SOUTH AND EAST AFRICA

Increasingly murky prospects

Much has been made in recent years of Africa’s strong potential. However, at least with regard to the continent’s eastern and southern regions, the euphoria is premature. Stalled or retreating transformation dominates here, in large part because decision-makers in many countries are faltering.
Africa rising. A hopeful continent.” So ran the Economist’s headline in March 2013 as it reported on what it called an “emerging Africa.” The U.N. Economic Outlook on Africa 2014 also rejoiced over “Africa’s recent impressive economic performance.” Indeed, the number of voices attesting to positive developments in the continent is increasing, even beyond the issue of economic prospects. To be sure, as observers often point out, the number of democratically governed countries has risen since 1990.

BTI 2016 findings do not support this optimism for many of the countries surveyed in the region of South and East Africa. Instead, the BTI shows 17 of the region’s 20 countries achieving at most three of a possible 10 points on the measure of socioeconomic development – a clear indicator of mass poverty and structural discrimination that continue to plague populations across the region. The perpetuation of this kind of stagnation in development is nothing short of a distressing scandal.

In the summer of 2015, after the end of the review period, the particularly extreme example of Eritrea broke into Western headlines. Here, an autocratic and increasingly totalitarian dictatorship compels women as well as men into military service of indefinite length, has bankrupted the economy and drove 5,000 mostly young Eritreans per month into refugee status in the first half of 2015 alone. Many people have fled from Nigeria and Cameroon, as well, though primarily in this case due to ethnic and religiously motivated violence.

Although problems of this nature are not evident throughout the entire region, developments between 2013 and January 2015 have, overall, grown increasingly cloudy. Few broad steps forward in favor of democracy have been taken. Madagascar stands out as a positive exception, though it has far to go in re-establishing the democracy it enjoyed prior to its state crisis. And things are only marginally better as far as economic transformation is concerned. Only three countries – Kenya, Lesotho and Tanzania – have improved significantly in this regard. Moreover, only a few economies in the region feature growth rates that are sufficient to compensate for high birth rates, and the income thus derived only rarely benefits the population at large. The recent weak growth in South Africa, the region’s largest economy, has proved an additional hindrance. Here, falling commodity prices are leading to the closure of labor-intensive mines, while internal party strife within the governing African National Congress (ANC) has paralyzed the country.

Overall, transformation is proceeding in opposite directions in the two subregions. While political transformation in southern Africa is making continual advances despite some setbacks, eastern African countries are making more significant progress than most southern African countries with regard to economic transformation.

This mixed, rather negative balance is confirmed by the findings of the BTI’s Management Index. Only Madagascar achieved notable progress here; in Lesotho, South Sudan and Zimbabwe, by contrast, already-weak management performance deteriorated further, while in the great majority of countries, scores remained at a low level. Aside from reasons specific to each country, this stagnation reflects a lack of reform and a low propensity for risk-taking among the decision-makers. On the domestic level, this may be related to the fear of reform opponents, and on the foreign-policy front, to diminishing pressure from donors as increasing engagement from China (and, to a lesser extent, from India and Brazil) expands governments’ range of choices. In any case, commitments to reform often remain rhetorical in nature; although the BTI shows a stronger concern with prioritization, the actual implementation of reforms has stagnated due both to inadequate capacities and a lack of will.

This mix of weak economic development, sustained allocational inequality and feeble will to reform creates the risk of increased instability. The much-vaunted new middle class in South and East Africa, in contrast to its counterparts in many countries in Latin America and Asia, remains too weak, and its status remains too precarious to be able to push for change. The weakness of political representation is clearly evident here; too seldom do the fragmented, polarized or neo-patrimonial party structures offer an environment conducive to critical political discourse or provide impetus to reform. Rather, the BTI shows that the shortcomings of defective democracies are durable and carry a perpetual risk of triggering a further erosion of democratic quality.
Persistent deficits

The region's democracies have lost ground in all criteria of political transformation. Particularly striking is the erosion of stability, political participation and rule of law in the defective democracies. The autocracies, too, have shown little sign of improvement.

Botswana, Mauritius, Namibia and South Africa as a quartet constitute the region’s most advanced democracies. In these four countries, free and fair elections are held regularly, while democratic institutions function and are, as a rule, respected by relevant actors. In comparison to 2006, only South Africa, once the regional leader with regard to democracy quality, has lost significant ground following the change of government from Thabo Mbeki to Jacob Zuma.

Looking at the eight defective democracies with more strongly pronounced deficits, the situation is substantially more problematic. There is no clear improvement seen anywhere and, in most countries, the key building blocks of democracy have suffered the greatest setbacks. In some cases, this has involved severe restrictions being placed on the freedoms of assembly and expression in Kenya, Mozambique, Uganda and Zambia, in combination with losses in stability and rule of law in all defective democracies, except Madagascar and Tanzania. One can hardly speak of a consensus on democratic values, or even of a democratic culture, among elites in these defective democracies. In some countries, the army continues to weigh in as a veto actor.

The most significant changes took place in three highly defective democracies: In Lesotho, an August 2014 coup attempt brought an end to the coalition government, after which massive diplomatic initiatives by South Africa and the African Union (AU) led the country’s political parties and the military to agree on a roadmap toward a return to democracy, with elections in February 2015. In a more positive development, the leadership in Madagascar has taken steps in the right direction. Five years after the extra-constitutional change of power and subsequent political stagnation, the country held free and fair parliamentary and presidential elections in 2013, which were organized – for the first time ever – by an independent electoral commission. Finally, in Mozambique, long hailed as a model country with regard to reconciliation after its decades-long civil war, the quality of its democracy has eroded once again, which continues a trend in place since the BTI 2006. The authoritarian leadership style of longtime President Armando Guebuza, the unconstitutional, destructive behavior of the opposition, and the country’s rampant corruption have led here to a serious decline in public confidence in democratic values, processes and institutions.

Stumbling democracies
Changes in political participation and rule of law at the indicator level in democracies, BTI 2014–BTI 2016
The BTI classifies eight of the region's countries as authoritarian regimes. Somalia still brings up the rear by some distance. Because there has been no effective monopoly on the use of force here for the last 24 years, the country continues to be classified as a failing state. By comparison, conditions in Angola are relatively moderate and orderly.

However, civil rights and opposition forces have been subject to increasing restrictions since 2012, at times through violent means. A small circle of individuals around President Eduardo dos Santos, who has governed for nearly four decades, continues to determine the country's fate. Burundi has grappled with increased tensions between its strongly fragmented ethnic groups and parties in the runup to the 2015 elections. In May 2015, a coup launched by factions within the military was put down. The presidential elections held in July of the same year drew international criticism due to widespread repressive attacks and intimidation of voters. The persistent violence indicates that the country's stability remains endangered.

In Zimbabwe, the political situation initially improved thanks to the actions of a coalition government. But after the (relatively peaceful) elections in 2013, liberties remain restricted, and despite all declarations to the contrary, the endemic abuse of public offices has continued. What and who will follow Robert Mugabe? Discussion of this question began long ago – and it paralyzes the country to this day. The president, now more than 90 years old, is seeking to promote the career of his much younger wife, Grace, and even to recommend her for the presidential office. However, it is not yet clear whether these efforts will be successful. Future prospects for the region's hardline autocracies are even gloomier. Eritrea is developing increasingly into the “North Korea of Africa,” with the government headed by President Isaias Afwerki seeking to control all political and economic activities. Since the country's independence in 1993, no elections have been held, civil rights have been practically nonexistent, and massive repression directed against civil society and all opposition has been a daily reality. Ethiopia under Prime Minister Hailemariam Desalegn and particularly Rwanda under the leadership of Paul Kagame have made strides economically at least, with regimes that regard themselves as successful modernizing dictatorships. Massive repression is, however, an integral part of this kind of development.

The civil war that erupted in December 2013 in South Sudan is primarily the result of internal conflicts within the governing party, the Sudan People’s Liberation Movement (SPLM). Power is the main issue, and this primarily means control over the country’s oil wells. President Salva Kiir and Vice President Riek Machar are the primary disputants in this regard. Both politically and economically, their rivalry has set back the resource-rich country by years.

**East Africa catches up**
The balance with regard to economic transformation is at best mixed. The index has shown no average improvement over the past decade. South Africa’s recent failure to act as an economic driver is a current barrier to progress.

Most of the region’s economies continue to lie somewhere between functioning ones (Botswana, Mauritius) and extremely rudimentary ones (Eritrea, Somalia, South Sudan). This large group is comprised of economies classified either as those featuring functional flaws or, in more serious cases, as those that function poorly. Encouragingly, the number of poorly functioning market economies has declined from 10 to seven countries since the BTI 2014, with Kenya, Lesotho and Tanzania having improved somewhat, thereby joining the group of functionally flawed economies.

However, overall progress is a different story. Eritrea, Somalia and South Sudan are not the only illustrations of what for many people are catastrophically poor living conditions. Mauritius remains the only country in sub-Saharan Africa to fall into the United Nations Development Program’s (UNDP) category of high human development. Botswana, Namibia and South Africa are among the countries with medium human development, while all other South and East African countries fall into the category of low human development.

There is little indication of swift improvements on the horizon, and the modest gains made are roughly balanced out by losses in other areas. More eastern African than southern African countries have tended toward improvement. However, it must be noted here that the starting point was generally lower in East Africa. During the review period, an average of 6% annual GDP growth in eastern Africa and 3.6% growth in southern Africa was driven by recovery in the euro zone, a higher level of demand within Africa itself and brisk investment activity (primarily from China). The United Nations Economic Commission on Africa (UNECA) ascribes the differences to the fact that the economies of commodity-exporting countries grew more strongly. Within South and East Africa, Angola and South Sudan are significant oil exporters, while other countries increased the extraction of minerals, as was the case for Botswana (diamonds), Eritrea (copper, gold) and Zambia (copper).

Ethiopia achieved the region’s highest growth rate, which can be attributed primarily to foreign investment along with the implementation of massive state infrastructure measures. However, this also resulted in a significant increase in state debt. Tanzania and Uganda also showed strong growth, in part due to successful reforms improving investment opportunities. Kenya, Tanzania and Uganda are forecast to become oil and gas exporters in 2016 or 2017. By contrast, South Africa, economically the strongest country in the region, grew by only a moderate 2.7%, according to UNECA.

However, because the BTI does not place a one-dimensional emphasis on economic growth alone, it is necessary to draw a somewhat more nuanced picture that also includes the level of socioeconomic development in a country and the sustainability of its development. Taking this view enables a conclusion that economic transformation has on average declined slightly between 2006 and 2016.

Rwanda, an exception to the rule
The four countries with the most highly developed market economies have long been Botswana, Mauritius, Namibia and South Africa – thus, the same countries that are also most advanced with regard to political transformation. However, there is no automatic correlation between the state of economic development and the degree of democratization. For example, Rwanda has achieved clear progress in economic development over the last decade, while at the same time intensifying its authoritarian tendencies. A converse trend is underway in democratic South Africa. Although the country possesses structural advantages, such as abundant natural resources, industrial productive capacity and a very good infrastructure, its economic output has weakened and socioeconomic developments have been problematic. In order to effectively combat the high level of structural unemployment, a growth rate twice the current level would be needed. These shortcomings can be partially attributed to the legacy of apartheid, but also to the failures and passivity of the Zuma government.

The members of the East African Community – neighbors Kenya, Tanzania and Uganda – have shown more positive developments. New laws in Kenya regulate and stabilize the banking sector, and the new constitution has improved the property-rights framework, which has helped companies. Uganda owes its success to fiscal discipline and reforms that have benefited the private sector, while Tanzania had invested more strongly in the health sector. However, economic success has not translated into a considerable reduction in the level of poverty in these three countries.

In Madagascar, political progress has facilitated positive economic development, visible in the form of improvements in various macroeconomic indicators. However, the country has not yet regained the level achieved in the BTI 2010.

By contrast, the overall balance in Angola, Ethiopia, Malawi and Zambia is negative, for reasons that are more specific to each country. For example, poverty has increased in Ethiopia, while economic growth has been weak in Angola and Zambia due to the decline in oil and copper prices. In Malawi, macroeconomic data reveal deterioration, in part due to insufficient and corrupt financial management, that led to the temporary suspension of donor countries’ financial support.
South Africa’s weakness is contagious
Problems in two areas of governance give cause for concern: Already-flawed anti-corruption efforts have faltered even further, while governments appear increasingly unwilling and unable to reach political consensus or resolve social conflicts.

The BTI uses several factors – structural challenges, conflict intensity and the extent of civil society traditions – to determine the degree of difficulty associated with transformation management, which in turn becomes a part of each country’s evaluation. In the case of South and East Africa, these difficulty factors remain high and constant. Thus, the fact that the quality of governance deteriorated in 13 of 20 countries, delivering the region’s worst average value since 2006, cannot be attributed to expanding challenges. In many places, decision-makers and elites are increasingly overwhelmed or have completely failed.

The clearest exception to this pattern is Madagascar, following its return to a democratic orientation. However, it remains to be seen whether and how the new president, Hery Rajaonarimampianina, will tackle the country’s problems. Numerous institutions require substantial restructuring, an informal economy in the important commodity sector has spread, land is sold illegally, and the local administration is operational to only a very limited degree. In addition, the constitution, which gives the president disproportionate power over the other institutions, is urgently in need of reform. The first prime minister of the new government resigned in January 2015 after proving unable to improve the insufficient supply of electrical power. To date, internal party conflicts and the lack of consensus between the parties have prevented the new president from introducing substantial reforms. Madagascar’s recent history, particularly under former president and businessman Marc Ravalomanana, offers numerous illustrations of large projects and ambitious programs that have been announced but never implemented.

Developments in Rwanda, by contrast, are more sustainable. Here, the upward trend evident for some years can be attributed in particular to the successful efforts in the education and health care sectors.

The strongest deterioration, on the other hand, was shown by Lesotho – now a structurally unstable country – as well as Ethiopia and South Sudan. Governments here are either not interested in establishing a basic consensus or have even intensified existing tensions as an element of their political calculus. This is a common pattern in South and East Africa, as the long-term negative trend with regard to consensus-building shows. The average score in the BTI 2016 is well below that of 2006, and also significantly under the global average.

The situation with regard to corruption is still worse. In both anti-corruption policy and the prosecution of office abuse, average governance performance has declined further from an already alarmingly low starting point. Only in Madagascar has the situation slightly improved. By contrast, the fight against corruption has stagnated in 14 countries, and five countries – Botswana, Ethiopia, Malawi, Zambia and Zimbabwe – even reduced their efforts as compared with the previous period. These inadequate and ineffective anti-corruption efforts undermine the legitimacy of political decision-makers and inflict considerable damage on the countries’ economies.

The persistent weakness of transformation management in South Africa ultimately inhibits the region as a whole. This country, on which the region’s hopes are to a great extent pinned, and which represents Africa in the BRICS group, remains well below its potential at present – and, indeed, has since 2009, when Jacob Zuma took over the presidency. Ongoing infighting within the governing ANC, as well as a series of scandals in which the president has been personally embroiled, are among the chief causes of the government’s limited capacity to act. Zuma’s primary aim has been to keep the heterogeneous party and the tripartite alliance between the Congress of South African Trade Unions (COSATU), the Communist Party and the ANC together. He managed this for some time until a relatively successful leftist party emerged from an ANC split before the 2014 elections. The trade union movement also split in the same year.

The price for this power-retention strategy has been high, as reforms have been delayed or not even begun for fear of internal conflict. The moribund energy sector, for which no viable strategy has yet been developed, offers one example of this passivity. The consequences have been massive power outages that have had a negative effect on growth and production. Despite extensive investment, the education sector remains ailing. The increase in corruption and nepotism, as well as a variety of long and polarizing strikes in strategic sectors, such as the mining industry, have undermined economic dynamism, with growth-dampening effects for the
entire region. Finally, the problematic labor-market situation and dysfunctional administration in many municipalities and regions has left a large portion of the population feeling distanced from the government, a phenomenon expressed in the rising share of abstaining voters. Frustration and anxiety regarding the future has also led to a latent propensity for violence that regularly expresses itself in xenophobia and attacks on migrants from other African countries.

**Trending towards instability**

The BTI 2016 points to a rather unpleasant state of affairs in South and East Africa in which an unstable political situation combines with poverty and insufficient economic dynamism. The fact that things have deteriorated in most of the region's 20 countries is largely attributable to the elite's poor management performance.

In many places, the risk of instability is rising further. This is true even – or perhaps especially – of the dozen countries in which technological advances have enabled the discovery of commercially exploitable oil reserves. Kenya, Tanzania and Uganda will probably soon belong to the circle of oil-exporting countries. Euphoria prevails in all these countries, and battles over the allocation of profits that have yet to appear are already beginning.

This evokes bad memories of past behavior in Angola, the Republic of Congo and Nigeria, all of which support the thesis of the "resource curse." For the new oil producers, too, a stronger social polarization, increases in what is already a high degree of corruption, and the neglect of other economic sectors is to be feared.

It is significant that, with the exception of Madagascar and Tanzania, all democracies with comparatively significant shortcomings have declined further with regard to democracy quality, and most also with regard to management performance. This is particularly pronounced in Lesotho and Mozambique, where both the state monopoly on the use of force and the effectiveness of government administration have weakened. Weak governance outcomes throughout the region's democracies could ultimately trigger larger crises. In addition, the risk of terrorism from Somalia could increase in Kenya and, to a lesser extent, also in Uganda.
Among the autocracies, Angola stands out as the only country showing negative trends in all three BTI dimensions. Falling oil prices on global markets have had a profound impact on the country. To fill the growing holes in its budget, the government will be forced to borrow (probably from China) and to raise prices (particularly for gasoline), a prospect bearing strong risk of igniting social discontent. Indeed, such a reform-averse government can hardly be expected to resolve structural problems in a sustainable manner.

In Burundi and Rwanda, instability threatens as a result of the intention of each president to gain a third term in office in violation of each country’s constitution. In Burundi, one attempted coup already took place in May 2015. In Rwanda, strict control of the population renders unrest unlikely. There will certainly be criticism of President Kagame’s third presidential term from donors, but abroad he is regarded as a guarantor of stability.

Instability also threatens in those autocracies where the resignation or death of "dinosaurs" who have governed for decades – Robert Mugabe in Zimbabwe, Isaias Afewerki in Eritrea and Eduardo dos Santos in Angola – is imminent. This situation offers opportunities for possible democratization, but also poses the risk of increased confrontation, even to the point of potential civil war. This is because, in the old system, the interests of key political actors, social groups and ethnic groups could often be balanced or co-opted, while in times of upheaval, the old privileges and spoils are no longer guaranteed, and indeed are often challenged. The military, which serves as a veto actor in some states, represents another source of potential uncertainty.

For the countries of the region, an important question is how much and what kind of support they will receive following the replacement of the Millennium Development Goals (MDGs) by the much-discussed Sustainable Development Goals in 2015. The precarious social situation implied by a population growth of more than 2.5% annually in most countries will make continued and extensive international support necessary. Given the ongoing refugee crisis, a trend toward increased external support can be expected. However, the government-approved escape from South Africa of Sudanese President al-Bashir, who faced the most extensive criminal accusations by the International Criminal Court, offers a clear example of the fact that the consensus between Europe and Africa on issues of human rights and democracy, hailed particularly by the European Union, is in fact much weaker than presumed.