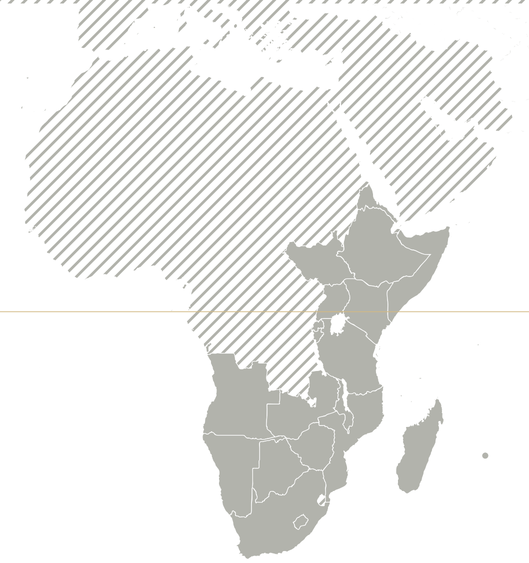


South and East Africa

Waiting for lasting change

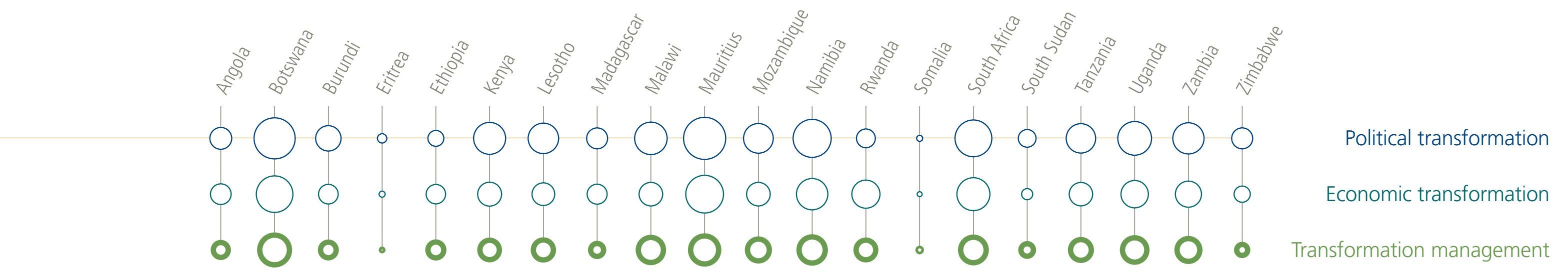
The region's transformation record is mixed. While Lesotho is among the top gainers in terms of political transformation, and significant economic progress has been made in Zimbabwe, the sustainability of such positive developments remains in doubt. Considerable uncertainty also hangs over South Sudan, a newcomer in the BTI.

Established as an independent state in 2011, South Sudan is included this year for the first time in the BTI's survey. The country's leaders set off with high hopes, but transformation remains saddled with heavy political and economic legacies. The fragile state of affairs in this country goes far in explaining why the average transformation values for the region must be considered with caution. In all three dimensions, South Sudan scores significantly below the average of all 20 countries in the region. In mathematic terms, for example, it is wholly responsible for the fact that the regional average for political transformation has declined by 0.19 points relative to the BTI 2012.

Like South Sudan, Angola too is now categorized as a "moderate autocracy." The decline of 0.43 points here resulted from the poor quality of elections, which is a problematic issue in other countries as well. Although the number of autocracies has thus increased to eight, a look at individual countries' population figures shows that the majority of people in South and East Africa live in democratic states. However, the region's three most advanced countries in terms of democratic transformation have relatively small populations: Botswana, Mauritius and Namibia. The region's largest state in terms of area, South Africa, remains a defective democracy, though the quality of its democracy has suffered continuing erosion since the BTI 2006, falling by a total of 1.20 points.

Due to the fact that its economy is integrated relatively strongly into global markets, South Africa also numbers among those which suffered setbacks in terms of economic transformation. Overall, the effects of the worldwide financial and economic crisis on the region's economy remained moderate. With a growth rate of 5.6 percent in 2012, East Africa was clearly above the continental average, while Southern Africa had to make due with just 3.5 percent growth for the third consecutive year.

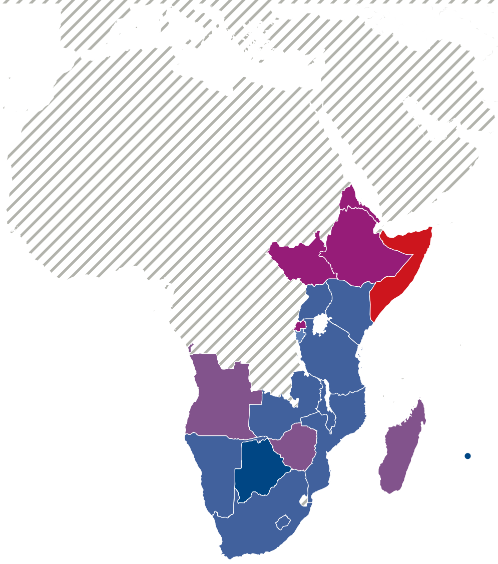
However, the BTI's normative lens does not focus exclusively on economic output; rather, regulatory, social and sustainability



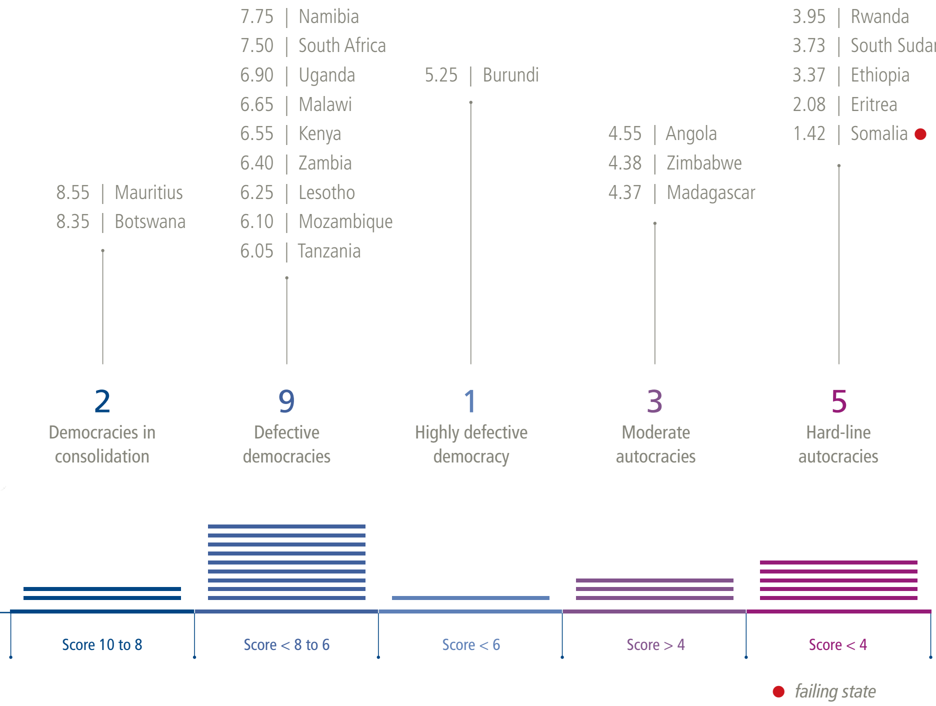
criteria are also considered. In this respect, the structural deficits observed in South and East African countries – including inadequate social infrastructure, inequality, high unemployment and underemployment levels, and a lack of sustainability – remain significant. Thus, with an average of 4.73 points in the area of economic transformation, the region continues to trail the average for all BTI countries, which this year stands at 5.63 points.

With respect to transformation management, no government's performance, even that of Botswana, is today assessed as being "very good." For the first time since the BTI 2006, this country has failed to secure a place in the top category – if only just – due to a minor loss of 0.10 points. Five other democracies in the region – Malawi, Mauritius, Namibia, South Africa and Uganda – are deemed to have "good" governance. Governance in Rwanda, where the Kagame government has pursued an authoritarian but economically successful policy course, is deemed to be of "moderate" quality. Zimbabwe has improved to an even larger extent. Here, the coalition government's partially successful stabilization policy was enough to improve on the extremely low 2012 score by 1.05 points.

The BTI places all of the region's other autocracies in the categories of "weak," "failed" or "nonexistent" management. The numerous, massive challenges facing transformation processes in South and East Africa are reflected in an average score for the level of difficulty of 6.57. The greatest challenges are seen in Somalia, whose difficulty level of 9.7 puts it above all other countries examined in the BTI 2014. In comparison, the average for all countries in transition is 5.39.



Political transformation



Holding the reins of state

The clear separation of powers with mutual checks and balances continues to pose a problem, even among some of the region's more democratic states. Weak parliaments often fall short of serving as a viable counterweight to governments, and judicial independence is similarly compromised, as it is usually guaranteed in theory but massively constrained in practice. In many countries, weak electoral institutions undermine progress.

Citizens in two of the region's countries, Eritrea and Somalia, have never had the opportunity to vote. Yet even where the population is regularly bidden to the polls, fairness, freedom and transparency are lacking to varying degrees. The poor quality of elections, for example, is the primary reason why Angola saw a decline of 0.43 points in its democracy status and is classified for the first time since the BTI 2008 as an autocracy. Although the 2012 elections were properly run from a formal perspective, a closer look shows significant shortcomings. In fact, the playing field between the opposition parties and the Popular Movement for the Liberation of Angola (MPLA), the longtime governing party, was nowhere near "level." Some parties were barred from participation in the elections altogether by an election commission that did not act neutrally. Intimidation and technical deficiencies were also evident. In accordance with the constitutional amendments of 2010, the direct election of the president was abolished, and the elections scheduled for 2014 were postponed for another year, until 2015.

By contrast, in Lesotho, the most substantial gainer (+ 0.65 points) in political transformation, the 2012 elections met democratic standards. However, the picture is somewhat blemished, as the opposition's media access was limited. It is also unclear whether the government resulting from the elections – the first coalition government in Lesotho's history – will prove stable. Moreover, the behavior of the military, which in 2012 did not interfere in the elections or the formation of the government, is ultimately just as important to the country's democratic stability.

However, the quality of elections is not the region's only weakness. Despite a constitutionally guaranteed separation of powers, the executive typically has a tight grip on the reins of state. This applies even in the region's four parliamentary democracies – Botswana, Lesotho, Mauritius and South Africa – where, due to the interconnected nature of institutional powers in combination with the dominance of a government party, the legislatures are often unable to serve as a counterweight to the government. In South Africa, for example, the deputies of the governing African National Congress (ANC), which holds a near two-thirds majority, are subject to discipline by the ANC central party office. In the more presidential systems Mozambique and Namibia, too, the ability to exert effective oversight over the government is limited by the dominance of the governing parties.

Compromised judicial independence is another issue associated with shortcomings in the separation of powers. While independence is guaranteed in most constitutions, it is often subject to massive constraints in practice, whether through a lack of sufficient technical and personnel resources or through the exercise of governing-party influence. It is thus little surprise that the lowest regional average in the area of political transformation can be found in the prosecution of office abuse indicator. At 4.35 points, this is today at a much lower level than it was even in 2006.

However, differences between the individual countries are considerable. This is also true of the degree of repression seen in autocracies: While Madagascar and Zimbabwe offer some (limited) opportunities for political participation and free speech, in Eritrea, there is practically no opportunity for the independent expression of opinions. Overall, Eritrea's development into a totalitarian state has only intensified over the years. Its democracy level in the BTI 2006 was already at a comparatively low 3.32 points; it has now fallen to 2.08 points. It features the third-worst score in the BTI 2014 overall, above only Somalia and Syria.

Given the weakness of parliaments in the region, informal institutions play a comparatively important role, as is evident in Angola and Mozambique. In these two countries, major policy decisions are made in narrow circles of high party functionaries or army and police representatives grouped around the president. Patronage and a clientelist calculus subvert the logic of democratic competition, even if key actors explicitly accept democratic institutions.

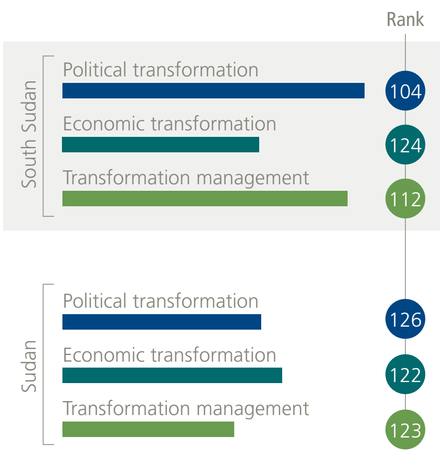
Yet governments are not the only actors demonstrating a disregard for democratic principles, as again shown by the example of Mozambique. Here, former guerrilla leader and current chairman of the RENAMO opposition party Afonso Dhlakama sparked a spectacular protest, withdrawing with several hundred comrades-in-arms to the former RENAMO headquarters in Gorongosa National Park and threatening to resume hostilities if the government refused to negotiate. His goal was the integration of former RENAMO soldiers into the Mozambican army and the formation of a government of national unity, despite his party's clear defeat in the last elections.

Because these systems depend so heavily on the calculus of power-seeking individuals, it is difficult to draw conclusions or make forecasts about political stability. In Burundi, for example, a country battered by the Tutsi-Hutu conflict, all parties are represented in the government, and the various ethnic groups are guaranteed a voice through a system of proportional representation. However, this consensus-driven system has not necessarily helped stabilize democracy, a fact made clear in the review period. The incidence of politically motivated violence rose, an extra-parliamentary opposition was formed, and the country's structural problems – overpopulation, a lack of usable land and the Hutu-Tutsi conflict itself – remain unsolved. It is clear that these and other forms of instability undermine the overall acceptance of democracy. However, the frustration with persistently poor economic conditions is even more dangerous in the long term.

Population: 10.8 mn

Life expectancy: N/A

GDP p.c. PPP: $2,300 (est.)



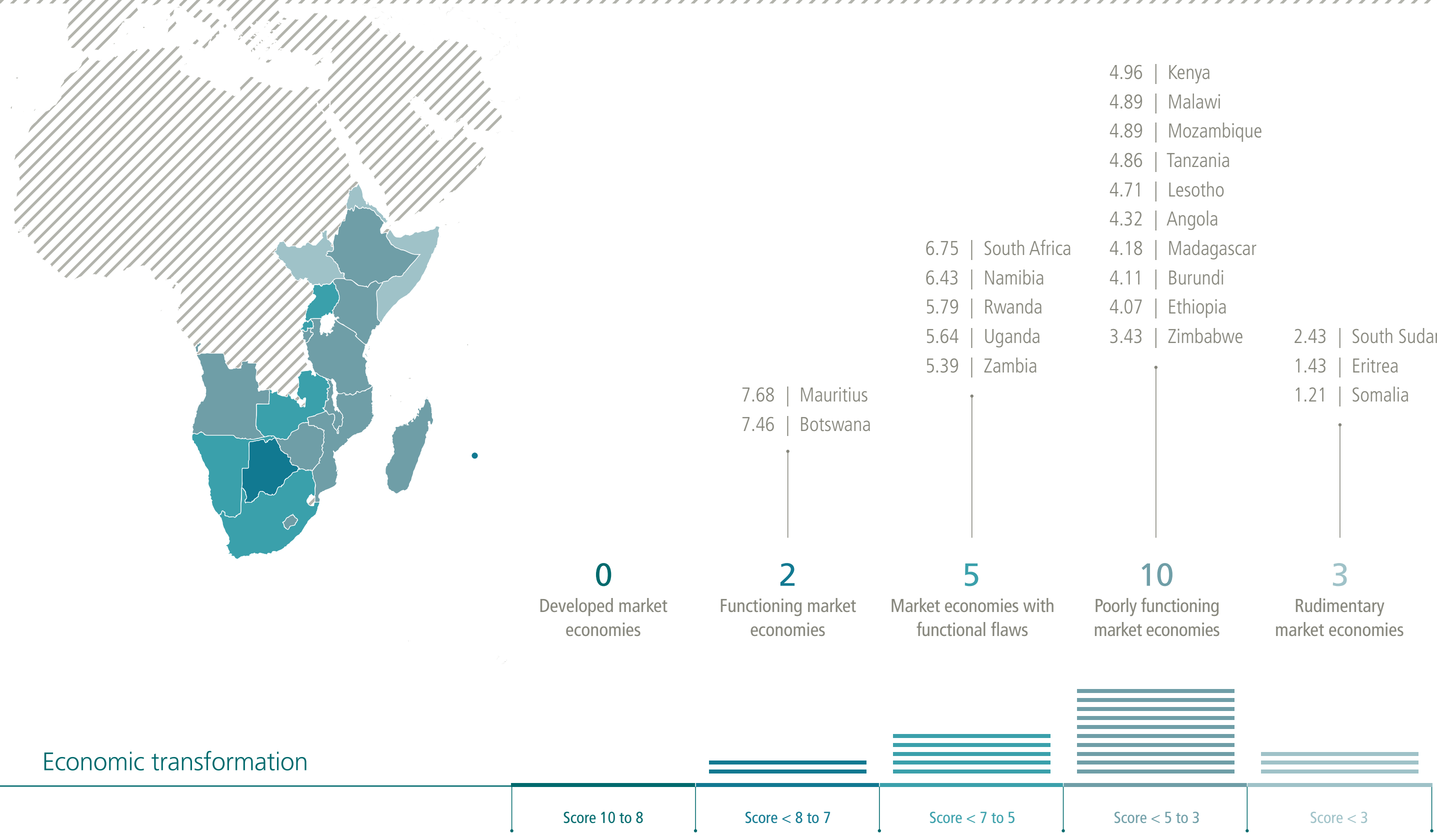
South Sudan and Sudan, BTI 2014

South Sudan's heavy legacy

South Sudan, the newest addition to the BTI country sample, has been independent only since July 2011, and its process of state- and nation-building is far from complete. Care should thus be taken when evaluating the initial stages of its development. Even so, this much could be observed as of January 2013: In purely formal terms, South Sudan is headed in the right direction. Branches of government have been established, and workflows and relationships have been defined – no small feat when one considers the legacy facing the government at the moment of independence: a country ravaged by 20 years of civil war and lacking reliable roads, medical care and educational institutions. When it comes to state structures, South Sudan started entirely from scratch.

The country faces a daunting profusion of problems. Foremost among them is extremely tense relations with Sudan, which will be the decisive factor in the country's medium-term development. Ongoing armed conflict in its border regions currently gives little reason to hope that tensions will ease. South Sudan's political and economic transformations are inextricably linked because its oil reserves are worthless without a pipeline connection to Port Sudan in the north of Sudan.

One thing is clear: South Sudan is utterly dependent on international aid. Yet donor countries have grown skeptical. They expect the government – whose members are drawn from the milieu of the Sudan People's Liberation Movement – to decisively fight corruption and convincingly stand up for democratic values. In addition, it remains unclear just how or whether the old elites will go about establishing relationships with new opposition parties and civil society actors.



Growth is not enough

Resource wealth and the economic output it generates cannot hide the fact that many of the region's countries have made little economic progress in recent years – particularly given the persistence of massive social imbalances.

Roughly since the beginning of the new millennium, African economies have experienced significant growth, a situation made possible by commodity exports in combination with relatively high world prices. Even the financial crisis led only to a relative slowdown. The United Nations Economic Commission for Africa (ECA) forecasts a growth rate of at least six percent for East Africa in 2013 and 2014, and four percent or more for Southern Africa. However, high growth rates are not automatically reflected in comparable welfare gains for the population; this is the primary reason why South and East Africa attained an average score of just 4.73 points in terms of economic transformation. Only in West and Central Africa (4.31 points) are economic conditions worse.

Regional leaders Mauritius and Botswana are the only countries showing functioning market economies, with the latter gaining an additional 0.25 points on top of its previously high level. Significant improvements are also evident in Mozambique, Rwanda, Zambia and Zimbabwe. In Zimbabwe, macroeconomic fundamentals have improved, the banking sector works more efficiently, and economic liberalization has progressed. In Mozambique and Zambia, inflation rates have declined, and banking systems are working more effectively. In addition, Mozambique has improved conditions for private enterprise.

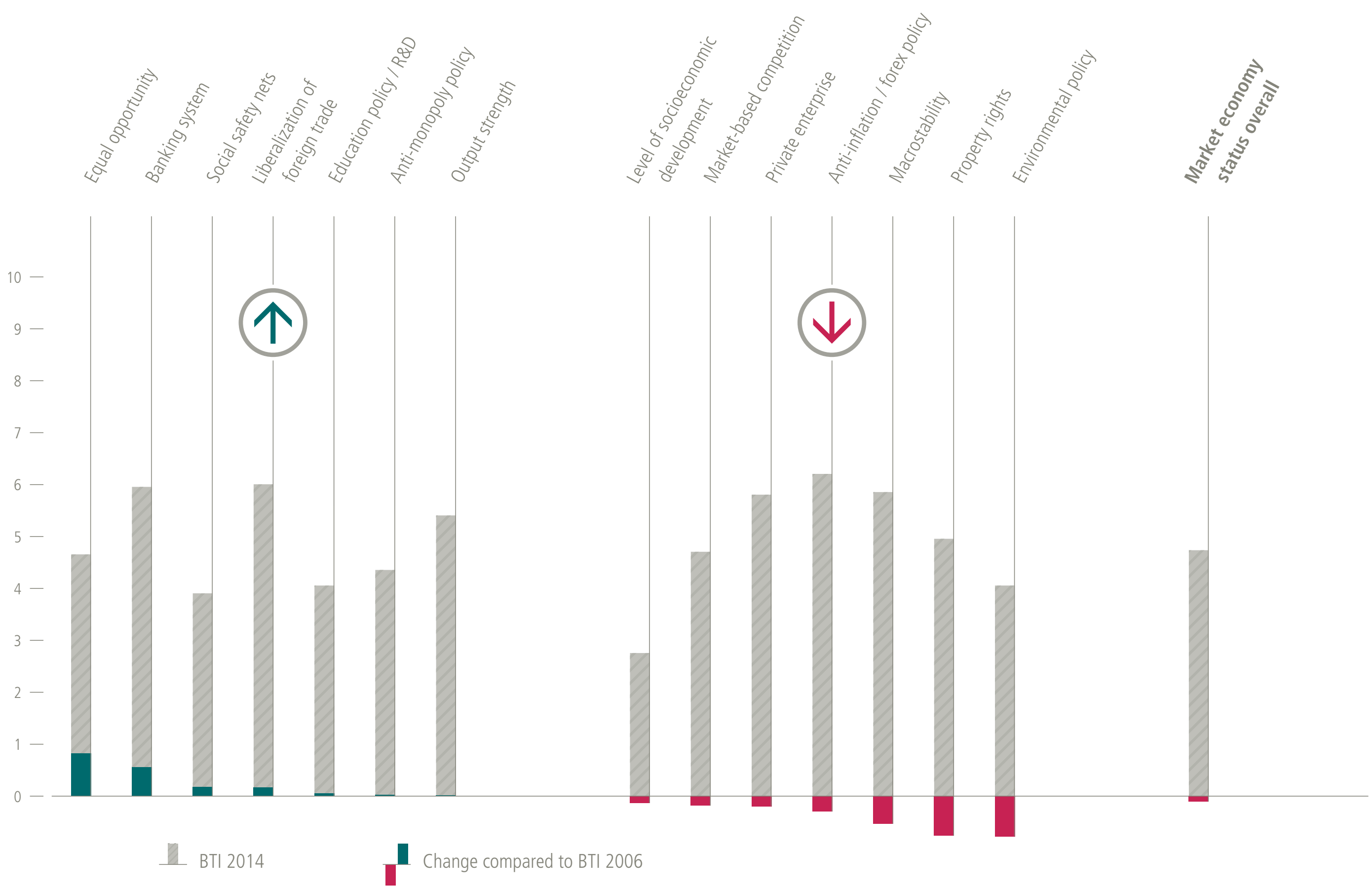
In most countries, however, conditions have shown no clear improvement in the last two years. The authoritarian systems in Angola, Eritrea, Ethiopia, Madagascar and South Sudan, which have sought complete control of the economy, perform particularly poorly. Frequently, policymaking also aims to ensure that the ruling elites have direct access to state-owned enterprises and income from business activities, such as import licenses. The banking systems in these countries perform poorly, which leaves their economies with an insufficient supply of capital. One exception here is Rwanda, where the economy is less tightly controlled than in many other countries, and which has a relatively efficient banking system. However, the Rwandan government under President Kagame has yet to achieve its goal of attracting more foreign direct investment.

Social imbalances, however, remain the region's most troublesome problem. Botswana (5 points), Mauritius (7 points) and South Africa (5 points) are the region's only countries to exceed a score of three points for their level of socioeconomic development. Widespread poverty contributes in many countries to the exclusion of a large share of the population. In Mozambique and Angola, social conditions have even deteriorated despite high growth rates and, in the latter case, despite the considerable revenues from Angolan oil exports. Poverty and exclusion are also a consequence of inadequate social security systems. Of the region's 20 countries, only five – Botswana, Mauritius, Namibia, Rwanda and South Africa – have social systems that provide much more than a minimal safety net for the population. However, there are examples of effective measures yielding tangible results. In Rwanda, for example, improvements in basic health care have helped increase life expectancy from an average of 50 years to 63 years in the last decade. In Ethiopia, life expectancy has risen from 53 in 2001 to 62 in 2011, also a result of improvements in health care.

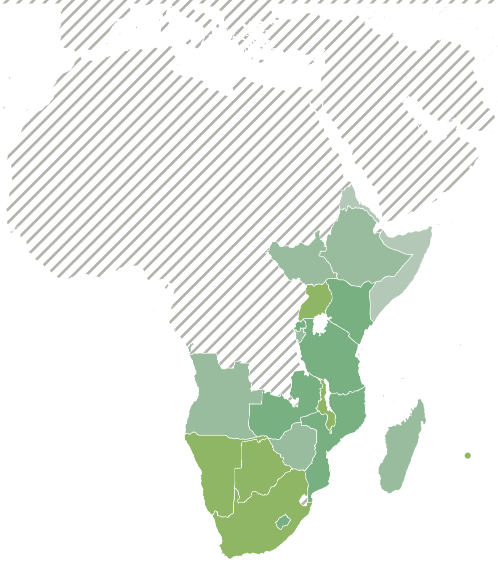
Positive developments in other aspects of the economy related to inclusive participation are negligible. The upward trend observed in the equality of opportunity can hardly be regarded as a breakthrough. To be sure, environmental and resource protection is increasingly enshrined in law; however, the persistent decline in this indicator's average regional score shows that there is generally a lack of either implementation or political will in this area. This is particularly true of the countries rich in raw materials, oil or gas, such as Angola, Mozambique, South Sudan and Zambia. By contrast, a few states that also have mineral resources (diamonds, rare metals), such as Botswana, Namibia and South Africa, pay greater attention to environmental sustainability. However, a single rule of thumb holds across the region: If there is any doubt as to the appropriate path, economic interests take precedence.

The situation in the area of education and training also remains disappointing. To be sure, education spending has increased in many of the region's countries in recent years. In fact, spending on education in Burundi, Kenya, Namibia, South Africa and Tanzania is today at a comparatively high level in global comparison. However, given the rate of population growth, these efforts are not enough, especially since the quality of education is not high. In Ethiopia, for example, where 13 new universities have been constructed, students' attainment levels and living conditions are nothing short of deplorable.

Long-term gains and losses in regional economic development



Average regional scores and score changes for each economic transformation indicator, BTI 2006 – BTI 2014



Very good	Good	Moderate	Weak	Failed or nonexistent
0	6	6	6	2
	6.92 | Botswana	5.55 | Zambia	4.18 | Ethiopia	1.70 | Somalia
	6.59 | Mauritius	5.36 | Mozambique	4.14 | Burundi	1.34 | Eritrea
	6.22 | Namibia	5.15 | Tanzania	3.99 | Angola	
	6.09 | South Africa	5.00 | Lesotho	3.61 | Madagascar	
	6.01 | Malawi	4.93 | Rwanda	3.52 | South Sudan	
	5.86 | Uganda	4.89 | Kenya	3.22 | Zimbabwe	

Transformation management

Score 10 to 7	Score < 7 to 5.6	Score < 5.6 to 4.3	Score < 4.3 to 3	Score < 3

Continuing concerns, little foresight

With regard to governance, the region again shows a pattern of well-known weaknesses. There remains a lack of strategic policy formulation, resource efficiency remains in need of improvement, and only Botswana has fought with success against corruption. Performance in the area of international cooperation appears stronger, although this is largely a factor of dependence on donor countries.

After 22 years without a functioning central authority, the failing state of Somalia offers the most extreme example of the structural challenges faced by many countries in the region. Although the state of affairs has improved somewhat, Somalia's transitional government has proved unable to get the country on track toward greater stability. The explosive mixture of low socioeconomic development levels and relatively high conflict intensity also exists in Burundi, Eritrea, Rwanda and South Sudan, all of which continue to bear the wounds of civil war. The post-conflict states also continue to suffer from low levels of trust and have done little to come to terms with their violent pasts, thus representing an ongoing potential threat also to the stability of neighboring countries. The fact that Somalia was the only country to show intensely violent activity during the period under review should not draw attention away from the latent potential for violence elsewhere – for example, in Ethiopia, where tensions between separatists and the government persist.

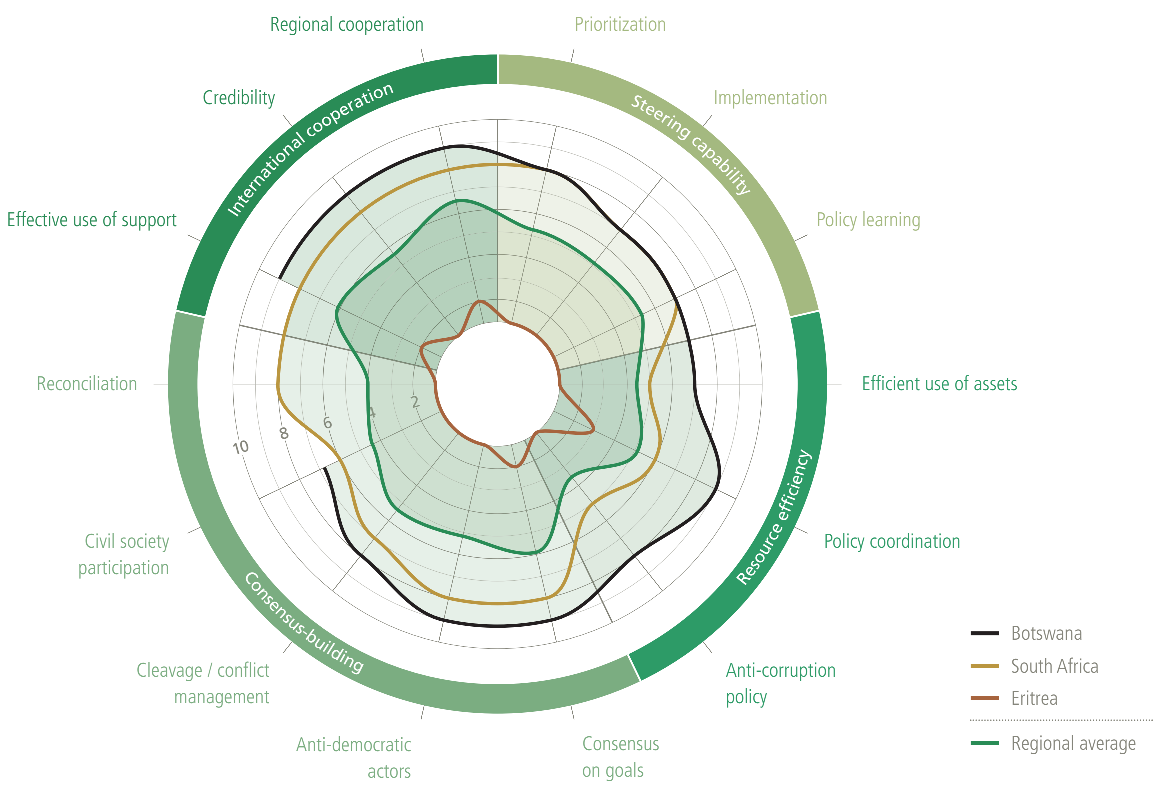
The fact that the regional average for the Management Index is just 4.71 points – below the global average of 4.92 points – must also be attributed to long-familiar weak spots in governance. As in previous editions of the BTI, the formulation and implementation of strategic development goals represent weak points in the political management of most of the region's countries. In many places, there is a widespread lack of foresight; and even if long-term development strategies are formulated, the goals either lack effective prioritization and consistent implementation, as in Namibia and South Africa, or the strategies appear overambitious given the difficult conditions, as in Rwanda. In Madagascar, the ongoing internal political crisis has, for the time being, overshadowed any effort to formulate strategic goals.

In addition, hardly any state uses the resources at its disposal in an efficient way. Botswana and Mauritius, the regional leaders in terms of management, are exceptions; with a respective eight and seven points on the efficient use of assets indicator, both are among the top 15 countries worldwide in terms of the most effective use of available financial, organizational and human resources. Elsewhere, inefficiency is significantly higher, whether caused by a bloated civil service (as in Namibia), low levels of tax collection (as in Madagascar) or a complete lack of budgetary transparency (as in Angola). And while the fight against corruption is a declared goal for all governments, there are vast shortcomings in this area in practice. Only Botswana can demonstrate some success here, with a ranking among the top ten worldwide in this indicator. In the other countries, existing laws are often not consistently applied, particularly in cases when persons close to the government are involved. Developments in South Africa since the beginning of Jacob Zuma's term of office provide an example in this regard: In comparison with the BTI 2008, the country has fallen by two points in this indicator.

Zimbabwe shows significant improvements in governance performance (+1.05 points in the Management Index). The coalition government's Movement for Democratic Change (MDC) ministers in particular were able to make improvements in the areas of anti-corruption policy and the formulation of goals. However, it should be recalled that the previous score level was extremely low; thus, even small improvements on indicator levels had significant impact on the overall Management Index score. The fact that Zimbabwe is still only in 116th place of the global ranking shows that the dictator Robert Mugabe continues to have little interest in improving accountability. In Ethiopia (+0.71 points), the government succeeded in improving its policy coordination. Rwanda has demonstrated some progress in poverty reduction and economic development in recent years, and has developed a reputation as a successful modernizing dictatorship. However, because the government is demonstrating increasingly authoritarian behavior, the country has stagnated in the Management Index.

Most countries achieve their best scores in the criterion of international cooperation. However, as in the case of the neighboring West and Central Africa region, this can largely be explained by the dependence on external support. In this respect, it is notable that, in some countries, China has replaced the European Union and the United States as the largest trading partner. In Madagascar, for example, Asian capital has partially compensated for the lack of private capital inflows after the coup. And, in Ethiopia, China is undertaking massive infrastructure projects. Thus, it was Chinese firms that constructed the new African Union headquarters in Addis Ababa. However, Ethiopia's government and security forces remain strongly supported by the West. In this case, the security-policy argument associated with the fight against terrorism apparently weighs more heavily than the authoritarian system's questionable credibility.

Governance in regional comparison:
strong in international cooperation, weak in resource efficiency



Transformation management indicator scores

Uncertainty persists

The persistent lack of progress toward a democracy under the rule of law and a market economy anchored in principles of social justice seems to indicate a forecast of stagnation for the countries of South and East Africa. However, a closer examination reveals widely varying future prospects.

The new governments in Malawi and Lesotho give cause for hope. In Malawi, following the unexpected death of President Mutharika, new President Joyce Banda came to office in a constitutionally questionable manner, but immediately implemented reforms. Lesotho lags somewhat behind in implementing reforms, at least in terms of economic policy. Its degree of dependence on donor countries is also too high. Somalia offers no more than a glimmer of hope; however, after more than two decades of violence, even this must be deemed progress. Following the military defeat in Somalia of the Islamist al-Shabaab militia by the alliance of the African Union and units of the Transitional Federal Government (TFG), as well as the establishment of a (appointed, not elected) parliament and transitional government, a new starting point has been secured for a TFG that in the past was hardly capable of acting. It remains to be seen whether this is enough to create the minimum level of stability needed for any positive transformation.

Developments in South Africa give cause for worry, however. Given the still-comfortable majority held by the ANC, the fact that Jacob Zuma has announced his candidacy for the 2014 presidential elections portends a continuation of his short-term-focused, ad hoc approaches to politics. Considering South African's significance as an anchor country within the region, this would also have negative implications for neighboring countries, particularly in economic terms.

In Zambia, President Sata has yet to set any fundamentally new priorities. Whether he can deliver on his most important promise – creating new jobs – depends on developments in the global economy and the demand for copper, the country's most important export product. In general, international market developments and the corresponding demand for mineral and agricultural raw materials play a central role in the economic development of the region as a whole. The recession or economic stagnation in Europe and slowdown in growth in Asia thus bode ill.

The new state of South Sudan has uncertain future prospects. It remains to be seen whether the contradictions between unconsolidated state structures, massive security problems, rampant corruption and low capacities, on the one hand, and the development potential, on the other (currently, per-capita income is already double that of neighboring Uganda), can be resolved in favor of peaceful and democratic development. It remains unclear whether the international community, through a massive presence in South Sudan, can play a central role in the stabilization of this young state.

A rapid development toward democracy and a market economy, as anticipated and hoped for in the West, will not take place in South Sudan and many other states of South and East Africa. There are too many examples over the last decade of the ephemerality of positive developments. These experiences sound a note of caution with respect to any overly optimistic expectations.

This summary is based on the South and East Africa regional report by Siegmar Schmidt, available at **www.bti-project.org/esa**

Full reports for each country in the region available at **www.bti-project.org/countryreports/esa**

Jan Hofmeyr heads the Policy and Analysis Programme at the Institute for Justice and Reconciliation (IJR) in Cape Town. The institute, a recipient of the 2008 UNESCO Prize for Peace Training, focuses its activities on matters of transitional justice within African societies. Jan Hofmeyr has contributed to the Bertelsmann Transformation Index (BTI) and the Sustainable Governance Indicators (SGI). Before joining the IJR, he worked with the Konrad Adenauer Stiftung's Democracy Development Programme in South Africa. Jan Hofmeyr has been a member of the Transformation Thinkers network since 2005.

Interview

"Skepticism has grown"

Jan Hofmeyr on the diluted social capital of the ANC – and why migration is a challenge for South Africa

More than two decades have passed since the end of apartheid, and South Africa is often cited as a role model for reconciliation. What is your estimation of this process? And is it complete?

Reconciliation cannot imply a process where increasingly more citizens "forgive or forget" the country's past. Given the scale of oppression most South Africans experienced under apartheid, this would set the bar too high. Reconciliation entails a growing acceptance of our interconnectedness and a commitment to creating a common future. Under former President Mandela's leadership, this understanding of reconciliation took precedence to ensure that the rebuilding of the country could occur in an environment unencumbered by potential spoilers. Yet, in the past 13 years, skepticism has grown as the promised outcome, the creation of a better life for the majority, has proven difficult to achieve. Although the country's middle class is slowly becoming more integrated, race continues to figure strongly in poverty and inequality. While poverty levels have dropped, inequality has widened. There has also been a perception that a large component of white South Africans have disengaged from the process of rebuilding the country.

South Africa represents one of the few success stories on the African continent. Equally established are the merits of the African National Congress (ANC), which has been the dominating political force since 1994. But the BTI country report notes a "widespread dissatisfaction" with the ANC. What are the roots of dissatisfaction – and is it justified?

The ANC still describes itself as a liberation movement, but growing numbers of younger South Africans evaluate its performance in government, not its legacy. Although millions of South Africans are now better off, many believe the government could have done better with the resources and political power at its disposal. Much of this can be attributed to policy inconsistency resulting from power struggles within the ruling tripartite alliance of the ANC, the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP). Growing evidence of government corruption has also diluted the ANC's social capital. But dissatisfaction has not resulted in major electoral defeats; many of the ANC's former voters have simply abstained from voting and have not yet found an alternative political home.

South Africa invests almost six percent of its GDP in education, which is more than the EU average. Why are successes few and problems still massive?

First, there have been historical inequalities to address. Second, the continued impact of poverty on the ability of students to perform cannot be underestimated. A hungry child is unlikely to perform, even with the best infrastructure. Third, compared with EU countries, South Africa has a much younger population (72 % is under the age of 35). Proportionally, the South African education system has far more students, which results in lower levels of spending per child. Finally, the current government has been inefficient and sometimes wasteful in spending its allocated budget. In 2012, students in some provinces did not have access to textbooks, while thousands of dumped textbooks were found in remote areas.

The National Development Plan intends to cut unemployment to six percent by 2030, just a quarter of its current rate. How realistic is such a goal, and will it become easier or more difficult to reach a consensus on development goals in the years to come?

This will be difficult to achieve under current circumstances, as GDP will have to grow at an annual average rate of 5.4 percent. In the past two years, it failed to reach even three percent. External circumstances will therefore have to align with the internal measures taken in this regard. But some of the biggest unions within COSATU have rejected the entire plan outright or parts of it. Such fragmentation within the alliance will slow the plan's implementation.

The comparatively rich South Africa is a popular destination for inner-African migration. Migrant workers represent additional competition for scarce jobs, and xenophobia is growing. How should the government deal with illegal immigration, migrant workers and growing militancy?

Migration to South Africa will remain an inevitable reality. The government will have to become more proactive in this regard. Better regulation instead of forceful suppression is needed. The country's porous borders make tracking migrant movement difficult. High levels of corruption and intimidation by police toward foreign migrants further undermine the migration system. In recent years, the Department of Home Affairs has also reduced the number of locations where migrants could obtain the required documentation to stay in South Africa and, as a result, migrants have logistical difficulties in registering. The greatest challenge lies in educating South Africans about the context of migrancy and migrants' rights. Successive surveys have pointed to high levels of prejudice toward migrants among South Africans of all classes. Much more needs to be invested in educating citizens in order to pre-empt xenophobic violence.