

## Political & socio-economic stability in Africa

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### Freedom in the World

The 2015 *Freedom in the World* survey paints a bleak picture for the advancement of democracy. This survey is conducted annually amongst almost 200 countries by Freedom House, an independent watchdog organization that has been dedicated to the expansion of freedom around the world for the past 74 years.

Following dramatic gains for the principles underpinning political rights and civil liberties around the globe during the late 20<sup>th</sup> century, the institutions designed to protect democracy and place a check on state power have come under pressure. Recent case studies of the retreat of democracy include the Russian invasion of Ukraine, chaotic civil warfare in parts of the Middle East and North Africa, further centralisation of military authority in China and an intensified campaign against press freedom in Turkey.

Viewed over the past twenty years, sub-Saharan Africa has performed remarkably well in lifting the region's average Freedom Index score, albeit from a very low base, with the notable exceptions of Ethiopia, Gabon, Uganda and Zimbabwe. Table 1 contains the classification of the extent of political freedom for selected sub-Saharan African countries, including all the countries that are classified as free.

**Table 1: 2015 Freedom in the World classifications - selected sub-Saharan African (SSA) countries**

Free	Partly free	Not free
Benin	Burkina Faso	Angola
Botswana	Côte d'Ivoire	Burundi
Ghana	Guinea	Cameroon
Mauritius	Kenya	Chad
Namibia	Mozambique	Ethiopia
Senegal	Nigeria	Gabon
South Africa	Sierra Leone	Rwanda
	Tanzania	Uganda
	Zambia	Zimbabwe

Unfortunately, South Africa has experienced a marginal regression of its freedom scores, although the country is still classified as free.

In recent years, democratic progress on the continent has stalled, mainly due to sporadic cases of human rights abuses and increased suppression of dissent.

### Economic Freedom Index

A common denominator for most African countries found in the latest *Economic Freedom Index* is the pervasive presence of corruption and over-regulation of formal business activity. Several countries are also faced with rigid labour legislation, especially South Africa.

The *Index of Economic Freedom* is an annual index and ranking created 20 years ago by The Heritage Foundation and *The Wall Street Journal* to measure the degree of economic freedom in the world.

The index scores nations on 10 broad factors of economic freedom using statistics from organizations like the World Bank, the International Monetary Fund and the Economist Intelligence Unit. The factors are listed in table 2.

**Table 2: Components of the *Economic Freedom Index***

Business freedom	Property rights
Trade freedom	Investment freedom
Monetary freedom	Financial freedom
Government size/spending	Freedom from corruption
Fiscal freedom	Labour freedom

Over the past decade, sub-Saharan Africa (SSA) has been one of the fastest growing regions in the world, with the majority of countries actually having avoided the 2008/09 global recession. Africa's large natural resource base continues to attract foreign direct investment, whilst several countries have increased their spending on infrastructure improvements.

More committed structural and institutional reform could make the region a promising future candidate for sustained high levels of growth, fuelled by the range of incentives for enhanced productivity that flows from progress with economic freedom.

### **Global competitiveness rankings**

During the five years since the end of the 2008/09 global recession, SSA has continued to register impressive GDP growth rates of close to 5% per annum. Combined with high population growth and a structural increase in capital formation/GDP ratios in most African countries, the region has become more attractive to potential foreign investors – both direct and via bond & equity markets.

**Table 3: 2015 Global competitiveness rankings - top-15 countries in sub-Saharan Africa (SSA)**

	SSA rank	Global rank
Mauritius	1	39
South Africa	2	56
Botswana	3	74
Namibia	4	88
Kenya	5	90
Zambia	6	96
Gabon	7	106
Lesotho	8	107
Ghana	9	111
Senegal	10	112
Côte d'Ivoire	11	115
Cameroon	12	116
Ethiopia	13	118
Tanzania	14	121
Uganda	15	122

Table 3 lists the top-15 ranked countries in SSA, according to the *2014/2015 Global Competitiveness Report*, published by the World Economic Forum (WEF).

According to the WEF, significant challenges remain in the region to closing the infrastructure gap; improve basic health and education facilities; and accelerate the transition from agriculture and mining to the secondary and tertiary sectors of the economy.

A point of concern for the largest diversified economy in the region, namely South Africa, is the fairly sharp deterioration of a number of key indicators of competitiveness over the past six years, as depicted by table 4.

**Table 4: Most significant regression of South Africa's competitiveness rankings since 2009 - selected indicators**

Indicator	Ranking 2009 (n=134)	Ranking 2015 (n=144)	Ranking decline
Wastefulness of government spending	29	89	-60
Favouritism in decisions of government officials	50	104	-54
Public trust of politicians	50	90	-40
Quality of primary education	104	133	-29
Cooperation in labour-employer relations	119	144	-25
Burden of government regulation	95	120	-25
Company spending on R&D	28	48	-20
Flexibility of wage determination	123	139	-16
Quality of overall infrastructure	46	59	-13

It is quite apparent from the above data that South Africa is being faced with a significant threat to global competitiveness as a result of an erosion of public sector governance standards.

Although the country has also recorded impressive gains for a number of other indicators of competitiveness (see table 5), it is apparent that the indicators representing a large degree of government involvement in society & the economy have performed dismally over the past six years, whilst those areas where private sector involvement is paramount have performed well.

**Table 5: Most significant improvement of South Africa's competitiveness rankings since 2009 - selected indicators**

Indicator	Ranking 2009 (n=134)	Ranking 2015 (n=144)	Ranking increase
Internet users	95	69	26
Quality of air transport infrastructure	25	11	14
Soundness of banks	15	6	9
Judicial independence	30	24	6
Efficacy of corporate boards	8	3	5
Regulation of securities exchanges	5	1	4
Strength of auditing and reporting standards	4	1	3
Firm-level technology absorption	32	29	3