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THE END OF “EMERGING AFRICA”? PROSPECTS FOR SUB-SAHARAN FRONTIER MARKETS

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AFRICA: STILL RISING?

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5. The End of “Emerging Africa”? Prospects for Sub-Saharan Frontier Markets

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Africa has been changing fast over the past fifteen to twenty years. Both the growth performances and the international image of the continent went through surprising U-turns, from widespread stagnation and pessimism to unprecedented progress and new prospects. The turnaround of economic performances began as early as the mid-1990s and led to a number of sub-Saharan countries achieving record growth rates for the better part of the following decade. Economic recovery, in turn, fostered a dramatic improvement in the way the continent was perceived and represented by the international media, where talk of ‘Africa rising’ or ‘emerging Africa’ became gradually more frequent, stimulating a growing interest in the region. What was largely a neglected continent during the 1990s, from around 2000 became the terrain of a new scramble for positioning by advanced as well as emerging economies. China’s trade with the region, for example, went up almost twentyfold in little more than a decade, with Beijing becoming the continent’s main commercial partner. Meanwhile, the US had declared the region “a high priority” of “growing geo-strategic importance”¹ and renewed its African aid, trade and military policies, culminating in an unprecedented US-Africa Leaders Summit held in Washington D.C. in 2014. Britain

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¹ Government of the United States of America, *National Security Strategy of the United States of America*, Washington, The White House, 2006, pp. 37-38, <http://www.comw.org/qdr/fulltext/nss2006.pdf>.

and France also rekindled their historical ties and a range of other countries undertook a variety of new initiatives. Turkey, for example, vastly expanded its network of diplomatic and air links with the continent. Brazil courted African governments by emphasizing shared cultural and environmental features. Even Germany renewed its policy towards the region by acknowledging the many business opportunities for “tapping into the potential of African markets”². Suddenly, Africa had gained appeal.

In spite of the profound changes underway in sub-Saharan Africa, social, political and economic continuities were also bound to affect and challenge the region’s trajectory. Africa remains the poorest continent in the world, the vulnerability of its people once again exposed, on the international stage, by the Ebola crisis of 2014-2015. The latter took a dramatic toll on the people and economies of the three countries that have been most directly affected (Guinea, Liberia and Sierra Leone), with an impact that was also felt in West African states such as Burkina Faso, Côte d’Ivoire, Gambia and Senegal in terms of reduced cross-border trade and international tourism³. The relevance of the Ebola crisis to sub-Saharan Africa as whole, however, must be put into perspective. The economies of Guinea, Sierra Leone and Liberia together account for less than 1 per cent of the GDP of sub-Saharan Africa (their combined populations represent less than 2.5 per cent of total population in the region).

The many challenges that continue to worry observers, particularly those taking a sceptical view towards the region’s recent accomplishments, include the substantial failure of sub-Saharan countries to initiate processes of structural economic transformation and their apparent inability to consolidate historically fragile states. The risks represented by these two vulnerabilities have now forcefully come to the fore due to the fall of international commodity prices – a new economic challenge for

² Federal Foreign Office, *Federal Government Policy Guidelines for Africa*, Berlin, May 2014.

³ African Development Bank, OECD, UNDP, ECA, *African Economic Outlook 2015. Regional development and spatial inclusion*, OECD Publishing, Paris, 2015, p. iii.

poorly diversified economies – and the rise of jihadist violence – a strong political challenge for weak states. This volume investigates the economic impact of these two risks. The “emerging Africa” boat has been rocked. Is this the beginning of the end of a phase of sustained growth? Probably not.

Africa is a net exporter of oil and countless other primary commodities, from copper to iron ore, gold, diamonds and uranium, platinum and bauxite, to agricultural products such as cocoa, coffee, palm oil and cotton. In the early years of the 21st century, rising global demand for mineral resources pushed further explorations and investments, leading to an increase in the number of oil-producing and gas-producing countries and contributing to the region’s economic growth performances, as shown by John Heilbrunn in his chapter.

The extremely low diversification that still characterizes the vast majority of African economies, however, implies that they remain highly dependent on a few commodity exports and thus vulnerable to the fluctuations of the latter’s international prices. The commodity super-cycle⁴ that began in 2000 and now appears to be ending saw commodity prices more synchronized than in the past⁵. The rise and fall of the oil price – which surged from \$25 per barrel in January 2000 to \$133 in July 2008, and then dropped from \$108 in June 2014 to \$47 in January 2015 – is thus only the tip of the iceberg. Between 2000 and 2008, the price of iron ore also quintupled, copper quadrupled, cocoa and rice tripled and coffee doubled (the price of cotton, on the other hand, only increased by 63 per cent). This comprehensive trend was abruptly reversed from around mid-2014, as iron ore went down by 47 per

⁴ Compared to short-term price fluctuations, commodity super-cycles span longer periods of time (i.e. complete cycles last 20-70 years) and to involve a broad range of commodities, typically inputs for the industrial development and urbanization of emerging economies; B. Erten, J.A. Ocampo, *Super-cycles of commodity prices since the mid-nineteenth century*, DESA Working Paper no. 110, February 2012, p. 1, http://www.un.org/esa/desa/papers/2012/wp110_2012.pdf.

⁵ World Bank, *Africa’s pulse. An analysis of issues shaping Africa’s economic future*, vol. 11, Washington, April 2015, http://www.worldbank.org/content/dam/Worldbank/document/Africa/Report/Africas-Pulse_brochure_Vol11.pdf.

cent, copper by 20 per cent, and cotton by 25 per cent between June 2014 and January 2015⁶. As much as commodity exports played a key role in fuelling Africa's post-2000 growth performances, the decline in their values is bound to have an opposite impact. As Giulia Pellegrini notes in her chapter, African countries should take stock of the "new normal" of lower prices for their key exports.

The end of the commodity super-cycle is being felt across the continent. The collapse in the price of iron ore is making the recovery efforts of Ebola-stricken Liberia and Sierra Leone more difficult. The economic slowdown in China, which accounts for over 40 per cent of global demand for copper, led commodity corporations to suspend mining operations in Zambia⁷. The enthusiasm of international investors for coal mining in Mozambique cooled off considerably, while the oil price drop is jeopardising developments in countries such as Uganda, where petroleum was recently discovered. Yet sub-Saharan economies are not a homogeneous lot. First, some of them are more diversified than others. South Africa, admittedly a unique case in the region, has a highly diversified economy and its outward trade includes minerals, precious metals and stones, but also motor vehicles and electronics, chemical products, agro-processed food and wine. Second, economies in the region do not all export the same primary goods. Some do not have any major extractives to exploit. Table 1 provides a quick overview of these differences by classifying sub-Saharan countries, based on their predominant exports, as "agricultural exporters", "metals and minerals exporters", "energy exporters", and "others". An implication of this diversity, and this is the third point, is that what is an export for some African states is an import for others. For most of them, in particular, oil is primarily an import rather than an export, meaning that they are essentially benefiting from the reduction of

⁶ Data on commodity prices cited in this paragraph are from World Bank (2015), p. 18.

⁷ A. England, "Zambia bears the brunt of China's economic slowdown", *Financial Times*, 9 September 2015, <http://www.ft.com/intl/cms/s/0/065afc1e-556b-11e5-a28b-50226830d644.html#axzz3mZHOKokL>.

the oil price. And fourth, not all of Africa’s commodity prices fell markedly. For example, by mid-2015 the price of cocoa – a key export for the likes of Ivory Coast, Ghana and Cameroon – had already recovered from a dip and had reached a higher level when compared to the year before.

TABLE 1 - A CLASSIFICATION OF SUB-SAHARAN ECONOMIES ACCORDING TO THEIR MAIN EXPORTS

Burundi	Botswana	Angola	Cape Verde
Côte d'Ivoire	Burkina Faso	Chad	Eritrea
Ethiopia	Congo-Kinshasa	Congo-Brazzaville	Lesotho
Gambia, The	Ghana	Equatorial Guinea	Madagascar
Guinea-Bissau	Guinea	Gabon	Mauritius
Kenya	Liberia	Nigeria	Mozambique
Malawi	Mali	South Sudan	Senegal
Rwanda	Mauritania	Sudan	Seychelles
São Tomé and Príncipe	Namibia		
Swaziland	Niger		
Uganda	Somalia		
	Tanzania		
	Zimbabwe		

Source: World Bank, 2015, p. 40⁸.

Sub-Saharan economies thus have different degrees of vulnerability in the face of falling commodity prices. Table 2

⁸ Countries are classified as exporters of a specific commodity group if the share of exports of said category is above 25 per cent.

TABLE 2 - SUB-SAHARAN ECONOMIES
AND VULNERABILITY TO TERMS-OF-TRADE SHOCK

More vulnerable	Less vulnerable		More resilient
Angola	Benin	Madagascar	Botswana
Cameroon	Burkina Faso	Malawi	Eritrea
Chad	Burundi	Mali	Kenya
Congo-Kinshasa	Cape Verde	Mauritius	Lesotho
Congo-Brazzaville	Central African Rep.	Rwanda	Mozambique
Equatorial Guinea	Comoros	Seychelles	Namibia
Gabon	Côte d'Ivoire	Swaziland	Niger
Guinea	Ethiopia	Tanzania	São Tomé and Príncipe
Liberia	Gambia, The	Togo	Senegal
Mauritania	Ghana	Uganda	Somalia
Nigeria	Guinea-Bissau	Zimbabwe	South Africa
Sierra Leone			Zambia
South Sudan			
Sudan			

Source: World Bank, 2015, p. 40.

again groups countries in the region into distinct categories based on the terms-of-trade (ToT) deterioration they were facing in 2015 according to a World Bank study.

'More vulnerable' countries suffered a 2014-2015 decline in international commodity prices that exceeded 10 per cent, 'less vulnerable' countries recorded a deterioration of less than 10 per cent, 'resilient' countries, on the other hand, showed overall gains in their terms-of-trade. Once again, the most vulnerable and hardest hit group largely consists of oil-exporting economies, including regional giants such as Nigeria and Angola but also the much smaller economies of Chad, Gabon or Equatorial Guinea. In some other nations, the fall of commodity prices was a key contributor to the deterioration of their terms of trade, as in the

case of copper for Congo-Kinshasa or iron ore for Mauritania, Liberia and Sierra Leone. Countries that resulted more resilient, at least until early 2015, include economies that are more diversified (South Africa and, to a much lesser degree, Kenya) and others that are primarily agricultural exporters (Ethiopia and Senegal). However, resilience was increasingly under pressure, for example as a result of sluggish growth in South Africa, of dropping copper prices in Zambia, and of rising public deficits in Kenya. Ultimately, the overall effects of the end of the cycle will be broadly negative in the short and medium term, albeit they look set to be somewhat heterogeneous and probably not devastating.

A second growing threat for sub-Saharan Africa, as mentioned, is the instability caused by jihadist movements. The latter find an ideal terrain in the region, where state weakness offers would-be terrorists and insurgents the opportunity to mount serious challenges against central governments.

The limits of post-colonial state-building processes in Africa are well known. Many sub-Saharan countries failed to develop well-functioning state administrations capable of establishing order within national territories and implementing public policies for their people. More than fifty years after their independence, African countries such as Somalia, the Central African Republic, Chad or Congo-Kinshasa – as well as the continent’s youngest nation, namely South Sudan – typically crowd the bottom end of all international rankings of state effectiveness around the world. Nations as diverse as Ethiopia, Madagascar, Mauritania or even Nigeria are often found not far above them (cf. for example Fund for Peace 2015, the Worldwide Governance Indicators 2015, the Bertelsmann Transformation Index 2014).

In a number of African countries, weak central authorities with tenuous territorial presence, poor administrative capacity and ineffective armies constitute an easy target for guerrillas and terrorists. Porous international borders have historically allowed insurgent and extremist groups to cross over into neighbouring territories, broadening their areas of operations and making it more difficult to hunt them down. The limits of Africa’s “quasi-

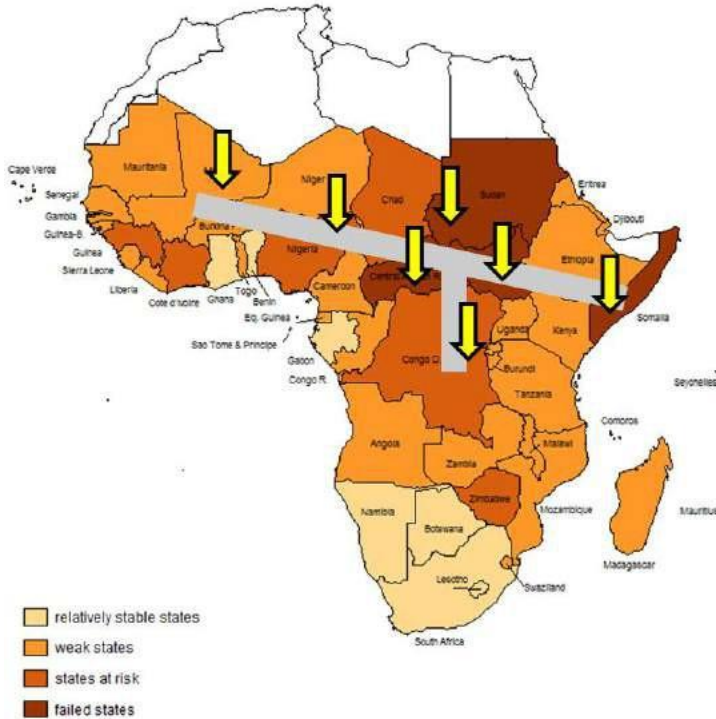
states” have been acknowledged since at least the early 1980s. They became ever clearer in the early and mid-1990s, when the spread of wars and conflicts across the continent intensified and peaked. By the turn of the century, however, these same states appeared to make progress in terms of holding rulers accountable, generating and mobilising new resources and, more generally, stabilising conflict-prone areas, whether through negotiations (Mozambique), outright military victory (Angola, Ethiopia, Rwanda) or external interventions (Sierra Leone). The outcome was a marked decline in the diffusion of wars and conflicts throughout most of the region, with a temporary setback around the turn of the century.

While violence was being reduced, however, state fragility remained a key feature and a concern for most sub-Saharan countries, as Jakkie Cilliers notes in his contribution to this volume. Thus, the overall decline in conflicts did not mean that the new century was free from fresh crises. New hotspots emerged as early as 2003 with the Darfur (Sudan) war, followed by the spread of violence in places such as Ivory Coast and later Mali, north-eastern Nigeria, the Central African Republic and South Sudan. Reversing the post-Cold War trend, conflict-related events broadly conceived (inclusive not only of battles but also of riots and protests) as well as conflict-related fatalities, in particular, have been on the increase since around 2009⁹. The greater Horn of Africa region, inclusive of Somalia, Sudan and South Sudan, led the way, while the Arab Spring of 2011 also contributed to destabilising parts of the sub-Saharan area, particularly in the Sahel region. Violence in southern Africa, on the other hand, broadly continued to abate.

Besides Somalia, which essentially lacked a central administration since as far back as 1991, many of the crises that emerged since 2005 could be located on an “arc of instability” that partly overlaps with the Sahel region and reaches further to the

⁹ J. Cilliers, S. Hedden, *Africa's current and future stability*, Institute for Security Studies, Pretoria, 2014, p. 4, <https://www.issafrica.org/publications/papers/africas-current-and-future-stability>.

FIGURE 1 - FAILED STATES AND RECENT CRISES
IN SUB-SAHARAN AFRICA



Note: failed states: $FSI \geq 110$, states at risk: $100 \leq FSI < 110$, weak states: $80 \leq FSI < 100$, relatively stable states: $FSI < 80$

Source: Fund For Peace, Failed States Index, 2015

east, into the Horn of Africa, an area deeply divided by interstate rivalries and by the unresolved issue of Somalia’s reconstruction. When a shorter north-south axis of crisis is added to the above arc, down from Darfur into the eastern Congo, a “T-shape” or a “T rule” is obtained that helps observers locate most of the current crises on a regional map (Figure 1).

Thus, the continued febleness of state infrastructures, legitimacy and territorial control soon fed into a new generation of

violent conflicts. Religion is part of this new picture more than it has ever been in the history of independent Africa. Jihadist struggles, in particular, have been on the rise over recent years, with over a dozen states facing some form of it in a vast area with permeable national borders that stretches from Mauritania to Tanzania¹⁰. But even where extremism did not lead to jihadist violence it appeared to deepen religious divides. The Central African Republic, for example, has an overwhelmingly Christian population (Muslims only represent some 15 per cent of it) and no history of religious strife. The 2013-2015 crisis did not see the emergence of jihadist movements in the strict sense, yet it certainly marked an important turning point in the radicalisation of the country's religious differences. Similarly, Cameroon's post-colonial history of substantial stability and cohesion now faces the threat of growing Christian and Islamic fundamentalism¹¹.

Once again, the crises in Libya and in northern Nigeria show how "the porous borders and vast desert areas where national authorities struggle to exert control mean that the stability of any one state is acutely dependent on that of its neighbours"¹². To an extent, Sudan came to represent an important crossroads of complex connections and exchanges that characterise the spread of Islamic extremism.

It might be tempting to see Africa as just another terrain for a unique global struggle by Islamic fundamentalists, as if the latter were catapulted from far away into places that are often sparsely populated and poorly controlled by central governments. The notion that Africa's terrorist organizations are parts of a worldwide network has the US Department of State among its

¹⁰ "Jihafrica", *The Economist*, 18 July 2015, <http://www.economist.com/news/middle-east-and-africa/21657801-biggest-threat-african-peace-and-prosperity-comes-dangerous>.

¹¹ International Crisis Group, *Cameroon: la menace du radicalisme religieux*, International Crisis Group, Brussels, 2015.

¹² International Crisis Group, *The central Sahel: a perfect sandstorm*, Brussels, International Crisis Group, 2015, p. 1, [http://www.crisisgroup.org/~media/Files/africa/west-africa/227-the-central-sahel-a-perfect-sandstorm.pdf](http://www.crisisgroup.org/~/media/Files/africa/west-africa/227-the-central-sahel-a-perfect-sandstorm.pdf).

main proponents¹³. But African jihadist movements largely operate in autonomous ways, with no overarching command structure or a shared ideology. Moreover, the local roots of African conflicts are critical to their understanding. As a matter of fact, what the sub-Saharan jihadists "all have in common [...] is that their activities are more strongly local than is the case with their Arab counterparts to the north"¹⁴. In Nigeria, Mali and even in Kenya's coastal regions, the political and economic marginalisation of entire communities loomed large in the rise of jihadist violence. The frustrated expectations of massive groups of young people in places such as Borno and Somalia also contributed to creating a fertile ground where extremists could easily recruit adherents. When joining jihadist movements, young Africans are offered both means of livelihood (by payments or looting opportunities) as well as a world vision (the promotion and defence of Islam against its Western enemies or 'modern' institutions, the radical reform of corrupt societies and predatory authorities) and personal fulfilment (by becoming a *mujahid* hero)¹⁵.

The promise of social change through a radical implementation of Islamic rule thus builds on local grievances, particularly among peripheral communities that feel marginalized and left out. In West Africa, for example, radical Salafist organizations have expanded against the traditional and generally more moderate Sufi orders¹⁶.

In Africa's new conflicts, it is often difficult to distinguish between terrorism and guerrillas. Boko Haram's strategy, for example, evolved from car bombings and other terrorist attacks into an attempt at capturing control over parts of the Nigerian territory. Armed Islamist movements are rarely trying to overthrow and replace national governments in full. Particularly in

¹³ J. Cilliers, *Africa's conflict burden in a global context*, Working Paper no. 273, Pretoria, Institute for Security Studies, October 2014, p. 14, <https://www.issafrica.org/uploads/Paper273V4.pdf>.

¹⁴ G. Steinberg, A. Weber, *Jihadism in Africa. Local causes, regional expansion, international alliances*, SWP Research Paper, Berlin, June 2015, p. 12, http://www.swp-berlin.org/fileadmin/contents/products/research_papers/2015_RP05_sbg_web.pdf.

¹⁵ *Ibid.*, pp. 7-9.

¹⁶ International Crisis Group, *The central Sabel: a perfect sandstorm*, p. 11.

places such as Mali and northern Nigeria, they are primarily struggling to carve out territories in peripheral regions where they can establish their own states or ‘caliphates’. In many cases, militant activities often overlap with criminal networks, reinforcing the economy of violence, which in poverty-stricken Sahel is estimated to generate some \$3.8bn annually¹⁷.

Ultimately, however, in spite of the recent surge of violence south of the Sahara, of rising jihadist struggles with international links, and of growing concerns in the West, armed conflicts in Africa have thus far remained relatively contained both in scope and intensity. Current violence has yet to reach the level of devastation caused by the essentially non-religious conflicts that prevailed during the 1990s. Geographically too, Africa’s contemporary wars are located in a fairly limited space, their relative concentration captured by the abovementioned “T rule”. The post-2009-2010 increase in conflict-related events and fatalities can largely be ascribed to five countries only, namely Nigeria, South Sudan, Sudan, the Central African Republic and Somalia. In 2014, over 75 per cent of Africa’s conflict-related deaths occurred in this small set of states¹⁸. This is a pretty different picture from that of a quarter of a century ago, when intrastate wars raged in all corners of the continent, from Sierra Leone to Mozambique, from Angola to Rwanda or Eritrea. On average, today’s Africa is “a safer place to live for its communities than at any time since the end of colonialism”¹⁹.

Lower commodity prices and growing political instability are no longer just ‘risks’, but an actual trend under way that is negatively affecting today’s reality in sub-Saharan Africa. One key consequence is a substantial slowdown in the region’s economic growth trajectory, as testified by a 2.5 per cent downward revision in the IMF’s growth forecasts for 2015-2017

¹⁷ *Ibid.*, p. 1.

¹⁸ J. Cilliers, S. Hedden (2014), p. 14.

¹⁹ J. Cilliers (2014), p. 16.

(from 5.9 per cent to 3.5 per cent annual average)²⁰. Yet according to prevailing growth projections, the ‘rising Africa’ trajectory on the whole is being significantly slowed down but not entirely derailed by current difficulties. With the IMF and the World Bank recording a 3.4 per cent growth in 2015, expecting a 3.0 (IMF) to 4.2 (WB) per cent in 2016, and projecting a gradual improvement to 4.0-4.7 per cent average performance for subsequent years, Africa still seems on a relatively positive growth path, albeit not set to achieve the same outstanding results of recent years²¹.

A 2013 ISPI study identified eight key frontier markets among those offering major opportunities for trade and investment, namely Angola, Ethiopia, Ghana, Kenya, Mozambique, Nigeria, Senegal and South Africa²². How are the estimated performances of these eight countries affected by the evolving political and economic environment in the region?

The criteria originally used to select these economies included an expected annual average growth of 5 per cent or above for six years and non-extreme political and economic risks, in a regional context where average risks are comparatively high. The risk assessment, in particular, was operationalized as (A) a value of no more than a 75 average on SACE’s 0-100 rating scales for credit risks (from sovereign, banking or corporate counterpart), regulatory risk (expropriation risk, breach of contract risk, and

²⁰ International Monetary Fund, *World Economic Outlook. Adjusting to Lower Commodity Prices*, Washington, October 2015, <https://www.imf.org/external/pubs/ft/weo/2015/02/pdf/text.pdf>; International Monetary Fund, *World Economic Outlook database*, October 2014.

²¹ International Monetary Fund, *World Economic Outlook database*, April 2016; International Monetary Fund, *Regional Economic Outlook. Update*, July 2015, <https://www.imf.org/external/pubs/ft/reo/2015/mcd/eng/pdf/mreost0115.pdf>; World Bank, *Global Economic Prospects. Spillovers amid weak growth*, Washington, June 2015, <http://pubdocs.worldbank.org/pubdocs/publicdoc/2016/1/697191452035053704/Global-Economic-Prospects-January-2016-Spillovers-amid-weak-growth.pdf>.

²² G. Carbone, G. Bruno, G.P. Calchi Novati, M. Montanini, *La politica dell’Italia in Africa. Contesto, interessi e scenari della presenza politica ed economica italiana nell’Africa subsahariana*, A report commissioned by the Ministry of Foreign Affairs, ISPI, Milan, 2013, http://www.ispionline.it/sites/default/files/publicazioni/rapporto_ispi-mae_litalia_in_africa_0.pdf.

transfer and convertibility risk) and political violence risk (civil disorder, terrorism, war), and (B) a value of no more than 6 on the OECD's 0-7 rating scale of economic and political risks, which, besides credit and political risks, include an assessment of the financial context (levels of investments, growth rates, inflation, export diversification, etc.) and of the economic context (external debt and foreign-exchange reserves)²³. Table 3 reports some key indicators for the eight economies under examination, including growth and risk estimates.

When we look at how the most recent developments in the region, including the trend of commodity prices and the evolution of conflicts, affected the expected performance of these economies, a negative impact is quite evident.

²³ Because sub-Saharan countries typically display relatively high risks, Carbone et al. (2013) consider that a score of no more than 75 out of 100 (SACE – Servizi Assicurativi per il Commercio Estero (Insurance Service for the Foreign Trade)), or 6 out of 7 (OECD – Organisation for Economic Co-operation and Development), signals a reasonably acceptable level of risk for the area. If countries with an OECD score of 6 were excluded, alongside those with a risk of 7, no more than 10 economies would satisfy this criterion alone. Moreover, five of them feature populations of less than 2.5 million people (Botswana, Gabon, Lesotho, Mauritius and Namibia) and one displays relatively slow growth prospects (South Africa). Only four countries (Angola, Ghana, Nigeria and Zambia) would satisfy all our criteria, which seems too restrictive a selection. The same essentially applies to the SACE indicators, for which we computed the average score, as in SACE's own methodology until 2013.

TABLE 3 - SELECTED EMERGING MARKETS, KEY INDICATORS

	Population (million, 2014) [^]	Surface area (sq. km) [^]	GDP (US\$ bn, 2015) [*]	Per capita GDP (current int. \$ at PPP, 2015) [*]	GDP growth (%, 2016) [*]	Exp. GDP growth 2016-2020 (annual %) [*]	Doing Business (ranking out of 189)	Country risk (2015)		Currency
								SACE (0-100)	OECD (0-7)	
Angola	24.2	1,246,700	103.0	7,343	2.5	3.3	181	72	5	<i>kwanza</i>
Ethiopia	97.0	1,104,300	61.6	1,801	4.5	6.8	146	70	7	<i>birr</i>
Ghana	26.8	238,540	36.0	4,266	4.5	5.9	114	63	6	<i>cedi</i>
Kenya	44.9	580,370	61.4	3,208	6.0	6.3	108	64	6	<i>Kenyan shilling</i>
Mozambique	27.2	799,380	15.0	1,186	6.0	7.2	133	67	7	<i>metical</i>
Nigeria	177.5	923,770	490.2	6,108	2.3	3.4	169	74	5	<i>naira</i>
Senegal	14.7	196,710	13.7	2,451	6.6	6.9	153	57	6	<i>WA CFA franc</i>
South Africa	54.0	1,219,090	313.0	13,165	0.6	1.7	73	42	4	<i>rand</i>

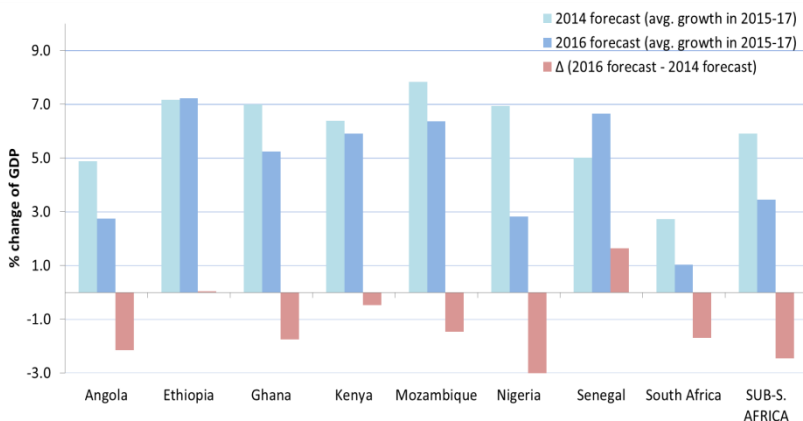
Data for 2016 and 2016-2020 are estimates.

Sources: ([^]) World Bank, *World Development Indicators*; (^{*}) International Monetary Fund, *World Economic Outlook*, database (April 2016); SACE, *Country risk analysis, 2016*; OECD, *Country risk classification, 2016*; World Bank, *Doing Business 2016*.

Between April 2014 and April 2016, the IMF revised its growth projections for the group as a whole, for the 2015-2017 period, from 6.0 per cent down to 4.7 per cent per year. There are of course some differences from country to country. A majority of them – i.e. six out of eight – saw a deterioration of average annual growth estimates for the 2015-2017 period (Figure 2). Nigeria, Angola, Ghana and South Africa are the most affected, as annual economic growth was significantly revised downward – by a staggering 4.1 per cent in the case of Nigeria, by 2.1 per cent Angola, by 1.8 per cent for Ghana, by 1.5 per cent for Mozambique, and by 1.7 per cent for South Africa. In the latter case, already lacklustre prospects were almost cut by half, with average annual growth forecasts down from 2.7 to 1.0 per cent. Projections for Kenya (-0.5) were also reduced, but only marginally. Ethiopia remained essentially unchanged – the country is expected to reach an average 7.2 per cent annual performance for 2015-2017 – while Senegal (+1.6) had its growth estimates on the rise.

The overall trend was thus certainly negative. Yet the growth prospects for the group remain solid, with an average 4.7 per cent in 2015-2017 – led by Ethiopia, as already mentioned, and Senegal (6.7 per cent) – that will further improve and reach 5.5 per cent over the longer 2018-2020 period, well above the 4.5 per cent projected for the entire sub-Saharan region (see Table 3). While the three largest economies in the region (Nigeria, South Africa and Angola) have the lowest expected growth rates in the group for the next five years, all three are also expected to slowly improve their performances in the second half of the period. This trend includes South Africa, whose growth performance will remain modest but will reach 2.3 per cent annually after 2017, marginally better than the 2.0 per cent averaged by Pretoria in 2008-2014.

FIGURE 2 – GROWTH PROSPECTS REVISED, FRONTIER MARKETS:
2014 FORECASTS VS 2016 FORECASTS (IMF)



A better understanding of how the eight focus countries are more or less directly affected by current political and economic challenges, however, requires a brief look at each of them.

Angola is the third largest economy in sub-Saharan Africa. In recent years, it was one of the region’s stellar performers, with a 9.2 per cent average growth in 2000-2014 according to the IMF. Economic activities, however, are only weakly diversified, with the economy remaining heavily dependent on oil (oil exports, half of which go to China, represent about 46 per cent of GDP, 70 per cent of state revenues and 95 per cent of total exports²⁴). Economic development is also hindered by red tape and widespread corruption. Politically-unchanging Angola is one of Africa’s economies worst hit by the downturn in the price of oil. Earnings and fiscal revenues from oil exports went down dramatically, leading to a significant depreciation of the kwanza, a 26 per cent reduction of the 2015 national budget and deficit

²⁴ J.D. Muzima, F.R. Mendy, *African economic outlook 2015. Country note: Angola*, OECD Publishing, Paris, 2015, p. 3, <http://www.africaneconomicoutlook.org/en/country-notes/southern-africa/angola/>.

projections expected to reach 7 per cent of GDP²⁵. The slowdown is trickling down, and although the government promised to stick to its planned spending in infrastructure, pressure is being felt in contexts as diverse as construction, wages and retail²⁶.

Except for gold, Ethiopia's main exports are agricultural products, including coffee, sesame seeds, vegetables and cut flowers (Ethiopia is second only to Kenya among African cut-flowers exporters to the EU). As a non-fuel exporter, the country did not suffer major setbacks and remains an attractive destination for foreign investors. Banking, telecoms and retailing are closed to foreign ownership. But sectors such as agribusiness (including flower and coffee farming), mining (gold), infrastructures and the leather industry have been the targets of large investments originating not only from China – a major partner – but also from the likes of Turkey, Saudi Arabia and South Korea. The slowdown in commodity prices, on the other hand, helped the government curb inflation. Agriculture still accounts for as much as 42.3 per cent of GDP and over 80 per cent of employment, but the economy is slowly diversifying and emerging as a regional manufacturing hub, particularly for textiles, leather and agribusiness. Growth is projected to remain buoyant over the next few years, with an 7.4 per cent annual average for 2015-2020 that places Ethiopia among the world's fastest growing countries. Ethiopia has a composite society of 90 million people with a history of ethnic strife, and domestic political risks remain significant. Regional tensions with its Horn of Africa neighbours are also high, as the authoritarian government of Addis Abeba, a key regional ally of the US, retains an uneasy relationship both with Eritrea and with the al-Shabaab fundamentalists in Somalia.

²⁵ “Angola currency falls to record low as Central Bank devalues”, *Bloomberg Business*, 5 June 2015, <http://www.bloomberg.com/news/articles/2015-06-05/angola-central-bank-devalues-currency-as-oil-slide-hits-revenue>.

²⁶ A. England, “Angolan industrial sector counts the cost of cheap oil”, *Financial Times*, 6 May 2015, <http://www.ft.com/intl/cms/s/0/c307ab62-edcb-11e4-987e-00144feab7de.html#axzz3mZHOKokL>.

Ghana began its economic recovery in the mid-1980s, well before most other countries in the region followed in its footsteps. Its economy is relatively diversified, with oil joining cocoa and gold as the country’s main exports when the exploitation of newly-discovered off-shore fields started in late 2011. Macroeconomic management and performances, however, became more problematic in recent years, and were compounded by the falling prices of oil and gold. The gradual increases of oil production and the rise of the price of cocoa only partly offset these negative effects. The national currency – the cedi – suffered a major depreciation, with inflationary pressures, growing current account and fiscal deficits, and public debt on the rise. A deal for a stabilization loan was signed with the IMF in early 2015. Growth in 2015, at 3.5 per cent, slowed down for a fourth consecutive year, but it then started recovering with a projected 4.5 per cent in 2016. Politically, Accra can count on a highly stable and democratic environment, at least by sub-Saharan standards.

Kenya is East Africa’s largest and most diversified economy, with manufacturing accounting for as much as 11.7 per cent of its GDP²⁷. Dynamism has also been evident in pioneering entrepreneurial activities, including the emergence of agribusinesses for the export of cut flowers and vegetables to advanced markets and of an internationally-acclaimed mobile money platform known as *M-Pesa*. Despite not being among Africa’s post-2000 strongest performers (growth rates only averaged 4.3 per cent in 2000-2014), Kenya is expected to reach an annual 6.2 per cent in 2015-2020. Exploitation of recent oil and gas discoveries is also set to start over the next few years. The Nairobi government and its economy, however, face a mounting external challenge. Jihadists belonging to the al-Shabaab insurgent movement in neighbouring Somalia have repeatedly attacked

²⁷ W.O. Odero, W.A. Reeves, N. Kipyego, *African economic outlook 2015. Country note: Kenya*, OECD Publishing, Paris, 2015, p. 4, http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2015/CN_data/CN_Long_EN/Kenya_GB_2015.pdf.

Kenyan premises, notably with the killing of dozens of civilians first at the Westgate shopping mall in Nairobi, in 2013, and then at the Garissa University College, in 2015. The consequent decline in the country's tourism sector, in 2014 and early 2015, was partly blamed for the biggest annual loss ever recorded by Kenya Airways²⁸. While the IMF recently revised Kenya's economic growth forecasts slightly upwards, some concern has been raised as to the country's expanding deficits and public debt, partly the result of weak revenue performances in the context of growing expenditure.

Mozambique has the lowest per capita income but the second-highest growth prospects among the eight frontier markets under examination, with an expected 7.2 per cent annual expansion for 2015-2020. The economic dynamism of this poor country is the result of the widespread economic reforms undertaken since the 1980s by the formerly-Marxist ruling Frelimo party and the political stabilization that was achieved in the early 1990s, when the introduction of multi-party politics allowed Maputo to move past a long-lasting civil war. The occasional re-emergence of factional tensions has never seriously threatened civil peace and political order. Mozambique benefited from important investments in its vast resource riches, particularly in the huge off-shore natural gas reserves recently discovered (gas exports are set to start in 2020) and in coal mining. The decline in the price of natural gas, coal (coal mining projects are currently operating at a loss²⁹) and aluminium (of which the Mozal smelting plant is a major producer), for example, are delaying investments and affecting the economy. Besides the construction and communication sectors, which are expected to drive the country's

²⁸ "Kenya Airways blames tourism slump for record losses", *BBC News*, 30 July 2015, <http://www.bbc.com/news/world-africa-33715413>.

²⁹ A. Almeida-Santos, L.M. Roffarello, M. Filipe, *African economic outlook 2015. Country note: Mozambique*, OECD Publishing, Paris, 2015, p. 4, http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/CN_Long_EN/Mozambique_EN.pdf.

strong growth, the government is striving to develop an agricultural sector whose potential has yet to be tapped.

Nigeria is not only Africa's largest country by economic and population size, it is also the one most directly challenged by the oil price drop (Nigeria tops the list of the continent's oil producers) as well as by the spread of jihadism (the crisis in the north-east is causing the highest number of casualties in Africa), as aptly discussed by Leena Koni Hoffmann in her chapter to this volume. The continued economic performance of Nigeria, internationally renowned as a promising emerging market in recent years, is the single most important component for the broader development of Africa. The collapse of the oil price will be felt particularly in terms of public revenues, with the government hard pressed to review its spending plans. Yet the recent rebasing of national accounts showed that oil represents a much smaller fraction of the country's economic activities than was previously thought (13 per cent as opposed to 30 per cent). The dynamism of sectors such as services (particularly the telecom, banking and film-making industries), agriculture and partly also manufacturing has led to increased diversification. This will help contain the impact of the oil price drop. Similarly, the violence of Boko Haram has thus far been concentrated in the north-eastern states of the federation. It is primarily these areas that suffered from related economic disruption. But the heart of the Nigerian economy lies elsewhere, primarily in the commercial and financial centre of Lagos and in the oil-producing states of the Niger Delta region. The pace of progress has certainly slowed down. After fifteen years during which annual growth rates averaged 7.7 per cent, growth is expected to hover around a mere 3.3 per cent for the next five years. But 2016 will mark a low point (2.3 per cent), followed by year-on-year increases. The election of a new President, Muhammadu Buhari, was largely hailed as a positive development, both domestically as well as internationally, but also implies a period of transition and uncertainty.

Senegal has the smallest economy among the eight countries considered in this chapter. Economic activities, however, are relatively differentiated, with manufacturing accounting for 12.5 per cent of GDP and agriculture for only 15.9 per cent³⁰. Mineral resources are scarce. Despite not growing as fast as Africa's top performers (3.8 per cent annual average in 2000-2014), the country's growth is expected to speed up significantly and reach a 6.9 per cent average in 2015-2020, stimulated by the *Plan Sénégal Émergent*, a broad scheme that includes major reforms and projects. The 2014-2015 Ebola crisis in West Africa impacted negatively on the Senegalese tourism sector. By African standards, Senegal is both stable and democratic as well as endowed with a relatively effective state administration, reasonable infrastructures, declining poverty rates (absolute poverty went down from 55.2 per cent in 2000 to 46.7 per cent in 2011) and life expectancy well above the continental average (63 years against 57 in 2013). The country was thus able to attract international investors as a regional hub in West Africa in sectors such as tourism, services and manufacturing. Industries for textiles, leather and agribusinesses (e.g. peanut oil processing, tropical fruits and vegetables) are developing. The main risks the country faces hail from instability in neighbouring countries – particularly Mali, but also Guinea (Conakry) and Guinea-Bissau, all of which suffered *coups d'état* between 2008 and 2012.

South Africa's admission to the group of the BRIC(S) emerging economies, back in 2010, was meant to acknowledge both the country's economic potential as well as its leading role in the development of Africa. Pretoria has by far the most diversified, sophisticated, infrastructured and globalized economy on the continent. Its banks, telecoms, mining groups and retail chains have expanded and successfully penetrated many other African markets. International corporations rely on the country as

³⁰ T. Houeninvo, K. Gassama, B. Traoré, *African economic outlook 2015. Country note: Senegal*, OECD Publishing, Paris, 2015, p. 5, http://www.africaneconomicoutlook.org/fileadmin/uploads/aec/2015/CN_data/Cn_Long_FR/Senegal_2015.pdf.

a key continental hub for diverse sectors, from financial services to manufacturing. Yet today the ‘new’ South Africa appears to be the continent’s sick economy. Since the 1994 transition to democratic rule, Pretoria admittedly went through profound changes and important progress. Politically, the black majority was freed from the repression of the apartheid era. The ruling African National Congress also introduced some redistributive measures – such as the “black economic empowerment” and housing policies – aimed at rebalancing racial inequalities and fighting poverty. But the South African economy, which grew at modest-to-respectable rates for a number of years (3 per cent in 1994-2003, 4.8 per cent in 2004-2008), gradually lost steam (1.8 per cent in 2009-2014). The country is now projected to reach a mere 2.51.7 per cent in 2015-2020, a less-than-impressive achievement for an emerging economy. The decline in the price of the country’s main mineral exports (including gold, iron ore, coal and platinum) is playing a role. These dismal results couple with high unemployment rates and rising social and political tensions around such diverse issues as immigration, labour wages and electricity provisions.

Conclusions and policy implications

After decades of unsatisfying performances, economic growth took off in many sub-Saharan states at the beginning of the 21st century. The drivers of growth included an improvement in overall political stability in the continent and a favourable trend of international commodity prices for Africa’s key exports. This volume examined how Africa’s positive phase of growth is being challenged by the end of the commodity cycle and the rise of jihadist violence. The analyses carried out in the different chapters can be summed up by the following conclusive remarks and policy implications:

1. The high-growth trajectory followed in recent years by ‘emerging Africa’ is being negatively affected by the downturn

- of commodity prices as well as, much more moderately, by a rise of jihadist violence in parts of the region.
2. Oil-exporting countries have been particularly hard hit by the oil price collapse and by the consequent deterioration of their terms-of-trade.
 3. On the whole, however, growth prospects remain fairly positive. Frontier markets in the region continue to offer important opportunities for trade and investments, although more caution is needed.
 4. There is an increasing need to monitor and discriminate among the risks and opportunities in individual countries: while most countries face mounting challenges, some economies are as or even more attractive than in the past. Ethiopia, Kenya, Senegal and Mozambique are among the most promising sub-Saharan markets. The three largest economies in the region are all under pressure, if to a different degree: this is particularly the case for South Africa (slow growth), but also for Nigeria and Angola (slowing down). Other markets are projected to expand at faster paces, including the Ivory Coast, the Congo-Kinshasa and post-Ebola Guinea.
 5. A close re-assessment of the potential of emerging Africa's high-growth sectors (e.g. consumer goods, infrastructure, natural resources, agriculture, banking, ICTs, tourism) is required that takes into account the extent to which each of them is being affected by the evolving economic and political circumstances.
 6. African countries need to take stock of the 'new normal' of lower prices. With the support of international donors, they should increase efforts to vigorously promote economic diversification, which remains key to reducing vulnerability to terms-of-trade shocks. Ensuring a reliable and affordable provision of electricity, for example, is key to the development of non-oil sectors in Nigeria, the continent's largest economy.

7. Public spending needs adjusting to contain deficit and debt increases: efforts to increase domestic revenues must be stepped up – also by making tax payments easier, providing incentives for tax compliance and reaching the informal sector – and priority must be given to spending for social needs and for economic diversification purposes.
8. Africa needs to return to the path towards increased political stability that characterized the beginning of the 21st century. Political stabilization requires the consolidation of fragile states, which in turn must be nurtured by both good governance and inclusive economic growth.
9. Old and new conflicts must be addressed by tackling their root-causes, not just through security initiatives. Meeting the expectations of marginalized regional communities or of increasing numbers of young people, in particular, is key to the stabilisation of areas such as Nigeria, Mali, Somalia or Kenya’s coastal regions. Inclusive growth has rightly taken centre stage in the development strategies of several African governments.
10. The governments of advanced economies and multilateral organisations should support the processes of economic development and political stabilisation in sub-Saharan countries by promoting trade and investments in the region as well as by sustaining African initiatives for improving and stabilizing accountable and effective governance.

