical experts (ETIs) employed by the MAE in Africa (apart from Algeria). These ETIs work essentially in five French-speaking African countries. Of the 30 countries in Sub-Saharan Africa where France is present, five account for around half (45%) of the ETIs (Senegal, Madagascar, Cameroon, Mali, Niger). Many English- and Portuguese-speaking countries do not have any technical expertise programmes: Gambia, Sierra Leone, Liberia, Namibia, Botswana, Zimbabwe, Malawi, Kenya, Zambia, Swaziland and Lesotho.

France should therefore send more ETIs to African countries according to the business potential for French companies. The government should support this by funding them and ensuring that there are high-level experts in

279 - French public policy on development aid, Court of Auditors, June 2012.

280 - Senate Information Report No. 131 dated 14 November 2012 on the contract of objectives and performance of France Expertise Internationale for 2012-2014.

Box 17: The market for technical expertise

- “There is then an **issue of influence** that plays out during the drafting and establishing of technical standards (where the French are mainly absent), legal standards and best practices”. (...) Providing expertise and advisory services to foreign governments and international organisations thus represents a vital vehicle for publicising French social, legal, health-related and environmental norms and standards. French international expertise also extends the reach of our model for the organisation of society and our values”.
- “The **issue of presence in respect of global questions and development policy**, by preparing rules and recommendations. International technical expertise is central to development issues, whether concerning the Millennium Development Goals, support for governance and the development of a social model, or human and sustainable development”.

Source: Senate Information Report No. 131 dated 14 November 2012 on the service level contract and performance of France Expertise Internationale for 2012-2014..

the decision-making ministries of Sub-Saharan countries, whether French or not, who will help support and develop skills, standards and regulations that will ultimately benefit French businesses and extend French influence. Bolstering French support for vocational training, studies and expert surveys could help enhance an integrated French offering that combines project preparation and implementation stages (preliminary studies, training, execution, maintenance and follow-up).

The meeting of the Inter-ministerial Committee for International Cooperation and Development

(CICID) on 31 July 2013 approved the creation within the AFD of a new instrument for funding technical expertise, the *Fonds d'expertise technique et d'échanges d'expériences* (FEXTE). With initial credits of €20 million, and managed jointly by DG Trésor and the AFD, it should increase the AFD's intervention capability in terms of technical expertise, as a supplement to current instruments, such as the AFD's *Fonds d'études et de renforcement des capacités* (FERC) and the €30 million under DG Trésor's FASEP.



Proposal No 11

Quickly rebuild france's foreign trade presence in sub-saharan africa

- Involve Africans living in France in defining and implementing France's African economic policy, in designing and taking part in cooperation projects with Africa and in professional private-sector organisations. Africans abroad should be full participants in the French-African Foundation for Growth;
 - Provide more resources for the economic departments, possibly at regional level, and for Ubifrance in Africa;
 - Increase the number of International Business Volunteers (VIE) in Sub-Saharan Africa and provide greater scope for International Solidarity Volunteers (VIS) interested in economic sectors;
 - Better involve local authorities, at regional level, in the design, implementation and assessment of African economic policy in order to export regional French SMEs and know-how to Africa;
 - Develop technical cooperation in Africa in connection with French commercial offerings.
- 

Stepping up economic dialogue between Africa and France

Heighten strategic dialogue between the government and the private sector

France took time to realise that it does not have an integrated strategic overview of its interests in Sub-Saharan Africa. There are many sector-based approaches but they are uncoordinated and incomplete (strategic vision of the White Paper on Defence and National Security, "raw material diplomacy", foreign trade strategy, the AFD's country priorities, French-speaking policies). Recent initiatives to redefine France's economic approach to Africa

have to be stepped up, quickly, operationally and comprehensively.

The Ministry of Foreign Affairs' economic diplomacy is welcomed by most economic stakeholders interviewed by the task force. It lays the groundwork for public-private dialogue through firms' executive management.

The task force recommends a global economic approach, combining strategic and economic interests in the broadest sense. The approach would include partnerships with third-party investor countries (for example, suggesting joint initiatives with Australia vis-à-vis Africa) and with countries where African businesses are based, and where there could be targeted action to promote France's economic image (for example, raising awareness amongst South African interests in London and contacting

businesspeople from Angola and Mozambique in Lisbon).

However, the task force's mandate was not to outline the national or regional form of a French strategy to reactivate its economic presence in Africa. Whilst economic ties with English- and Portuguese-speaking countries, where performance levels and economic outlook are more robust, need to be strengthened (Ghana, Angola, Mozambique, Kenya, Ethiopia, Uganda, Tanzania) and French influence in point-of-entry countries should be heightened (South Africa, Nigeria, Morocco), **the task force is convinced of the need to consolidate French economic presence in French-speaking Africa** due to the economic potential and the higher rates of return for French businesses. Alongside the regional powerhouses of Côte d'Ivoire and Cameroon, strengthening ties with Senegal and the DR Congo (which have 70 million French speakers) should also be considered.

This strategy must be built on the concept of flows (identifying the banking and trade hubs and the economic corridors) and thought out in terms of regional groups, as the economic communities reflect the reality of cross-border activities.

The strategy could be decided on by increasing strategic discussions between the government, the main chambers of commerce, business clubs, professional business associations in the private sector (Medef International, CIAN, businesses run by Africans living in France, etc.) and the main public structures (DG Trésor, AFD, Minister of Foreign Affairs, Public Investment Bank, CDC, etc.).

In the short term, the task force suggests that the Comité des Métaux Stratégiques (COMES)

resume its work as soon as possible to drive discussions. By way of example, Niger (uranium) and Mauritania (Sahel entry point and net exporter of iron) could be priority economic targets.

Re-establish economic monitoring of Sub-Saharan Africa

France noticed Africa's takeoff late in the day and has still not taken it fully on board. Unlike their competitors, European economic stakeholders withdrew on a massive scale during the 1980s and 1990s as African countries were implementing structural adjustment policies. This stopped them from seeing the first signs of this takeoff after the year 2000. France focused on Europe and Asia, thereby compounding loss of expert knowledge of Sub-Saharan Africa which was no longer an organisational priority for the French government. In real terms, this means that the government is unable to assess its economic relations with Sub-Saharan Africa.

France's long-term presence in Djibouti has not prevented Chinese companies from becoming involved in constructing the new Addis Ababa-Djibouti railway line and the Mekele-Tadjoura Port (Djibouti) line to the north. A Turkish company will build a north-south line between these two east-west routes and Brazil is expressing interest in this project.

France is now aware of the urgent need for action but needs to combine all its initiatives into an overall economic policy for Africa.

While the government does have scattered data on economic flows with Sub-Saharan Africa, there is no aggregate analysis instrument or a specific forum for building an economic

strategy and forward-looking discussions with regard to Africa.

African issues are being increasingly addressed by think tanks (an Africa monitoring group set up at the Institut Montaigne, CAPAfrigue, think tanks comprised of Africans living in France). Some companies have created or are in the process of creating Africa Departments (Banque Lazard, Rothschild, etc.) whose expertise could be drawn on.

Although it is mainly geared towards Asia, the French foreign trade strategy published on 3 December 2012 identifies four countries in Sub-Saharan Africa (South Africa, Nigeria, Côte d'Ivoire and Kenya) among the forty countries with the greatest trade potential between now and 2022. The strategy, accompanied by visits from the Minister for Foreign Trade, should allow other African countries, particularly Angola and Mozambique, to be included.

More broadly, there should be more financial and intellectual investment in existing think tanks and foundations (Ifri, FERDI, Institut de l'Entreprise, Institut Montaigne, etc.) to step up research and monitoring in either specialised or general structures. The government should also set up a public economic monitoring instrument for outlining and updating French economic policy for Africa.

Following the example of what other countries are doing (the "Doing Business in Africa" website of the Netherlands-African Business Council, the "Doing Business in Africa" section of the US export.gov website, etc.), investors should have a single point of entry given over to investments in Africa with links to the websites of the different stakeholders (ICC, French-African chambers of commerce, Ubifrance,

Public Investment Bank, local authorities, ministries, etc.).

More forums for discussion and meetings with partners

If Africa-France summits are held regularly they could contribute tellingly to relations. A **French-African** Foundation would give these summits more depth and allow them to function on an equal footing. It would also provide the continuity required for preparing and implementing the political decisions taken at these summits. The task force could be something of a forerunner for such a Foundation.

Unlike other European countries, France has no **major economic forum devoted to Africa** with international reach. In 2006, the Netherlands set up a Dutch-African trade and investment fair to Fight Poverty with Profit in Africa that involves African and European businesses and those run by Africans living abroad. Since 2012, there has been an annual Africa CEO Forum in Geneva organised by the *Groupe Jeune Afrique*, publisher of *Jeune Afrique* and *The Africa Report*, in partnership with the AfDB.

Such a forum would publicise economic relations with France in the media and strengthen business relations with Africa. Apart from organising an annual meeting, which could be held prior to the Africa-France summits, increased exchanges between private sector business stakeholders should also be encouraged, taking the example of the links between the MEDEF and Business Africa.

From a political and economic perspective, France is still poorly represented at the major economic forums dedicated to Africa.

Such representation gives out a strong signal

that is usually widely reported by the local media. To heighten and organise discussions between French and African business players, particular attention should be paid to France's commitment to these meetings.

At the Luanda International Trade Fair in July 2013, our German, Spanish, Portuguese, Chinese and South African competitors all had national pavilions. Thirteen businesses were presented in Germany's exhibition area whereas France was only represented by Saint-Gobain's subsidiary in the Portuguese pavilion.

Similarly, France organises few bilateral business forums compared to competitor countries. The 5th edition of the Germany-Angola Economic Forum took place in June 2013 with 190 German stakeholders taking part, including 55 businesses and numerous federations. The Forum was also attended by the Angolan Ministers for the Economy, Energy and Water, Transport, Health, the Director of Industrialisation at the Ministry of Industry, the President of the Angolan Industrial Association

(AIA), the operations manager of Sonangol Investissements Industriels and of the National Private Investment Agency (ANIP), a member of the Board of Directors of Endiama, and the governors of the provinces of Malange and Zaire.

Fostering investment by French companies in Sub-Saharan Africa

Provide government guarantees against political risks

Government guarantees to exporting companies are vitally important. They constitute a framework for intervention and for minimising financial and political risks for these businesses. They also contribute to competitiveness.

There is significant overall room for manoeuvre in the guarantees given by Coface when it



Proposal No 12

Intensify economic dialogue between African and France

- Launch a structured dialogue between the French government, Medef International, CIAN, African companies established abroad and the main Chambers of Commerce. Set up a working party involving the main public entities (DG Trésor, Ministry of Foreign Affairs, AFD, Public Investment Bank, CDC, etc.) and co-chaired by a business leader and a public figure, with the goal of drawing up an action plan for Sub-Saharan Africa;
 - Reinvest financially and intellectually in existing think tanks and foundations (FERDI, Ifri, Institut de l'Entreprise, Institut Montaigne, Aspen, etc.) to set up research and monitoring, either in specialised or more general structures; establish a public economic monitoring instrument for defining and updating France's economic policy towards Africa;
 - Set up an annual French-African business forum.
- 

acts on behalf of the government in viable and concrete export projects in Africa. The amount available to Coface for projects requiring a loan under rules established by the Minister is close to €8 billion for Sub-Saharan Africa.

One of the issues is measures for extending coverage of the political risk for equity investments in Africa, whether listed or not, for a low premium. This would constitute a very strong incentive for investment in Africa.

Better sharing of economic information about Africa

Discussions between public financial stakeholders (CDC, Bpifrance, Ubifrance, DG Trésor) and the AFD (Proparco) must be stepped up to ensure continued financial support for businesses in Sub-Saharan Africa.

Companies looking to invest in Sub-Saharan Africa do need “go-betweens”. The Wendel Group received support and is co-investing with private equity funds already operating in Africa and with multilateral donors (IFC, etc.) as this is an indication of compliance and guarantees. Better coordination of French public and private strategies is therefore desirable.

In 2009, Ubifrance signed an agreement with the AFD group that makes AFD/Proparco financial products (loans, guarantees, funds, etc.) more available to French businesses. A funding map was provided to Ubifrance and AFD calls for tenders are passed on to it (a development gateway sending information directly to Ubifrance based on its contracts without reprocessing). Workshops are regularly organised for businesses, the AFD is invited to take part in those organised by Ubifrance and there are regular discussions between businesses and AFD staff.

Promote technical building of French commercial offerings

France’s competitors are increasingly putting forward integrated technical and financial offerings involving different players (technical studies, supply of equipment, project ownership for works and funding, or even some of the workforce).

The German strategy in South Africa for renewable energy projects (private power generation) is well coordinated between scientific cooperation (series of seminars on renewable energies with German speakers), upstream technical assistance (a technical assistant paid by Germany worked with the South African Department of Energy to help define the renewable energy programme) and influential action (this summer, twenty South African mid-level executives were invited to spend fifteen days discussing renewable energies and the green economy).

Without necessarily going as far as the Chinese, France must be able to identify demand and make appropriate commercial offerings. It appears increasingly necessary to have “builder” organisations that forge industrial partnerships to offer technical solutions and provide support, drawing on all the influential upstream channels (technical experts, scientific partnerships, vocational training, etc.).

As regards urban development, integrated offerings covering all professions (land use plan, property taxes, transport, sustainability, supply of capital goods, etc.) could cater for the needs of African cities experiencing growth. Also, in the digital sector, partnerships between

content providers and industry would enable a fully integrated French offering to be provided.

Existing organisations are sometimes required to play this role of “builder”, or could do so (AFD, Adetef, Ubifrance, etc.).

Clusters can also contribute to putting together integrated industrial offerings. This is exemplified by the partnership agreement signed between the Mécatronic-Tunisie cluster and France Clusters in January 2013, with the financial support of the AFD (€0.75 million), at the *Pôle de compétitivité de Sousse* which hosts this cluster. France Clusters and the AFD are planning, in conjunction with the Tunisian Ministry of Industry, to launch a programme of training and support for the emergence of new clusters²⁸¹.

Major French businesses operating in Africa, particularly mining and oil companies, can also set up clusters in situ thus providing standards, local employment, training structures and stimulating both local SMEs and the arrival of French ones.

Given current global competition, combining financial and technical aspects can be paramount for being awarded contracts and they should therefore be integrated. The financial offering would most probably be put together by Bpifrance and the AFD, subject to changes to the AFD's mandate.

Lastly, to raise the visibility of the French offering and better promote it vis-à-vis African business stakeholders, initiatives based on a “Marque France” logo and pooling players by sectors could be stepped up. The French government has already taken steps in these directions. In September 2013, with Vivapolis, France gave itself a showcase for the sustain-

able cities sector. Under this brand, businesses can group together on foreign markets and at international trade fairs.

Ensure a link between funding businesses and funding development

Countries that invest in Africa usually have the support of robust public instruments benefitting private investments. In Sub-Saharan Africa, most investors receive support from their home country's national institutions (Germany's KfW reconstruction bank, the Eximbanks in India, the USA and Turkey, the Japan Bank for International Cooperation [JBIC]) and their strategy is to make profits from oil, mining and property revenue, or from public service concessions. The resources of these institutions have been bolstered with Japan doubling the value of its Facility for African Investment and Trade Enhancement (FAITH), created in 2008 by the JBIC, alongside the TICAD V action plan for 2013-2018, to \$5 billion²⁸².

In particular, and not only in Africa, investments by private Chinese businesses are supported by the China Development Bank (CDB) and the Eximbank (Export Import Bank). Taking the example of the Japanese “loans for resources” policy of the 1970s, China's so-called “Angola mode” strategy involves exchanging resources for the implementation of infrastructure projects²⁸³. Under these arrangements, over 35 African countries have received Chinese funding for infrastructure. According to the AfDB, this funding rocketed from \$1 billion in 2001 to \$7.5 billion in 2006.

The strategy has been very effective having enabled Chinese businesses and even workers

281 - “Partnership between Cluster Mécatronic-Tunisie and France Clusters”, *L'économiste maghrébin*, 1 January 2013.

282 - Report of the Regional Economic Service at the Embassy of France in Japan, 5 July 2013.

283 - “The Chinese presence in Africa”, CEPII letter No. 328 dated 20 December 2012.

to gain a foothold in front of their competitors, particularly emerging countries. By combining the acquisition of a stake in developing a mineral deposit with a proposal for funding infrastructure, Chinese companies were able to oust the Brazilian company Vale from a huge iron and manganese extraction project.

There are still several French public schemes for funding investments abroad offered by different stakeholders (see first part above). These are the CDC (InfraMed fund, climate fund, etc.), Bpifrance (export support), Coface (export guarantees), the AFD group (funding for development projects), DG Trésor (*Réserve pays émergents* [RPE] and *Fonds d'étude et d'aide au secteur privé* [FASEP]) and, to a lesser extent, the Ministry of Foreign Affairs (*Fonds social de développement* [FSD]).

The fragmentation hampers consistency of public action and prevents it from being easily understood by both French businesses and the African beneficiary countries. It hinders

the ability of all the parties to intervene tellingly in major projects and generates unnecessary administrative costs. Recent initiatives include the creation of the Bpifrance Export label.

Funding through development assistance from the AFD group is insufficiently coordinated with funding to expand the international reach of French businesses. The AFD's knowledge of countries and their needs is still only put to limited use to help French businesses looking to invest in those countries.

Whilst the task force is not responsible for assessing the institutional solutions to these issues, it supports any approach aimed at streamlining the current system and making it more understandable. These structures should combine to build a commercial offering that would give momentum to funding for SMEs and mid-tier companies geared towards Africa.

This approach could draw on the examples of Germany, with the KfW, and Japan, with

Box 18: China's "Angola mode" strategy in Africa

« [...] a framework agreement is signed with an African government for an infrastructure programme funded by Chinese loans (soft loans or other) and performed essentially by Chinese firms. This agreement also authorises the national Chinese company to invest (or participate as an operator) in the development of natural resources (oil, but also bauxite, chromium, iron ore, cocoa beans, etc.).

In the case of oil, the Chinese company sells the volumes of oil on the global market. The revenue from the sale is credited to the government lender's account with the Chinese policy bank, which deducts the loan repayments and interest.

As a result, the funds – both the loans and the repayments – only move between the different Chinese operators. This ensures that China receives its supplies of raw materials; these constitute a guarantee against the loans given, which open up markets to them". »

Source: La présence chinoise en Afrique, CEPII letter No. 328, 20 December 2012.



Proposal No 13

Promote investment by French companies in Africa

- Create a temporary “Africa” political risk credit-insurance scheme for the benefit of investors
- Strengthen dialogue between public financial stakeholders (CDC, Bpifrance, Ubifrance, Coface, DG Trésor, Proparco) and the French private sector to make use of their experience with African economies for the benefit of French firms
- Develop a sector-based approach and amalgamate French commercial offerings, including technical and financial aspects
- Encourage French companies to think in terms of local clusters
- Bring together Bpifrance and the AFD so that they can structure commercial offerings that boost financing for SMEs and mid-tier companies with respect to Africa. Include other existing public mechanisms (RPE, FASEP, etc.) in these offerings
- Significantly increase the non-sovereign activity of the AFD, particularly of Proparco, by seeking to acquire interests and to be involved in the management bodies of larger companies as well as in SMEs
- Support the creation by Proparco of a venture capital fund to support private infrastructure project developers



the Japan International Cooperation Agency (JICA), where the same bodies manage official development assistance and export funding.

Expand the French financial investment offering

The AFD’s *Fonds d’Investissement et de Soutien aux Entreprises en Afrique* (FISEA), launched in April 2009, is tasked with acquiring holdings in businesses, banks, microfinance institutions and investment funds in Sub-Saharan Africa. It provides long-term financial resources to African SMEs and also offers technical assistance alongside its investment activity. According to the AFD, with a target of €50 million invested each year, the FISEA should enable more than 100,000 jobs to be created in Africa.

The FISEA now acts as a “fund of funds” as approximately 80% of investments (in terms of volume) are in investment funds, primarily targeting SMEs. The task force therefore suggests **forging partnerships between Proparco/ FISEA and French businesses with a view to investing** with Proparco contributing its expertise as a financial investor.

Rolling out infrastructure projects requires special attention as it involves moving on from a highly conceptual stage to an infrastructure ready to be built and then used in a finalised and consistent framework that factors in economic, political, technical, legal, property, financial, tax and environmental aspects. Implementation requires high-quality human resources that can work long term and sufficient financial resources to get to the end of an open-ended process in a constantly changing context.

Besides the benefits of infrastructure for regional planning and development, there are three main advantages of such development:

- It creates jobs both for the developer and associated parties (consultants, auditors, financial backers, etc.);
- There are risks but, if the project is successful, profits are high;
- In most cases, private infrastructure project developers, as potential project owners, choose the companies responsible for the infrastructure's construction and maintenance, unless they act as project manager. They receive support from a whole ecosystem of service providers, suppliers, builders and operators.

In Europe, despite the high risks, it is fairly easy to fund this activity and, as such, there are no truly specialised funds. On the other hand, in Africa, owing to specific country risks and the weak economic and legal frameworks, some developers, particular smaller ones, are wary of implementing projects or act expediently without a structured process that has a chance of being successful.

Setting up a venture capital fund to support infrastructure project developers would therefore have substantial impact for limited commitment. It could invest essentially in sectors where the French ecosystem of service providers and businesses is most developed and which match the areas chosen for establishing French-African partnerships (see above).

The task force highlights the fact that if support were to be given to extending the AFD group's activity, this would involve increasing its equity, including that of Proparco.

Increasing France's appeal to Africa

Consolidate France's position as a cultural, financial and economic centre for Africa

In France, the recent creation of Amethis Finance bears witness to the emergence of a Parisian financial centre dedicated to Africa-oriented private equity.

Many African banking groups operate in France (Attijariwafa Bank, BOA, BGFIBank and Ecobank). In particular, BGFIBank has the back office of its African network in Paris (management of the group's cash and international financing instruments) and is looking to have its accreditation in France extended to provide more funding for medium and long-term ventures geared towards Africa²⁸⁴.

According to Euronext, in 2013, fifteen African companies were listed on Euronext Paris, including three capitalisations of more than €1 billion (Attijariwafa Bank, Maroc Telecom and Total Gabon, the latter two being listed for continuous trading).

France must maintain its position among the various global centres competing to attract African capital and there is still stiff competition from the UK. The Moroccan group BMCE set up Medicapital Bank there in 2007 to act as an interface between the international financial markets and BMCE Bank's customers on the African markets. Nevertheless, with Paris Europlace, France has real market expertise that can benefit the real economy and its good management was highlighted during the 2008 financial crisis.

284 - "The first promoters of the continent must be the Africans themselves", Henri-Claude Oyima, PDG de BGFIBank, Banque et Stratégie No. 314, May 2013.

Paris Europlace already has cooperation initiatives in Morocco and Algeria. Agreements could also be sought between the five North African stock exchanges and Euronext. In West Africa, Paris Europlace has high-priority ties with Cameroon, Senegal and Côte d'Ivoire.

Paris Europlace wants to reactivate its Africa Committee to better outline the objectives and strategies required to bolster cooperation with target countries. It is also looking to help build or strengthen instruments for funding businesses, including SMEs, in situ, at a time when African countries are experiencing fast growth. Lastly, Paris Europlace wishes to support commercial and industrial relations between French businesses and their African partners.

Paris Europlace could also help countries wanting to launch a bond market and train their executives. In this respect, there could be cooperation initiatives in Central and East Africa.

To this end, a meeting could be arranged with African stock exchanges, possibly at the "country risk" conference that the Ministry for the Economy and Finance will organise in 2014.

Lastly, adding an African sub-committee to the Paris Stock Exchange's "Renminbi Users" Committee, in the framework of the globalisation of the renminbi in Africa, could, alongside its work on Islamic finance, strengthen the competitiveness of the Paris Europlace model.

France could also help merchant banks present themselves to African public authorities. In Angola, Lazard and Rothschild are looking to contribute their expertise for management of the Angola Sovereign Wealth Fund, which is being set up gradually and half of which should be invested principally in G7 countries. If the

banks are successful, they could channel the Fund's investments towards France and to the instruments of the Parisian financial centre.

Promote use of the savings of Africans living abroad for investment in Africa

Beyond the main issue of reducing the cost of remittances, which is a commitment made by the G20 and the EU, the contribution of Africans living abroad to their home continent's growth should be supported.

Diaspora bonds, on which the World Bank advises nations, have met with mixed success. There have been many attempts in France to channel migrants' savings towards productive investments but the results have been disappointing. As an example, very few people opened a co-development savings account.

At present, the Prudential Supervisory Authority (ACP) and banking regulations do not allow banks in the South to sell financial products that are attractive to Africans living abroad. Similarly, the *Autorité des Marchés Financiers* (AMF) does not authorise issuing by stock exchanges that do not operate under the same or similar rules. Lastly, the creation of "tax exemption" schemes is not realistic in the current French climate.

However, French banks and their subsidiaries in Africa and Moroccan banks with EU bank accreditation and networks in Africa could be used to collect and productively transform savings through linked bank accounts (traditional or inclusive)²⁸⁵. The AFD currently has projects in Morocco to provide migrant African [property] developers with non-financial services, as the offering of financial products and

285 - Solidarity and joint banking services, beyond the transfer-type north to south account transactions, allows access to investment financing services in the country of origin, whether collective or individual. cf. the study entitled "Reducing money transfer costs of migrants and optimising their impact on development", *Épargne sans Frontières*, BAfD, DG Trésor, AFD, 2012.

286 - Ibid.

services is already developed in that country. It also has projects in Mali, Cameroon and Senegal that will foster the development of financial products for Africans living abroad. Authorisation to sell such products in Europe would considerably increase the take-up rate and scope of investment.

Regulatory reform would enable us to move forward and allow, through increased oversight and close cooperation between the regulators of the North and South, Africans living abroad to be canvassed and sign up for these products in the North²⁸⁶.

In addition, the recent emergence of crowd-funding is innovative but limited although it does enable savings to be used for investments that are not covered by traditional schemes.

Build partnerships with third countries

France could work with major emerging countries or those investing in Africa to leverage its African “capital”. Africa is already the subject of economic dialogue in French-Chinese relations.

The historic presence of French groups, the language and similarity of government structures in much of Africa means that France has a competitive advantage that is of interest to many investors. Nevertheless, France and Europe lack capital and they have lost some of their most strategic assets. The Japanese group TTC (Toyota) bought CFAO from the Pinault-Printemps-La Redoute group (PPR) and this company has forged a partnership with Carrefour in the mass retail sector.

Local content requirements can sometimes help uphold French interests. In South Africa, a Chinese company subcontracted part of its solar panel manufacturing business to a struggling French subsidiary. This provided the Chinese company with adequate local content to comply with the requirements of South African procurement contracts (local content threshold and partnership with black South African shareholders).

On the other hand, contracts won by France’s competitors may benefit their French business partners. Some groups have already established partnerships with emerging competitors.



Proposal No 14

Make France an appealing destination for African financial, industrial, commercial and cultural investments

- Rally French financial centres to attract African investors and companies;
 - Encourage French financial establishments to propose to the market authorities that they amend regulations allowing savings in France to be invested in African-based investment vehicles;
 - Team up with third countries wanting to co-invest in Africa.
- 

For example, the Total Group has joined forces with the Chinese to support them in a number of projects in Africa.

Major French groups should also be encouraged to be involved in consortiums with companies from emerging countries. These partnerships could pave the way for contracts in other BRICs countries, enhance the image of the French businesses involved, in particular in countries working with the BRICs partnership, and forge ties the BRICs Business Council responsible for increasing exchanges and investments between these five countries.

In the context of strategic public-private sector discussions, we should also consider industrial partnerships with third countries to establish joint ventures in sectors where there is no direct competition (e.g. medicinal products) or in sensitive or strategic sectors (e.g. nuclear).

France could forge a partnership in the digital sector with, for example, South Korea. Similarly, a partnership with Mauritius could be sought, based on the French stock exchange model. The Gulf States, which have very few large agricultural businesses, and the Maghreb countries, could be interested in funding integrated agricultural projects.

CONCLUSION: A FRENCH-AFRICAN FOUNDATION TO EMBODY AND SUPPORT THE RENEWAL

Closer relations with Africa will require the creation of foundations to raise funds to effectively extend government action by making initiatives more specialised and long-term. Foundations and the non-profit sector (not only charities) are now essential stakeholders in the non-market sector (e.g. combating exclusion, culture), where they stand in for governments that are often short of funds. Africa is the continent where governments levy the least tax. Taxation is between 15% and 20% of GDP and the impact of mandatory levies on the economies is twice lower than in developed countries.

France does not have foundations with as much reach as those in English-speaking countries (Gates, Clinton) which give business relations greater influence and momentum. Many European countries use foundations in key areas where there is significant brain drain. Spain, for instance, has set up a foundation for science and technology to attract foreign researchers and scientists, the FECYT²⁸⁷.

There are a large number of African foundations named after figures that embody African success internationally (e.g. Mo Ibrahim, Kofi Annan, Nelson Mandela, Youssou N'Dour) or established by African banking groups (Ecobank earmarks 1% of the group's net profit for subsidising projects managed by its foundation, BOA). There are foundations that focus

on relations between North Africa and Europe, such as the Anna Lindh Foundation, which has been working since it was set up in 2005 towards bridging the cultural divide between populations on both sides of the Mediterranean.

The main French political foundations have very small international cooperation budgets compared to their American and German counterparts. German scientific (Humboldt Foundation) and political foundations are well represented in Africa. The Friedrich-Ebert Foundation, founded in 1925 and closely aligned with the socialist party, is Germany's oldest political foundation. A private non-profit institution mainly funded by the German government, the EU and certain Länder for specific projects, it has 19 sites in Sub-Saharan Africa out of a total of more than 100 worldwide. The Foundation has played an important role in South Africa by supporting the ANC since 1985 in negotiations between the opposition and certain members of the scientific and economic elite, and by training political leaders. It could be partly responsible for Germany's special political and economic relationship with South Africa.

Foundations make it possible to roll out programmes in the areas of politics, culture, education and healthcare. They can support research and study measures, enhance initiatives through pricing and fund grants. They can

287 - Report of the IGAE, IGA, IGAENR and IGF on the admission of foreign talent, April 2013.

inform national policies and contribute to their implementation. Lastly, the foundation system is the best guarantee of France's continuous commitment in Africa and can bring together political decision-makers and business people.

For many years, French businesses have been providing much training and aid to African communities. The foundations of Total, Orange, Schneider, Legrand, Somdiaa, Air France (established in Africa in 1992) and Crédit Agricole are highly active in Africa. There are also sector-based federations, such as Club Santé Afrique, a group of corporate foundations, associations and African experts that implement health programmes in Africa. Its members include Bouygues, CFAO, the Sanofi Espoir Foundation and AMREF Flying Doctors (an African public health NGO).

However, no public-private foundations concentrate specifically on business relations between France and Africa.

The task force therefore proposes setting up a Foundation to promote the economic relationship between Africa and France for the benefit of African and French businesses.

This Foundation would rally French and African civil society and would be both the vehicle and showcase for the momentum of flows of workers between Africa and France. It would provide different services to businesses in this area and would be based on a French and African public-private initiative. Lastly, it would ensure that the entrepreneurial networks and initiatives of Africans living in France are both recognised and leveraged.

Alongside bilateral and regional institutional relations (such as the twice-yearly meeting of

the finance ministers of the CFA zone), such a Foundation would provide a gateway for the open and permanent talks that Africans want. It could provide the follow up to decisions made at summits that is currently lacking. Finally, it would be part of a French-African public-private network and, as such, would contribute to changing perceptions and behaviour.

The Foundation could focus its work on three key areas that can benefit both French and African businesses:

a) Supporting structured dialogue on economic issues between the French and African public and private sectors

This would involve: i) monitoring the implementation of economic decisions taken at France-Africa summits; ii) organising an annual French-African business forum; iii) supporting direct and continuous discussions on the African economy between political decision-makers and businesses.

b) Developing human capital

This is vitally important and will be implemented as a priority. It involves: i) identifying and promoting young African and French business talent and introducing them to businesses operating in Africa and to French and African government departments; ii) building a France-Africa network of high-level business executives; iii) bolstering African and French capacities in terms of high-level technical training and higher education to make more executives available to businesses and intermediary organisations in Africa.

c) Promoting the economic relationship between France and Africa, producing and

distributing information and transferring expertise and technologies

Heightened economic dialogue and efforts to distribute the results of research and information on Africa are also needed.

The Foundation would monitor economic relations and knowledge transfer, with the support of think tanks, research institutes, networks of decision-makers, African entrepreneurs and French and African universities.

It could be a forum for debate, information and proposals, and could promote the image and knowledge of Africa in France and of France in Africa by organising symposiums, exhibitions and publications.

To achieve this, the task force considers that this Foundation would have to rally French and African public and private economic stakeholders (businesses, government departments and civil society, including Africans living in France).

The Foundation will not see the light of day without strong commitment from both the public

and private sectors. The goal is therefore to involve as many African and French businesses and governments as possible in the project. It must cover the whole of Africa, from north to south, and east to west, English-speaking, Portuguese-speaking, and French-speaking.

Africans living in France, who have already built many initiatives and networks and who provide a natural bridge between the two areas, will be closely associated and actively involved in the project.

Some of the Foundation's activities will be permanent and will be funded by all its members. Other activities will be subject to specific initiatives, with calls for projects targeting members willing to contribute financially. These initiatives may also involve other partners such as business schools (*Alumni Afrique*), universities and Instituts d'Etudes Politiques (*Campus Sciences Po Afrique*), as well as research centres working on Africa (FERDI, *Institut du développement durable et des relations internationales* [IDDRI], etc.).



Proposal No 15

Create a french-african public-private foundation that will be a catalyst for renewed economic relations between France and Africa

- Structure the dialogue between the French and African public and private sectors concerning economic issues
- Develop human capital
- Promote the economic relationship between France and Africa and produce and distribute economic information



MAP OF AFRICAN STATES

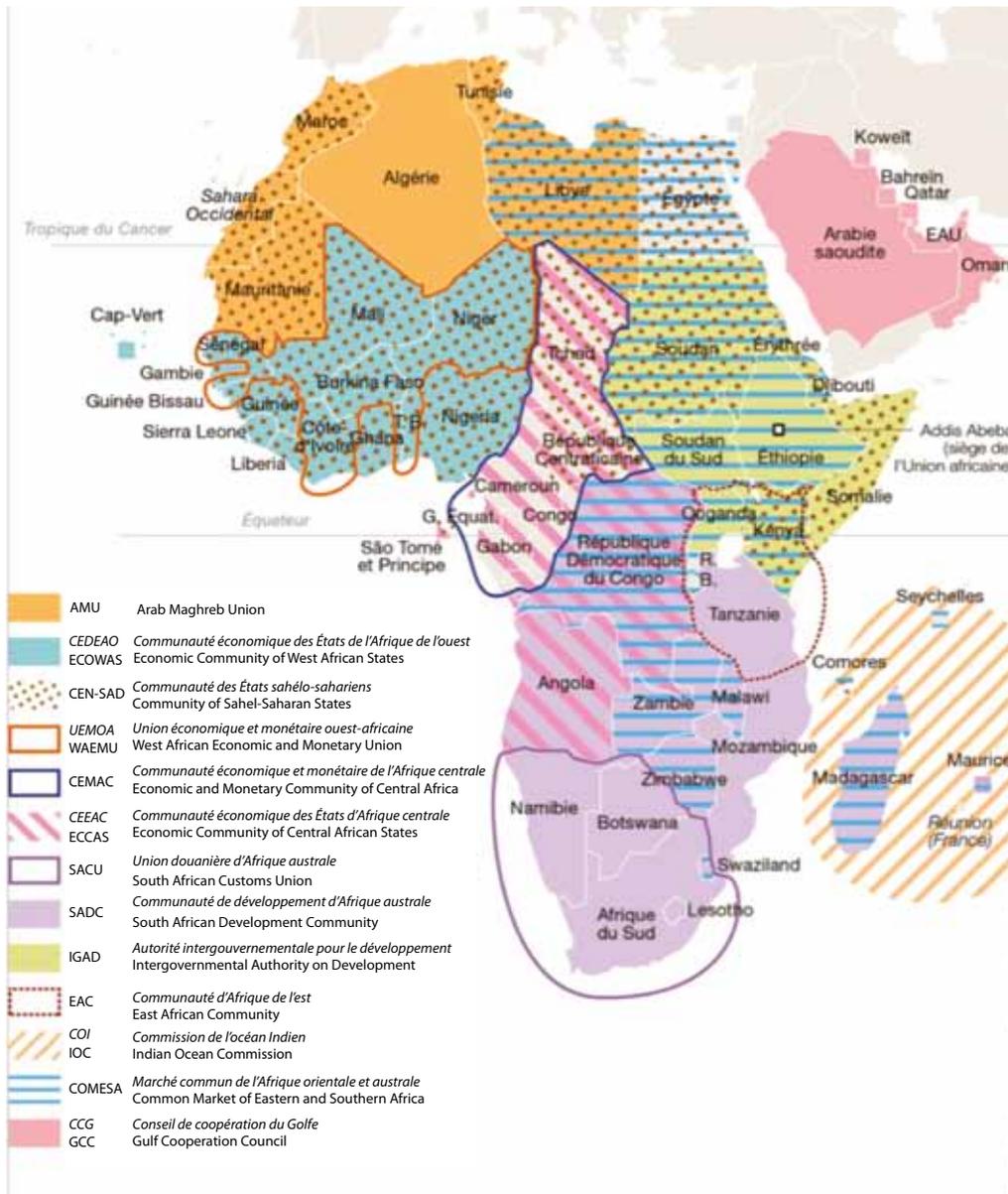


Source: Sciences Po, cartographic studio, 2013.

MAP OF REGIONAL ORGANISATIONS IN AFRICA

INTEGRATED REGIONAL BLOCS

Regional economic organisations, June 2013



Sources: www.maghrebarabe.org, www.ecowas.int,
www.cen-sad.org, www.uemoa.int, www.ceeac-eccas.org,
www.sadc.int, www.coi-ioc.org, www.comesa.int, www.gcc-sg.org

Source: Sciences Po, cartographic studio, 2013

CLASSIFICATION OF AFRICAN COUNTRIES



The IMF (Regional Economic Outlook: Sub-Saharan Africa, 2012) divides 45 countries of Sub-Saharan Africa into **four groups**:

- **Oil producers (8)**: Angola, Cameroon, Chad, Congo, Equatorial Guinea, Gabon, Nigeria, South Sudan
- **Middle-income countries (11)**: Botswana, Cape Verde, Ghana, Lesotho, Mauritius, Namibia, Senegal, Seychelles, South Africa, Swaziland, Zambia
- **Low-income countries (14)**: Benin, Burkina Faso, Ethiopia, Gambia, Kenya, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Tanzania, Uganda
- **Fragile states (12)**: Burundi, Central African Republic, Comoros, Democratic Republic of the Congo, Côte d'Ivoire, Eritrea, Guinea, Guinea Bissau, Liberia, Sao Tome and Principe, Togo, Zimbabwe

The OECD identifies the group of oil-exporting countries in Sub-Saharan Africa as including Angola, Cameroon, Chad, Côte d'Ivoire, Equatorial Guinea, Gabon, Nigeria, Democratic Republic of the Congo, Republic of the Congo, and Sudan (African Economic Outlook 2013).

PEOPLE INTERVIEWED BY THE TASK FORCE



African and French-African figures

- **Finance ministers of the CFA Zone (Dakar, Paris)**
- **Finance ministries of the CFA Zone**
 - Khady Beye Camara, technical advisor at the Ministry of Finance in Senegal
 - Pierre Ndiaye, director of forecasting and economic studies, Senegal
- **African ambassadors in France**
 - His Excellency Mr Charles Gomis, Côte d'Ivoire's ambassador to Paris
- **Office *chérifien* des phosphates**
 - Mostafa Terrab, Chairman and CEO
- **Civil society**
 - Flé Doumbia, Chairman of Afrique Mondialisation Euro
 - Gaston Kelman, writer
 - Hervé Lado, PhD student at ESSEC, Chairman of the Africa section of Sciences Po Paris alumni
 - Elie Nkamgueu, Chairman of Club Efficiencie
- **Legal experts**
 - Benjamin Ngongang, Deloitte, Head of Partnerships with the association OSER l'Afrique
 - Raïssa Bambara, lawyer, Allen & Overy LLP
 - Barthélemy Faye, lawyer at the Paris and New York bars, Cleary Gottlieb Steen & Hamilton LLP
 - Caline Kamy, lawyer in Paris and Cameroon (OHADA law), Lizop et Associés
- **Industrial and financial sector**
 - Aldo Fotso, Executive Director of AfricAngels
 - William Nkontchou, Emerging Capital Partners, Director
 - Cyrille Nkontchou, Founder and Managing Partner of Enko Capital Management LLP
 - Anna Rebienot, Communications Manager at Medtech

African development banks

- **African Development Bank (AfDB)**

- Ginette Ursule Yoman, Division Manager of the Gender and Social Development Monitoring Division
- François Kruger, Executive Director representing Belgium, Spain and France
- Philippe Nizeyimana, Senior Advisor to the representative of Belgium, Spain and France

- **West African Development Bank (BOAD)**

- Christian Adovelande, Chairman

Central African banks

- **Bank of Central African States (BEAC) – Central Services**

- Lucas Abaga Nchama, Governor

- **Central Bank of West African States (BCEAO)**

- Tiemoko Meyliet Kone, Governor
- Oumar Tatam Ly, Special Advisor to the Governor
- Mamadou Camara, National Director of the BCEAO in Senegal

International financial organisations

- **International Monetary Fund (IMF)**

- Hervé de Villeroché, Executive Director of the IMF and the World Bank

- **World Bank**

- Bertrand Badré, Managing Director for Finance and Chief Financial Officer

European Union

- **European Investment Bank (EIB)**

- Philippe de Fontaine Vive, Vice-President

Professional associations

- **MEDEF**

- Philippe Gautier, Director of MEDEF International

- ***Conseil français des investisseurs en Afrique (CIAN)***

- Alexandre Vilgrain, Chairman and CEO of Somdiaa

- Pierre Arnaud, Manager and Vice-President of Compagnie Fruitière and Director of AFD

- Anthony Bouthelier, Vice Chairman, CCE

- Stephen Decam, Secretary General

- Alix Camus, Deputy Secretary General

- ***Cluster maritime français***

- Francis Vallat, President

Industry and transport

- **Lafarge**

- Gérard Kuperfarb, Executive Vice-President

- **Alstom**

- Philippe Delleur, President of Alstom International

- **Total**

- Hubert Loiseleur des Longchamps, Director of Public Affairs

- Isabelle Bui, Assistant to the Director of Public Affairs

- **Air France**

- Jean-Claude Cros, Executive Vice-President

- Patrick Alexandre, Executive Vice-President Commercial, Sales and Marketing

- ***Office chérifien des phosphates***

- Mostafa Terrab, Chairman and CEO

- **Michael Page Africa**

- Paul Mercier, Managing Director

Legal professions

• **Lawyers**

- Guillaume de Rubercy, partner at Ravetto Associés
- Raïssa Bambara, lawyer, Allen & Overy LLP
- Barthélemy Faye, lawyer at the Paris and New York bars, Cleary Gottlieb Steen & Hamilton LLP
- Caline Kamy, lawyer in Paris and Cameroon (OHADA law), Lizop et Associés

Financial sector

• **Paris Europlace**

- Arnaud de Bresson, Managing Director
- Alain Pithon, Secretary General

• ***Caisse des dépôts et consignations (CDC)***

- Laurent Vigier, Director of European and International Affairs
- Christian Badaut, Head of the Mediterranean-Africa Centre

• **Public Investment Bank (Bpifrance)**

- Alain Renck, Director of Bpifrance Export

• **Private equity**

- William Nkontchou, Emerging Capital Partners, Director
- Cyrille Nkontchou, Founder and Managing Partner of Enko Capital Management LLP

• **French Development Agency (AFD)**

- Anne Paugam, Chief Executive Officer
- Jacques Moineville, Deputy Chief Executive Officer
- Jean-Yves Grosclaude, Executive Director and Head of Strategy
- Yves Boudot, Director of the Sub-Saharan Africa Department
- Philippe Chedanne, Deputy Director of the Sub-Saharan Africa Department
- Jean-Marc Bellot, Deputy Director of the North Africa and the Middle East Department
- Rémi Genevey, Director of the AFD Vietnam Agency
- Christian Barrier, Director of Human Development

- Virginie Bleitrach, Head of the Education and Professional Training Division
- Jean-Luc François, Head of the Agriculture, Rural Development and Biodiversity Division
- Marie Sennequier, Head of the Guarantees Division
- Henry de Cazotte, Advisor to the Executive Director and Head of Strategy
- Jean-Pierre Listre, Expert Advisor to the Executive Director and Head of Strategy
- Régis Marodon, Advisor on relations with French economic stakeholders
- Jean-René Cuzon, Expert Advisor in the Sustainable Development Department
- François Pacquement, Advisor to the Executive Director for External Relations and Partnerships
- Lionel Yondo, Expert Advisor in the Sub-Saharan Africa Department
- Nathalie Bougnoux, Expert Advisor for migration and demographics
- Virginie Lucas, Export Advisor for support to the private sector
- Mathieu Sérurier, Expert Advisor for financial engineering

- **Proparco**

- Claude Périou, Chief Executive Officer of Proparco
- Jérôme-Bertrand Hardy, Deputy Chief Investment Officer
- Pierre Pochet, Senior Investment Officer

Audiovisual

- **TV5 Monde**

- Denise Epoté, Regional Director for Africa

Technical expertise organisation

- **Adetef**

- Cyril Bouyeure, General Manager
- Christian Levert, Project Director, E-learning Services
- Vincent Lecomte, Project Manager, Public Procurement and Public-Private Partnerships Department

Foreign trade operator

- **Ubifrance**

- Christophe Lecourtier, Managing Director
- Bénédicte de Baillenx, Expert Advisor to the Managing Director

Local authorities

- **Cités Unies France (CUF)**

- Nicolas Wit, Deputy Director General
- Sarah de Rekeneire, Economy and Microfinance

Civil society

- **Mo Ibrahim Foundation**

- Nathalie Delapalme, Executive Director, Research and Policy

Experts

- Pierre Jacquemot, President of the GRET, Associate Researcher at the IRIS
- Georges Serre, French Ambassador to Côte d'Ivoire

Office of the President of the Republic

- Hélène Le Gal, Africa Advisor
- Thomas Mélonio, Africa Advisor
- Matthieu Peyraud, Advisor on G8-G20, global issues

Ministries

- **Ministry for the Economy and Finance**

- **Directorate General of the Treasury**

- Jean-Marie Paugam, in charge of the economic part of the Élysée Summit
 - Frédéric Choblet, Head of the Sub-Saharan Africa and AFD Bureau (Multifin2)

- **Ministry for Industrial Renewal**

- Private office of the Minister Delegate with responsibility for Small and Medium-sized Enterprises, Innovation and the Digital Economy**

- Matthieu Agogu , Technical Advisor for electronic communications and postal services

- **Ministry for Foreign Trade**

- Private office of the Minister for Foreign Trade**

- Vincent Aussilloux, Economic Advisor

- Anna Lipchitz, Technical Advisor in charge of Trade Policy and International Trade Rules

- **Ministry of Foreign Affairs**

- Private office**

- Sophie Makam , Africa Advisor

- Nicolas Mayer-Rossignol, Advisor on international economic affairs, businesses, G20, development

- Directorate General for Globalisation, Development and Partnerships**

- Jean-Marc Ch taigner, Deputy Director General

- Jacques Maire, Director for Business

- Vincent Jacob, Assistant Director, Support for Business

- Private office of the Minister Delegate with responsibility for Development**

- Sandrine de Guio, Deputy Chief of Staff

- David Sadoulet, Advisor on Global Public Goods and Governance

- **Ministry of Defence**

- Private office**

- Jean-Michel Palagos, Deputy Chief of Staff of the Civil and Military Office

- Nicolas Roche, Diplomatic Advisor

- S bastien Dessillons, Advisor on Industrial Affairs

- **Ministry of the Interior**

- Private office**

- Emmanuel Barbe, Diplomatic Advisor

- **Ministry for Social Affairs and Health**

- Private office**

- Olivier Ray, Diplomatic Advisor

- **Ministry for Higher Education and Research**

- **Private office**

- Anne Bisagni-Faure, Diplomatic Advisor

- **Ministry for Culture and Communication**

- **Private office**

- Paul Zajac, Diplomatic Advisor

- **Sub-Directorate for Development of the Cultural Economy**

- Frédéric Bobobza, Assistant Director

UK visit

- **Department For International Development (DFID)**

- Anthony Smith, Director, International Relations Division

- Helena Owen, G20 Strategy & Coordination and Bilateral Relations with France, Global Partnerships Department

- **Foreign and Commonwealth Office (FCO)**

- Quentin Teisseire, French diplomat working in the Africa Directorate (central and southern Africa)

- **French Embassy in London**

- Antoine Anfré, Minister-Counsellor

- Emmanuel Bétry, Counsellor (Financial Affairs), Regional Economic Department

- Madeleine Courant, Global Issues, Development Policy for Africa-Americas

- **Consultant for the development sector**

- Xavier Lecacheur, Abercon Frontier

The task force also attended a number of **conferences**:

- **Cooperation for economic governance with gender balance – Shared perspectives of economic and finance administrations**, international symposium organised by the Adetef, 19 March 2013
- **Africa's Structural Transformation**, AfDB Annual Meetings, Marrakech, 27 to 31 May 2013
- **New York Forum Africa**, Libreville, 14 to 16 June 2013
- **The rise of private equity in Africa: a promising drive for development**, conference organised by the African Business Lawyers' Club (ABLC), 20 June 2013
- **Comment la France peut-elle renforcer son influence économique en Afrique et s'engager stratégiquement sur tout le continent ?**, meeting of the "Africa" monitoring group of the Institut Montaigne, 11 September 2013
- **L'OHADA, la parole est aux entreprises**, 20th anniversary conference of OHADA organised by the Association Afrique du barreau de Paris, 19 September 2013
- **13th International Economic Forum on Africa**, OECD, 7 October 2013
- **The Future of Africa**, seminar organised by the law firm, Gide Loyrette Nouel, 10 October 2013
- **Quel partenariat économique entre l'Afrique et la France ?**, CIAN lunch debate with Bruno Durieux, President of the CNCCEF (National Committee of Foreign Trade Advisors), 25 October 2013
- **Valoriser l'expertise française urbaine à l'international**, seminar at the French National Assembly, 7 November 2013

The report “A PARTNERSHIP FOR THE FUTURE: 15 PROPOSALS FOR BUILDING A NEW ECONOMIC RELATIONSHIP BETWEEN AFRICA AND FRANCE” was commissioned by Pierre Moscovici, Minister for the Economy and Finance, and drawn up by five French and Franco-African political and economic experts, Hubert Védrine, Lionel Zinsou, Tidjane Thiam, Jean-Michel Severino and Hakim El Karoui.

The report calls for France to take account of a rising Africa, one that is already a reality for hundreds of millions of Africans. The continent is experiencing fast economic growth and social development; it has extraordinary potential and is the venue for steep global competition. The report suggests a new economic partnership based on a business relationship with the African continent, especially with the Sub-Saharan countries. In the coming five years, there is the opportunity for France to create at least 200,000 jobs.

The report makes 15 proposals for establishing fresh economic momentum between Africa and France, grounded in a shift in France's perception and attitude towards Africa, Africans and Franco-Africans and the promotion of mutual economic interests.

1. The report suggests a common growth agenda for France and Africa that addresses both the challenges facing Africa and French interests. These include promoting human capital, seeking diversified financing solutions, implementing industrial partnerships in the key sectors for African growth and continuing to support regional integration in Africa.

2. Other proposals involve remobilising France alongside an Africa on the move, by reactivating French influence, relaunching the French economic presence on the continent, stepping up economic dialogue between Africa and France, fostering investment by French companies in Africa and increasing France's appeal.

Finally, it calls for the creation of a French-African public-private Foundation that will embody and support the revival of the economic relationship.

