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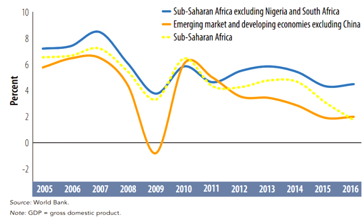
ECONOMIC GROWTH—A TALE OF TWO AFRICAS

By George F. Ward



Gross Domestic Product, 2005–2016, for sub-Saharan Africa, a portion thereof, and emerging economies excluding China. (Source: Figure 1.2, "Trends in GDP Growth," in *Africa's Pulse: An Analysis of Issues Shaping Africa's Economic Future* 14 (October 2016), World Bank Group, http://tinyurl.com/gvxh8a5).

Economic growth fell significantly and unexpectedly in sub-Saharan Africa in 2016. An early, authoritative forecast pegged real growth in regional Gross Domestic Product (GDP) for 2016 at a relatively robust 4.0 percent. By October 2016, the World Bank was forecasting only 1.6 percent growth for the year. This dramatic decline in growth prospects was due mainly to low commodity prices and tight financial conditions. The trend was exacerbated by policy uncertainty, droughts, and political and security concerns. Within the context of the overall slowdown, a pattern of what the International Monetary Fund (IMF) calls "multispeed growth" has emerged. That is, one group of sub-Saharan African countries has continued to perform well, while another has suffered under severe economic strains. It is worth examining this "tale of two Africas" and assessing its implications. *more...*

Ambassador (ret.) George F. Ward is editor of Africa Watch and a Research Staff Member at the Institute for Defense Analyses.

SOMALIA'S PRESIDENTIAL ELECTION: DELAYS AND INSECURITY CREATE CHALLENGES

By Sarah Graveline

Soldiers stand in the rubble of a destroyed building near the scene of a suicide car bomb attack in Mogadishu, Somalia, Monday, January 2, 2017. The country's presidential election, a key step toward recovery, already has been delayed multiple times because of security and other concerns. (Source: AP Photo/Farah Abdi Warsameh.)

After six months of delays, Somalia's presidential election is scheduled to take place on February 8, 2017. Instead of a popular poll, the president will be elected by members of parliament, whose own election process was rife with irregularities. Allegations of widespread corruption and ongoing insecurity cast doubt on the Somali government's capability, which may be further challenged by possible declines in international security assistance over the next four years. The new government will face an uphill battle to show citizens it can fight corruption and provide security. *more...*

Sarah Graveline is a Research Associate in the Africa Program at the Institute for Defense Analyses.

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IDA's three federally-funded research and development centers provide objective analyses of national security issues and related national challenges, particularly those requiring scientific and technical expertise.

IDA's Africa team focuses on issues related to political, economic, and social stability and security on the continent.

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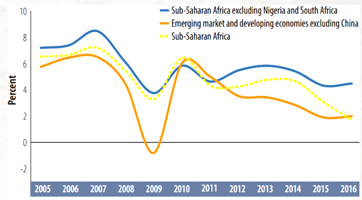

Source: World Bank.
Note: GDP = gross domestic product.

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Trends in Economic Growth and Inflation

In its March 20, 2015, issue, *Africa Watch* examined the implications for Africa of falling oil and gas prices. That analysis noted that for some sub-Saharan African countries, oil made up more than 20 percent of import costs. Those countries would be likely to benefit from falling oil and gas prices. On the other hand, the decline in prices would have a negative impact on the largest African oil producers, decreasing both government revenues and GDP.

The projected scenario proved accurate, and its effects were amplified by the decrease in prices in a range of commodities beyond oil and gas. As the IMF has pointed out, the aggregate picture "belies considerable heterogeneity." It characterizes the situation as "A Tale of Two Africas." The half of the countries in sub-Saharan Africa with non-resource-intensive economies have continued to perform well. Examples from this group include Ethiopia, Kenya, and Senegal. Those countries are expected to continue to grow at more than 6 percent annually. In contrast, Africa's commodity exporters are under severe economic strain. The sub-Saharan region's three largest economies—Nigeria, South Africa, and Angola—have been hit hard, as have other resource-intensive countries such as the Democratic Republic of the Congo, Ghana, Zambia, and Zimbabwe.

Inflation rates have moved in inverse proportion to GDP changes—generally rising in the low-growth countries and remaining moderate in the fast growers. Thus, Angola's inflation rate doubled to 38 percent. Nigeria's went from 9 to 17 percent. Conversely, increases in inflation have been modest and within central banks' target ranges in the oil-importing countries of East Africa.

Declining economic growth and increasing inflation have affected real per capita GDP, which is a particularly important metric on a continent still plagued by extreme poverty. The IMF forecasted in October 2016 that, overall, the region's average per capita GDP would contract for the first time in 22 years. This projected mean average decline of .9 percent would be driven by slow GDP growth in the large, commodity-exporting countries. Using the median rather than the mean would reflect a 1.75 percent increase in per capita GDP in 2016. This mean-median contrast demonstrates Africa's division between a small number of large, commodity exporters and a larger number of small, commodity-importing economies.

Looking Forward

The economic outlook for 2017 and beyond is moderately positive. The October 2016 edition of *Africa's Pulse*, published by the World Bank Group, forecasts growth of 2.9 percent in 2017 and 3.6 percent in 2018. As in the recent past, the average growth rate hides considerable heterogeneity within the region. The larger economies and other commodity exporters are expected to grow more slowly than the rest of the region. In Nigeria, exchange rate policy adjustments (i.e., managed depreciation of the Naira) and a modest improvement in oil prices should boost oil revenues and thereby add incremental growth. South Africa is likely to remain hobbled by rising unemployment, high household indebtedness, and elevated inflation, but government policies may help improve investor sentiment. In other countries, the outlook is more favorable. Large infrastructure projects should boost growth in Côte d'Ivoire, Ethiopia, Kenya, Rwanda, Tanzania, and Uganda. Gradually improving copper prices and the end to the El Niño–driven drought should help Zambia.

Political and Economic Risks Abound

Given the surprising downturn in growth that occurred during 2016, projections about African economies need to be viewed with caution. Both internal and external factors could intervene. According to the World Bank, the balance of risks going forward is "heavily tilted to the downside."

Possible external challenges include:

- Earlier-than-anticipated monetary tightening in the United States or the Euro area that could limit capital flows to emerging and frontier markets.
- A sharper-than-expected economic downturn in China that could weigh on demand for commodities.
- Uncertainties surrounding Brexit.

Challenges internal to Africa also exist:

- Possible failure by African governments to continue attempts to contain the fiscal and current deficits that have been caused by low commodity prices. Governments may come under populist pressure to unwisely open spending spigots.
- Potential lack of success in increasing government revenues from non-resource sectors by strengthening the tax base and tax administration.
- The ever-present threat of militant insurgencies and terrorist attacks.

Conclusion

Even if the risks cited above are averted and sub-Saharan Africa returns to substantial growth in 2017–2018, it will do so at rates lower than before the downturn in commodity prices. Domestic financial resources will likely continue to be insufficient to satisfy the aspirations and demands of the ever-growing numbers of young Africans. This situation could lead to increased populist pressures on governments, especially those facing important near-term political decisions. These include Kenya, where general elections are scheduled in 2017, and South Africa, which will elect new leadership of the majority African National Congress at the end of the year.

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Soldiers stand in the rubble of a destroyed building near the scene of a suicide car bomb attack in Mogadishu, Somalia, Monday, January 2, 2017. The country's presidential election, a key step toward recovery, already has been delayed multiple times because of security and other concerns. (Source: AP Photo/Farah Abdi Warsameh.)

Somalia's Election Process

Somalia's Vision 2016 transition plan (dated 2013) called for the 2016 presidential election to be conducted by popular vote. As *Africa Watch* reported, however, in September 2016, the government determined that Somalia would not be able to prepare for a "one person, one vote" poll. In lieu of a popular vote, parliament would elect the president as it had in 2012.

Although plans for a popular presidential election were scrapped, in 2016 changes were introduced at the parliamentary election level to make the vote more inclusive. While in 2012, MPs were elected by a 135-member body of traditional elders, during the 2016 election cycle regional governments chose 54 members of parliament to sit in the newly created upper house of parliament. In addition, the election process for the 275-member lower house of parliament was adapted so that each member would be required to receive the majority of votes from a 51-delegate electoral college. The electoral colleges were populated by 14,025 delegates selected by a 135-member body of traditional elders, with each MP being elected by a subgroup of 51 delegates drawn from the larger body of 14,025. These changes were adopted to expand the number of electors while maintaining clan and regional balance.

Corruption Undermines Parliamentary Campaigns

Although the parliamentary elections expanded the voter base from 2012, their legitimacy was challenged because of a number of alleged irregularities. Somalia's auditor general reported that many candidates secured their seats by bribing delegates, with payoffs allegedly as high as $1.3 million.

Somalia's institutions appeared unable to challenge the corruption. The Indirect Electoral Dispute Resolution Mechanism (IEDRM) conducted an audit of the parliamentary elections, but canceled the results of only 11 out of 67 parliamentary races where evidence of corruption was found. This decision was itself nullified by the National Leadership Forum (NLF), the body of Somali senior leaders tasked with overseeing the election, and the parliamentarians accused of corruption were sworn into office.

The international community has criticized these irregularities. In December 2016, an array of international actors, including the United Nations, African Union, European Union, and the United States, issued a statement criticizing the NLF's decision to nullify the IEDRM results, as well as the failure to achieve gender quotas. With many candidates receiving funding from the Gulf States and Turkey, however, the AU and Western countries have little control over candidates' fundraising and have shown no inclination to respond by adjusting international assistance, given the potential for harm to vulnerable Somalis.

Insecurity Poses a Broader Challenge to Somali Government

While reports of corruption challenge the legitimacy of the Somali elections, insecurity poses a threat to the Somali government's ability to function. Al-Shabaab has directly threatened the electoral process, most recently bombing a hotel in Mogadishu where parliamentarians held meetings. This is part of al-Shabaab's larger strategy to exacerbate existing political grievances, particularly between clans, to weaken support for the government.

This strategy is effective because it shows that the Somali government is unable to ensure security for its citizens. Somalia remains reliant on the African Union Mission in Somalia (AMISOM) to provide security even though AMISOM's troop-contributing countries have stated their intention to begin withdrawing from Somalia in 2018. Without dramatic improvements in the performance and capabilities of the Somali National Army, an AMISOM withdrawal could significantly reduce the Somali government's ability to project territorial control.

Conclusion

The Somali government faces severe challenges in the near future. Even with AMISOM's deployment, insecurity continues and compounds the risk of famine. In this environment, evidence of the scale of corruption in parliamentary campaigns, in conjunction with the six-month delay of presidential elections, casts doubt on the ability of the central government to rise above its internal divisions to address national issues. Failure to do so may have serious consequences for Somalia's vulnerable population.

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