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THE AFRICA RISING NARRATIVE - WHITHER DEVELOPMENT?

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Abstract

Over the last ten years the mainstream press have put together an Africa Rising narrative which tells us that because of a series of "good" governance reforms and more responsible economic management (by technocratic and not ideological leaders), African countries have managed to transform their economies into growing vibrant engines of growth. Robust growth rates that averaged 5.8% a year between 2002 and 2012 formed the basis of expectations that there was more to come. In 2011 The Economist (Dec 3rd) reported that, after decades of slow growth 'Africa now has the real chance to follow Asia in embarking on fast growth in a very short period.' After years of repose - Africa was rising. Basing its predictions on data from the IMF, The Economist (ibid) declared that Ghana, Mozambique, Nigeria and Zambia would be among this decade's star performers. Recent events (like Ghana's 2015 IMF bailout) may have dented the narrative but it persists because although Africa's 2015 GDP declined 1.2% to 3.4% from 4.6% in 2014, it is still among the fastest growing regions in world. There is clearly a huge disconnect between the narrative and the images of African migrants risking life and limb to get away from Africa and into Europe. This article explores the sources of the disconnect and evaluates the narrative. How and why did The Economist (and others in the media and the economics profession) manage to put forward the bold claim that the 21st Century belonged to Africa?

Keywords: Africa; growth; development

JEL codes: O55; O40; O10

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The Africa Rising Narrative: Whither development?

Rex A McKenzie, April 18, 2016

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Over the last ten years the mainstream press have put together an *Africa Rising* narrative which tells us that because of a series of "good" governance reforms and more responsible economic management (by technocratic and not ideological leaders), African countries have managed to transform their economies into growing vibrant engines of growth. Robust growth rates that averaged 5.8% a year between 2002 and 2012 formed the basis of expectations that there was more to come. In 2011 The Economist (Dec 3rd) reported that, after decades of slow growth '*Africa now has the real chance to follow Asia in embarking on fast growth in a very short period.'* After years of repose - Africa was rising. Basing its predictions on data from the IMF, The Economist (ibid) declared that Ghana, Mozambique, Nigeria and Zambia would be among this decade's star performers. Recent events (like Ghana's 2015 IMF bailout) may have dented the narrative but it persists because although Africa's 2015 GDP declined 1.2% to 3.4% from 4.6% in 2014, it is still among the fastest growing regions in world. There is clearly a huge disconnect between the narrative and the images of African migrants risking life and limb to get away from Africa and into Europe. This article explores the sources of the disconnect and evaluates the narrative. How and why did The Economist (and others in the media and the economics profession) manage to put forward the bold claim that the 21st Century belonged to Africa?

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1.0 Introduction

Over the last ten years the mainstream press have put together an *Africa Rising* narrative which tells us that because of a series of "good" governance reforms and more responsible economic management (by technocratic and not ideological leaders), African countries have managed to transform their economies into growing vibrant engines of growth. Robust growth rates that averaged 5.8% a year between 2002 and 2012 formed the basis of expectations that there was more to come. The narrative seems remarkably out of step with the horrors of the Ebola crisis that the media carried between 2013 and 2015. It does not sit well and does not mesh with media stories on the legion of Somalis, Nigerians, Liberians, and others from Sub Saharan African who have been prepared to travel across the Sahara from their respective countries into war torn Libya and other parts of North Africa, and then to undertake a perilous journey across the Mediterranean and into Europe. Such a vision does not square with the Africa rising narrative. There is clearly a gap in the perception of the ordinary African and that of the mainstream. The empirical evidence comes from two sources; an Afrobarometer survey taken in 2013, (cited in Taylor, 2016) of perceptions and the AfDB Index of Public Protests (AfDB et al 2015 cited in Bond, 2016), Table 1 summarises the results and prompts the working proposition that perceptions of socio-economic injustice are feeding protest and disaffection across Africa. What then is the source of the disconnect between the ordinary citizen and the Africa Rising proponents of the mainstream? The explanation offered here is quite simple; it arises out of the need to sanitise neoliberal capitalism and to present it with its best face.

Table 1

Perceptions	**Respondents**
Condition national economy -"fairly" or "very bad."	53%
National economy has improved in the past year.	31%
Things have gotten worse	38%
Governments doing 'fairly' or 'very badly' in improving the living standards of the poor	56%
Fairly or very badly in creating jobs	71%
Fairly or very badly narrowing income gaps.	76%
Year	**Index of Major Public Protests**
2000	100
2013	550

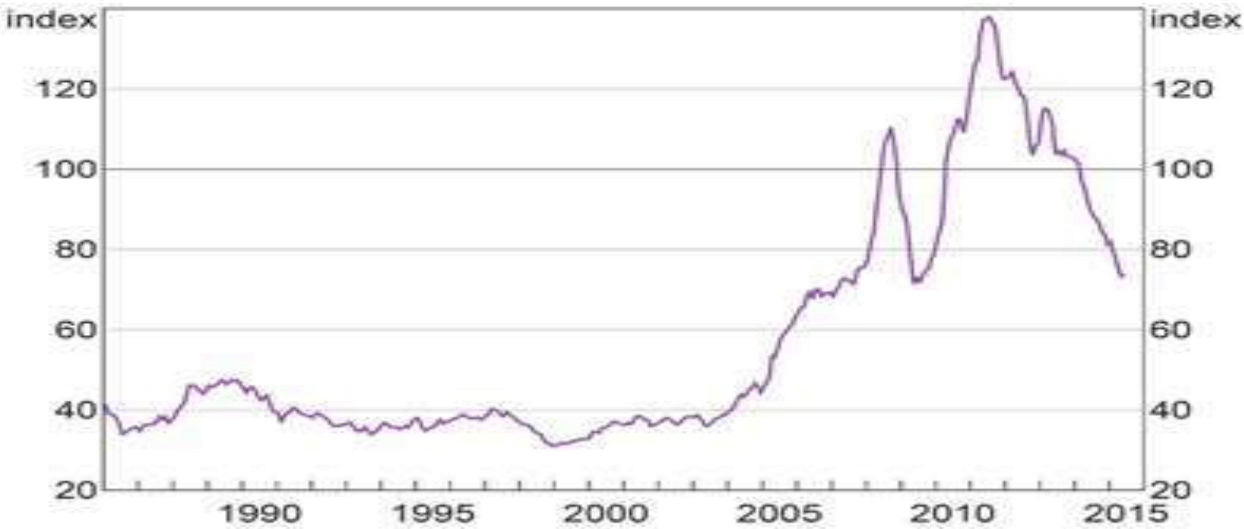
Source: Afrobarometer survey of Perceptions (2013, cited in Taylor, 2016) and the AfDB Index of Public Protests (AfDB et al, 2015 cited in Bond, 2016)

This paper argues that despite the foundations laid by Seers (1969), Sen (1999) and others, the mainstream press and its economists have taken a crass view of economic development and by some mysterious means have managed to conflate growth in GDP with development. Other writers (Taylor 2015 and Bond 2016) show that such growth as has occurred has been based on an intensification of resource extraction with deepening dependency and increasing inequality that is far more consistent with the perceptions of the ordinary African. The paper is arranged as follows; section two establishes the theoretical basis of the paper. I follow Moyo et al, (2012), and frame the history in terms of primitive accumulation described by Marx (2013). I present the significant rise in prices during the commodity supercycle in the last decade as evidencing a new scramble for Africa. The remaining sections on BRICs, Land Grabs, Sovereign Debt, Licit and Illicit Flows are parts of the African political economy that militate against any idea of a rise in African fortunes. In other words these are countervailing tendencies that tell the story that the Africa rising narrative omits. These are the stories that inform the perception of the African citizen and together they inform a more general narrative of economic injustice and inequality. Finally the paper examines changes in the Gini coefficient of African countries over the last ten years and concludes by offering an explanation in terms of the sanitisation of capitalism for ideological and hegemonic reasons by the mainstream press and its economists. If it could be logically claimed and demonstrated that Africa was indeed rising it would be a vindication and legitimisation of the neoliberal order, an order that ultimately speaks to convergence in living standards between nations in a capitalist world.

2.0 Historical Parallel – A Scramble for Africa

Africa's insertion into world capitalism is historically based on its ability to supply a vast army of labour for the plantations of mercantile capitalism and then subsequently as a producer of raw materials as inputs for the factory system of industrial capitalism. That position has continued through the centuries virtually unchanged albeit that the labour arriving now in Europe is unwanted. As a continent with a population of over 1.2B people, massive commodity repositories – 1/10th of the world's oil, 1/3rd of its mineral reserves, and 2/3rd of the world's diamonds – and approximately 60% of the world's uncultivated arable land, Africa's fortunes have always been closely linked with the global commodities cycle. Thus, between 2002 and 2011 the super cycle propelled prices to historically high levels and Africa as a commodity exporter garnered windfall earnings from these higher prices. As a consequence growth in GDP expanded at a substantial rate.

Figure 1: Commodity Price Index



Source: Reserve Bank of Australia, 2015, in Bond, 2016.

Over 2014-15 the prices of primary commodities declined precipitously, "oil by 50 percent, iron ore by 40 percent, coal by 20 percent and copper, gold and platinum by 10 percent" (IMF 2015 cited in Bond, 2016, 6) and the commodities super cycle came to an abrupt end.

According to Moyo et al (2012), the high prices of the supercycle signal a 21st Century thrust for African resources representing a new 'scramble' for Africa that forms historical parallel with the scramble of the late 19th Century. To the extent that this new scramble involved monopolistic firms and major states in a 'geopolitical' struggle for resources it is a classic scramble. Its newness derives from four systemic determinants (ibid):

1. A neoliberal opening up and financialisation of national economies.
2. A series of privatisations of state and communal property that were all a part of the neo liberal project;
3. The ongoing and 'silent' alienation of land that started in the 1990's and resulted in its concentration in hands of domestic and foreign capital.
4. The USA's proxy war in the Great Lakes region that started after the collapse of its strategic pillar in Central Africa.

These are the systemic roots fuelling the drive for African resources. According to the authors the systemic determinants represented the escalation of an ongoing process of the primitive accumulation that Marx (2013) was the first to write about. In writing on the subject Marx tried to show that, "*capitalism deploys extra-economic force to separate peasants from the land and commodify both labour and land; and how the capitalist system, once created, continues to exploit labour by less transparent means, that is, by the appropriation of labour power beyond the labour time necessary for the social reproduction of the workforce"* (Moyo et al, 2012: 185). Primitive accumulation in Africa has been a more extreme process than elsewhere. As a result, one of the distinguishing features of the African periphery is the character of accumulation which has set in motion a permanent process of semi-proletarianisation (ibid). In turn this results in the ejection of the peasant producers from the countryside *without* their full absorption into any other sector (industrial, manufacturing or service). According to Foster *et al.* (2011), this ejected population performs an essential function in the world economy, not merely as a reserve army that drives down wages but as a reserve that funds the reproduction of capital by its own unremunerated labour. The self-exploitation of the semi-proletariat is a key dimension of super-inequality, and is itself an extra-economic contribution to capital, in the sense of not being accounted for by the market (Moyo et al, 2012).

Primitive accumulation has always been accompanied by the use of violence. In the recent period, the use of violence by Western powers has been propelled by both external and internal factors. Turning to the external first; at the start of 2001 a Report of the National Energy Policy Development Group (NEPDG) spoke to the instability in Western Asia and North Africa which could disrupt the USA's energy supplies. The seismic felling of the twin towers on 9/11 amplified these concerns and set off a policy exchange on energy from which oil production in Africa emerged as an alternative source to the endangered sites in West Asia. According to Moyo et al, 2012, China did not standby idly. She viewed these developments with grave concern and fearing a possible exclusion from key sources of oil and vital shipping lanes, Beijing developed its own Africa strategy (Government of China, 2006, cited in Moyo et al, 2012). This is the external source of the re-militarisation of US strategy but the less acknowledged source of the scramble has been *the changing security context on the continent* (ibid). Here there are three key internal inter-related events that are important;

1. The first was the political transition to democracy in South Africa. This transition deprived imperialism of a staunch ally in Southern Africa.
2. The second was the state fracture and war in the DRC, by which the United States lost its main pillar in Central Africa. Indeed, the two Cold War pillars of US strategy in these regions – the apartheid state and the Mobutu regime – collapsed in the space of a few years.
3. Third, Somalia and Sudan in the East, Boko Haram and Côte d'Ivoire in the West, Libya and North Africa. All threatened the control over critical sources of energy and/or supply routes.

3.0 BRICs (Brazil, Russia, India, China and South Africa)

This section discusses the role of BRICs in Africa. The focus is China and South Africa and their use of Foreign Direct Investment (FDI) on the continent. They are discussed in relation to FDI by capital outlay and FDI by the number of ongoing Greenfield projects (the direct investment in physical facilities by foreign companies).

China's investment in Africa has been substantial and much has been made of its spending on infrastructure. But China invests more heavily in Europe and North America. This is because their motives for investing overseas are usually centred on access to new technologies and tie-ups with prestigious brands (FT, Oct 6th, 2015). When it comes to FDI in Africa it is in fact western companies that are most active in Africa.) Judged by capital expenditure, China ranks fourth in the list of countries for 2014. South Africa ranks eighth on the list of top investing countries. Insofar as it affects Africa it is the eye catching mega projects usually in the energy and extractive sectors that grab the headlines. But it is the smaller and more diverse projects that deliver most of the jobs on the ground; "Typically, the larger the number of projects the greater the level of diversification." (*Ajen Sita, CEO, EY Africa Attractiveness Survey*, D. Parnell, Forbes.com April 12, 2016). Where the BRICs are using FDI in this way they are enjoined in a job creating process that supports diversification away from resource dependency into the financial services, consumer, construction, retail and telecommunications sectors. In terms of FDI, what Africa needs and should welcome is the type of FDI that creates jobs and reduces resource dependency.

Table 2: FDI by Capital Expenditure

By Capital Expenditure	Capex*	Share of Total
France	$18b	21%
Greece	$10b	12%
USA	$8b	9%
China	$6b	7%
Belgium	$5b	6%
Canada	$5b	6%
UAE	$5b	6%
South Africa	$5b	6%
Germany	$3b	3%
UK	$3b	3%
Other	$19b	22%
Total	$87b	100%

Source: fDI Markets in The FT Oct 6th, 2016

Table 3: FDI by Current Projects

Country	No of Projects	% Change from 2013
USA	97	49%
UK	51	-54%
France	46	21%
S. Africa	45	-13%
Germany	35	3%
UAE	32	10%
China	28	180%
Portugal	26	160%
Spain	22	-19%
India	17	-60%
Other	261	-7%
Total	660	-6%

Source: fDI Markets in The FT Oct 6th, 2016

The BRICs are united by the fact that they have all benefited from the neoliberal opening up of African economies, but as Moyo et al, (2012:195) observe; *"Their modes of engagement with Africa are no less diverse or contradictory."* The BRICs in Africa bring another layer of complexity to the picture in that they have modified and intensified exploitative practices of the Western TNCs (see Bond and Garcia 2015). Many left leaning observers have endorsed the BRICs New Development Bank (NDB) but I join Bond, 2016 in emphasising the deep contradictions that would be involved and in questioning whether such developments represent a decisive break with the past or a reproduction of the existing power structure? *"The Contingent Reserve Arrangement, for example, requires BRICS countries in financial trouble ... to go to the IMF for a structural adjustment loan and policy once they have exhausted 30 percent of their borrowing quota."* (Bond, 2016:16) In general the case against western TNCs "based on their excessive profiteering and distortion of African economies" has been well made. But the worst form of Foreign Direct Investment (FDI) is the type which comes "solely in search of raw materials." Today such FDI comes not just from the advanced countries of the centre, but from BRICs countries operating as sub imperialists on the African continent.

By contributing to an increase in the competition for African natural resources, BRICs countries played a major part in sustaining prices during the super cycle. While globally FDI has been in retreat falling from a peak of $1.5 trillion in 2011, to $1.2 trillion in 2014, in Africa, FDI inflows have been stable at around $54b a year (UNCTAD, 2015). Although there was a 15% decline in FDI into North Africa, flows into sub-Saharan Africa actually rose 5% to $42 billion in 2014 (ibid). In aggregate Africa's share of the global FDI market is small at 4.4%, but it is growing and seems set to grow further.

Business arrangements and partnerships with BRICs companies are complex and sometimes sinister. For instance, Swiss commodity giant Trafigura, in a partnership with Angolan company, Cochan Limited and the shadowy[1] China International Fund, now control Angola's railway infrastructure, fuel distribution network and iron ore deposits via a vast global network of off-shore companies registered in various tax havens. Using funds coming from Angola's oil sales to China, the DT Group's tripartite arrangement has fashioned a conglomerate that consists of property, fuel, steel-making, shipping and logistics holdings (Grobler, 2014).

3.1 South Africa

South Africa's role on the continent is a matter of controversy. Bond (2004, 599) sees South Africa as a subimperialist power with its capital engaged in the "systematic internal exploitation" of the rest of Africa. According to Lesufi (2006: 33), "South African capital has all the essential features of imperialism as conceptualized by Lenin'. For Taylor (2011, 123), and in Alden and Le Pere (2009) such conceptions are a huge overstatement. What is incontrovertible is that South African corporations wield great power up and down continent (Martin, 2016, 163) and it is the use and exercise of this power that causes unease among its neighbours. According to Henning Melber, Pretoria has *"... always protected its own industry and destroyed infant industries in other countries. At the same time SA companies ruthlessly destroyed local enterprises to create monopolies in the Southern African Customs Union states. I never had any illusions that SA economic interests were only pursuing exactly these. Yes, from a Namibian perspective SA is subimperialist and a junior partner to imperialism."* (Namibian political economist Henning Melber, 2013, in Bond, 2014).

So what are the facts and what does the evidence tell us? Ernst & Young's 2015 'Africa Attractiveness Survey' estimates that South Africa's foreign direct investment in the rest of Africa has increased by 57 percent since 2007. In 2010, 17 out of Africa's top 20 companies were South African[2]. And by 2012, South Africa invested in the rest of Africa more than any other country in the world' (Bond, 2014). In 2014, (in terms of Greenfield investment) South Africa was the fourth biggest country-based source of FDI in Africa judged by the number of projects (fDI Markets cited in *Financial Times* October 6th, 2015). The

[1] The Hong Kong-based China International Fund (CIF) is also known as the 88 Queensway Group. The CIF is Beijing's official representative in Angola. CIF acts as the exclusive broker for all Angola's large infrastructure contracts. According to a United States congressional report CIF's president is Sam Pa, also known as Xu Jhiang. Xu Jhiang is a former military officer who was trained with Angolan President Eduardo dos Santos in Soviet Russia. There are a plethora of accusations against him around unsavoury business practices in minerals-for-infrastructure deals in every troubled African country from Guinea to Madagascar. CIF's Angolan partner is the DT Group which is owned by generals of the Angolan army. The Asian holding arm, DTS Holdings (Singapore), lists General Leopoldino "Dino" de Nascimento as its sole director. De Nascimento is the former information chief under Angolan President Eduardo dos Santos and advisor to General Manuel Helder Veira "Kopelipa" Dias. (See, Grobler, 2014).

[2] These include, MTN, Standard Bank, Shoprite retail, and Sanlam insurance.

corporate model for expansion and penetration seems to be, to use the larger markets in the South to achieve economies of scale and then swamp and flood other countries with cheaper products that destroy the residual basic needs manufacturing sector in these countries. Bond (2016: 12) points out "*this is a form of looting also based on the IFF strategies used against South Africa by TNCs*." About a dozen South African companies take part in the looting and carving up of Africa; British American Tobacco, SAB Miller breweries, the MTN and Vodacom cell phone networks, Naspers newspapers, four banks (Standard, Barclays, Nedbank and FirstRand), the Sasol oil and remnants of the Anglo American Corporation empire- all use FDI as a weapon and all derive substantial FDI profits from its deployment in Africa.

In 2013 Wiki Leaks, published a 2009 Stanfor internal memo. Stanfor is a Texas based intelligence firm. The memo emphasises a crucial feature of the South African political economy missed by many a radical scholar; *'South Africa's history is driven by the interplay of competition and cohabitation between domestic and foreign interests exploiting the country's mineral resources. Despite being led by a democratically-elected government, the core imperatives of South Africa remain the maintenance of a liberal regime that permits the free flow of labor and capital to and from the southern Africa region, as well as the maintenance of a superior security capability able to project into south-central Africa.'*(Stanfor 2009, memo cited in Bond 2014). The interplay has engendered what may appear to be schizophrenic policy response from the South African authorities; on the one hand South Africa is a major actor steered in a regional mutual defence pact positioned against Western military interference in Southern Africa, and on the other hand, the country continues to serve as a hub for Western economic interests on the continent (Moyo et al, 2012)[3]. What appears to be schizophrenic behaviour is in fact a reflection of the complexity of the circumstances. The viewpoint adopted here is that South Africa exhibits these polar features because of the complexity of its history and the strength of the contending groups within South Africa. Thus it is at one and the same time capable of subimperialist aspirations while standing against Western geo political expansion in Africa.

3.2 China

Given the resource endowment commodity prices have proven to be the single most significant determinant of national income. Between 2002 and 2008, prices rose extremely quickly driven largely by demand coming primarily from China and India. By 2012 the African continent had expanded its rate of trading with the major emerging economies – especially China – from around 5 to 20 percent of all trade and by 2009 China had overtaken the United States as Africa's main trading partner (Bond, 2014).

The Economist (April 20, 2011) captures the scale of the change, "*A recent Chinese government survey of 1,600 companies shows the growing use of Africa as an industrial base. Manufacturing's share of total Chinese investment (22%) is catching up fast with mining (29%)* The government in Beijing facilitates all sorts of activity in Africa. Construction is the most popular, it accounts for three-quarters of recent private Chinese investment in Africa. Many African countries influenced by Industrial Policy and the East Asian miracle have made industrial investments a precondition for resource deals. *"In Ethiopia two out of three resident Chinese firms are manufacturers."* (Economist, April 20, 2011). The commerce ministry reports that Chinese companies are signing infrastructure deals worth more than $50 billion a year. Alternately the figure set aside for investment in African farming is $5 billion. A lot of Africans view this anxiously. The

[3] According to Bond in Pambuzuka 11th April 2014, *"The SA National Defense Force made a fool of itself in the Central African Republic just before the 2013 BRICS summit, defending 'Jo'burg businesses' (including some with apparent African National Congress links) according to troops who came home furious about what was termed (by the new government) their 'mercenary' mission."*

most significant Chinese push to date, has been in finance. Industrial and Commercial Bank of China has bought 20% of Standard Bank (a South African lender and the continent's biggest bank by assets), and now offers renminbi accounts to expatriate traders. Other mainland banks have opened offices too; reportedly they make collateral-free loans to Chinese companies[4]. China-Africa ties have matured over the past decade, substantially altering the make-up of Africa's political and economic milieu. In 2011, South Africa exported goods worth R90.2-billion to China, R42.7-billion to Germany, R29-billion to the UK, R12.9-billion to Italy and R6.3-billion to France.

The racialised global culture woven by imperialism is a grossly under researched component of European expansion since the slave trade. According to Moyo et al (2013: 3) this culture, "has yielded an enduring 'hierarchy' of peoples, including a special paternalism towards the African continent." (Ibid) This viewpoint is reflected in President Museveni of Uganda words; *"The western ruling groups are conceited, full of themselves, ignorant of our conditions, and they make other people's business their business, while the Chinese just deal with you who represent your country, and for them they represent their own interests and you just do business."* (FT, March 3, 2013) This history of race and racism is helping to cement Africa/China relationship but because it derives from a global capitalist history Africa's new non-western BRICs partners are as susceptible to its influence as Europeans or Americans. (see Moyo et al, 2013) In terms of trade seventy percent of Chinese exports to Africa are made up machinery and manufactured goods. In return eighty five percent of its imports from Africa are in the form of oil and raw materials.

During the supercycle China was driven by what seemed to be an insatiable demand for commodities. It offered cheap infrastructure loans in exchange in particular for access to oil and between 2000 and 2011 bilateral trade rose from around $11bn to $160bn. The 2012 figures show that trade between China and Africa reached $160-billion in 2011, up 28% from the previous year and in 2013, China accounted for 18% of Africa's trade, compared with 10% in 2008. China is marginally more expensive, but despite this it has managed to grow exports to Africa rapidly. This is no doubt that this is a concerted effort on the part of the Chinese. The financial press is replete with stories of high-level political visits and success seems to have bred more success to the extent that *"Chinese and African businesses are now more comfortable transacting with one another. State-owned companies encouraged to "go out" have been successful in Africa, enabling China to increase its exports of equipment, machinery and vehicles."* (Helmo Preuss, www.Timeslive.co.za). African imports from China expanded by 23.7% in 2011 to $73-billion and in 2012 Africa sourced 16.8% of its imports from China – up from only 4.5% in 2002.

Given Africa's demand for infrastructure and China's differential approach to financing, markets for African/Chinese exports and imports have been opened up. These seem set to grow. There are challenges, foremost amongst them the possibility the weaker demand for African commodity exports and African food-price increases coming from a local currency depreciation. Thus as far as Africa is concerned the most important change in the post crisis period is the emergence of China as the clearest counter-force to the West. In addition African governments now lean towards China as an economic partner over Western countries for at least three important reasons (Quartey, 2013).

1. China's own development experience has instructive value.
2. China fulfils Africa's need for critical infrastructure more cheaply, less bureaucratically,

[4] Theoretically, Africans are eligible to borrow on the same terms, but in effect this rarely happens.

3. China portrays Africa more positively as a partner in "mutually beneficial cooperation" and "common prosperity," rather than a "doomed continent" requiring aid.

These three combine to reinforce and deepen Africa/China engagement thus in that a new South-South axis has been established the world has changed in a profound and historic manner.

4.0 Land Grabs

China and India have been prominent in land grab stories and so has South Africa. In this way the BRICs add another layer of complexity to the analysis of imperialism on the African continent. Land grabbing entails the large-scale acquisition of land in developing countries, by domestic and transnational companies, governments, and individuals[5]. The surge in land grabs caught the attention of the media and policy and academic circles only in 2008 on the back of the surge in food commodity prices (Moyo 2010). Ghosh (2008), and Tabb (2008), show that the diversion of food production to agro-fuels and the oil-related price increases accounted for 85 percent of the food price increases. However, the ‘food crisis’ is not the first determinant of the scramble for land in Africa. In Moyo (2010) land grabs have a long and uninterrupted history that date back to the last scramble.

According to Oxfam (2011), as much as 227 million hectares of land – an area the size of Western Europe – has been sold or leased since 2001, mostly to international investors. “The bulk of these land acquisitions took place between 2009 and 2011, according (Land Matrix Partnership in Oxfam, 2011). There are two very big features of the process that are important in identifying key changes that followed the Great Recession of 2007-2008 (Cotula et al, 2009). First, dominance of the private sector with strong financial and other support from government, and significant levels of government-owned investments; second, dominance of foreign investment with domestic investors also playing a major role in land acquisitions. In 2007-2008 the world food price crisis that accompanied the Great Recession was immediately for Africa far more decisive than the shocks that were to emanate from financial crisis. Food security fears at the centre prompted investors and speculators to seek out vast tracts of agricultural land in Africa for the purposes of food and biofuels production. So as the credit markets dried up and financial activity ground to a near halt, Hedge Funds, Sovereign Funds, and the Pension Funds and other finance led western companies carved out another area in Africa where super exploitation of resources would yield super profits[6]. This time they once again connected financial speculation to the question of the land and rentier capital migrated from troubled financial markets in the centre.

5.0 Illicit Financial Flows (IFFs)

According to (Kar and Spanjers, 2015, cited in Bond 2016: 23), Sub-Saharan Africa as a whole lost 6.1 percent of GDP annually to IFFs. According to Global Financial Integrity (GFI), 2015, (ibid), between 2004 and 2013, IFFs cost South Africa $21 billion per year and $18 billion per year in Nigeria. Africa has a level of illicit capital flows is *staggeringly* high (Kumar, 2014). According to Bond (2016), the charge that Africa is ‘Resource Cursed’ fits the data well. The African Development Bank (2013) *African Economic Outlook* estimates $319 billion in illicit outflows between 2001-10, with the most coming from,

[5] Initially hailed by investors and some developing countries as a new pathway towards agricultural development, investment in land has come under increasing fire from a number of civil society, governmental, and multinational actors for the various negative impacts that it has had on local communities. (StopAfricaLandGrab.com).

[6] Those involved include Goldman Sachs, JP Morgan, London-based Emergent that works to attract speculators, Spellman College and various universities including Harvard and Vanderbilt. (The Guardian, June 8, 2011)

"Metals, $84bn; Oil, $79bn; Natural gas, $34bn; Minerals, $33bn; Petroleum and coal products, $20bn; Crops, $17bn; Food products, $17bn; Machinery, $17bn; Clothing, $14bn; and Iron & steel, $13bn." (Bond, 2016)

Illicit flows cost the continent in two main ways, first, Ndikumana and Boyce 2012, (in Kumar, 2014: 28) estimate that if all the flight capital between 2000-2008 had been invested in Africa – assuming the same productivity as actual investment – the average rate of poverty reduction would have been 4 to 6 percentage points higher per year. Second, in that illicit flows make efforts to tax wealth largely ineffective and therefore contribute directly to worsening income inequality (ibid). The African Development Bank and Global Financial Integrity reported on illicit flows in a 2013 study and found that illicit financial flows were the main motor behind a net drain of resources from Africa of US$1.2-1.3 trillion (on an inflation-adjusted basis) during that period. Nigeria, Egypt, Zimbabwe, Zambia and South Africa lead the continent in terms of outflows. Ranking illicit financial outflows from all countries around the world as a percentage of GDP, Nigeria (8th), Zambia (9th), Zimbabwe (13th), Malawi (14th) and Sierra Leone (15th) are all represented in the top 20 in the world.

Illicit flows come from three main sources, bribery and corruption (3% of the global total), the criminal component, made up of money laundering related to drug and human trafficking, counterfeiting and illegal arms trading (30-35% of the global total) and commercial tax evasion. By far, the major source of illicit flows accounting for 60 to 65 % of the global total is commercial tax evasion (GFI cited in Kumar, 2014). In mispricing transactions companies manipulate the price of exports and imports so as to artificially depress profits and evade tax. The transnational nature of the corporations that trade between subsidiaries in different countries means a company can appear to lose money – or to make very little profit – in the country it is operating in, while making money in other jurisdictions where the tax laws are not as exacting or in the case of the tax havens where no real production and sales activity takes place, and crucially no tax is applied[7].

The foremost practitioners of trade mispricing (or transfer mispricing) are highly integrated companies involved in the extractive sector that make extensive use of offshore centres and tax havens. Evidence from Ghana, Sierra Leone and Zambia support the case. According to one study (Pritchard, 2009 cited in Kumar, 2014) on Ghana, *"There is a widespread awareness of the fact that mining firms are engaged in aggressive tax avoidance and evasion, largely through trade mispricing and claiming excessive capital allowances'. The Ghanaian Minister of Finance in his 2012 budget statement estimates that Ghana loses US$36m a year due to trade mispricing in the mining industry. In Sierra Leone, as of 2011, only one of the major mining firms was paying corporate income tax and this was because their agreement included a turnover tax of 0.5%. None of the top five were reporting profits despite the rapid growth of mineral exports ... Detailed audits of mining companies have never taken place in Sierra Leone and there is growing concern about the scale of revenue losses."* (ibid: 32)

As the release of the Panama Papers show the line between what is licit and illicit is a blurred one. The purpose of off shore, tax haven (with the help of reputable lawyers like Mossack Fonseca) is to make what is illicit, licit. There is no way to accurately estimate the size of this business but there is no doubt that important people all around the world and our foremost transnational companies with legions of accountants and lawyers are all involved in avoiding taxation.

[7] Christian Aid the UK charity has estimated that between 2005 and 2007 Nigeria lost US$956m in tax revenue due to commercial tax dodging and that trade mispricing costs developing countries US$160bn in lost revenues every year(see Kumar, 2014).

6.0 Sovereign Debt

In 2006, Seychelles became the first sub-Saharan African country outside South Africa to issue a global sovereign bond in 30 years. The size of the issue was a mere $200m. In October 2007, Ghana became the second when it issued a $750 million Eurobond with an 8.5% coupon rate. Between 2008 and 2013 the deals got larger and included nine other countries – Gabon, the Democratic Republic of the Congo, Côte d'Ivoire, Senegal, Angola, Nigeria, Namibia, Zambia, and Tanzania. By February 2013, these ten had collectively raised $8.1 billion from their maiden sovereign-bond issues, with an average maturity of 11.2 years and an average coupon rate of 6.2%. These countries' existing foreign debt, by contrast, carried an average interest rate of 1.6% with an average maturity of 28.7 years (Stiglitz and Rashid, 2013). In 2013 a dozen countries in the region managed to raise more than $5bn; *"2013 was a record year for sub-Saharan Africa ... the fact that more and more issuers came into the market created self-momentum and additional comfort both to investors and to new sovereigns debuting in the market" (Florian von Hartig in the FT, Dec 15, 2013).* Taking North Africa – Morocco, Tunisia and Egypt – and South Africa into consideration, the continent raised almost $10bn in global sovereign bonds in 2013, up from about $1bn a decade ago. Moody's (quoted in Blas, 2013) expect that for 2014-2015, six more African countries - Angola, Cameroon, Kenya, Tanzania, Uganda and Mozambique - will debut in the international capital markets with hard currency bonds. Even Ethiopia is seeking a sovereign rating as the first step towards its own bond issue.

Sovereign issues have the advantage that they escape the conditionality and close monitoring typically associated with the multilateral institutions making them more attractive to issuers that would otherwise have to borrow through the multilaterals. There is no doubt that Africa has benefited over the past six years – and particularly since 2010 – from investors' hunger for yield because of the ultra-loose quantitative easing (QE) monetary policies in the US, Japan and Europe (See in the FT, Dec 15, 2013). QE has driven interest rates to historic lows, and this in turn has driven investors' search for yield. From the African side the woeful inadequacy of official assistance and concessional lending with which the continent can meet its infrastructure needs serves as an impetus towards sovereign issue. In combination these factors have led to the significant increase in sovereign debt issue from the African continent. On the downside the freedom is gained at a price because sovereign bonds carry significantly higher borrowing costs than concessional debt.

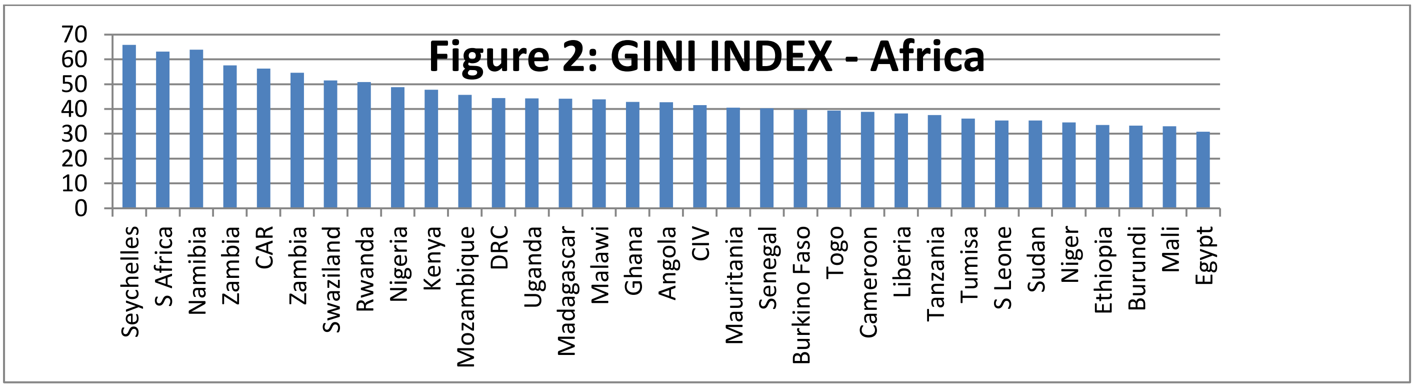
The increased reliance on foreign investors – and the voracity shown by non-resident investors for Africa has prompted the International Monetary Fund and the World Bank to warn to issue similar warnings that emphasise sub-Saharan Africa's vulnerability to global shocks. In these circumstances any increase in interest rates would constitute a clear and present danger for the continent. Clearly interest rates are going to (and indeed have already started) to rise as the Fed prepares the ground to reduce its stimulus to the US economy. The questions that need to be resolved are; what will be the order of magnitude of the increase? And how quickly and how orderly will be the transition? For now we can only say for sure that; "*The JPMorgan Nexgem Africa index, which tracks the bond market in the region, is yielding 6.79 per cent, up from a low-point in January of 5.3 per cent but down from a "taper tantrum" peak of 7.9 per cent in June"* (ibid).

Who holds what is not clear. OECD data shows that foreign holdings of government debt are significant only in South Africa. Yet statistical data based on international investment position (IIP), suggests that in 2011 foreigners held Seychelles and South African debt equivalent to about 10% of those countries' respective GDP. The share was around 5% for Ghana, Mauritius, Swaziland and Tunisia. Long-term debt represented the largest share. Moreover, monthly inflows into mutual funds dedicated to African bonds suggest global investors are increasingly attracted by the asset class (Vajs, 2014).

As Stiglitz and Rashid (2013) argue, to the extent that the new lending is based on Africa's strengthening economic fundamentals, the recent spate of sovereign-bond issues is a welcome sign. Yet the record so far raises eyebrows; how exactly was Zambia able to lock in a rate that was lower than the yield on a Spanish bond issue, even though Spain's credit rating was at the time four grades higher? And what exactly are the contingencies in the event of a decline in the price of copper from which Zambia makes most of its earning? Further in January 2011, Côte d'Ivoire became the first country to default on its sovereign debt since Jamaica in January 2010. In June 2012, Gabon delayed the coupon payment on its $1 billion bond, pending the outcome of a legal dispute, and was on the verge of a default. If oil and copper prices were to fall precipitously, Angola, Gabon, Congo, and Zambia would all have difficulty servicing the debt. Taken together and with the knowledge that sovereign debt markets like all others are subject to the same short termism that contributed so powerfully to the crisis in the first place. Yet, bankers, investors and African officials are untroubled. In mitigation they contend that the region's financing needs are relatively small when compared with others and that although issuance has expanded enormously, the size of the international sovereign bond market in Africa remains small. Further, Moody's, the rating agency, estimates the total stock of government and corporate debt in hard currency across the continent at less than 4 per cent of the size of the regional economy, well below the 11.3 per cent of Latin America and the 5.1 per cent of Asia. As the market grows they see that growth as an opportunity to spread and diversify risk across countries.

7.0 Inequality

Measured by the Gini Index, Africa is home to some of the most uniquely unequal nation states in the world. Out of thirty three African countries for whom the World Bank keeps such data, twenty have Gini's over forty, eight have Gini's over fifty and three (South Africa, Namibia and Seychelles) have Gini Indices that are over sixty (Figure 2).



The regional Gini for Southern Africa in general is only comparable to the inequality found in certain parts of Latin America (Palma, 2011). The unifying and underlying theme of the essay is therefore inequality and the countries under review are separated into three groupings determined by their Gini's (see Table 4).

Table 4: African Countries by Gini Index

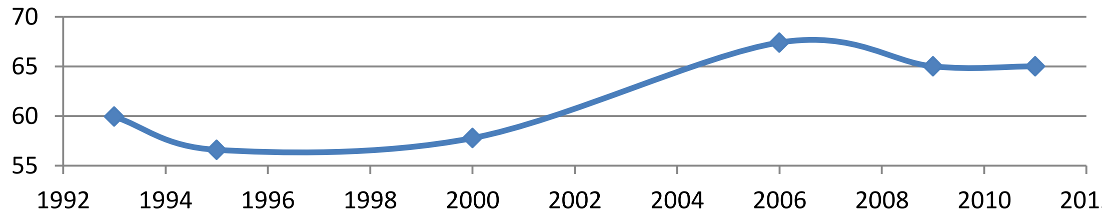
Gini 30-40	Egypt, Mali, Burundi, Ethiopia, Niger, Sudan, Sierra Leone, Tanzania, Liberia, Cameroon, Togo, Burkina Faso,
Gini 40-50	Senegal, Mauritania, CIV, Angola, Ghana, Malawi, Madagascar, Uganda, DRC, Mozambique, Kenya, Nigeria,
Gini 50 +	Rwanda, Swaziland, Zambia, CAR, Namibia, South Africa, Seychelles

Along with the Africa Rising narrative there has been an increasing recognition of a young populous continent with a growing middle class. Cognizant of the fact that Africa's population has reached the one billion mark and that this figure represents 15% of the world's population and is set to rise to 20% by 2030, many western companies have started to turn to Africa. At the time of writing, these pronouncements appear to be premature because according to the Africa Progress Panel (2012), only 4% of Africans have an income in excess of $10 a day. According to Kumar (2014), Africa has been subject to a millionaire's boom. South Africa has 48,800 US dollar millionaires and Nigeria has 15,900. *"In terms of cities Johannesburg tops the continent's rich list with 23,400 dollar millionaires. Lagos is in third place with 9,800 and Nairobi in fifth place with 5,000. Accra in Ghana is expected to be the fastest-growing major city for African millionaires."*(ibid: 13) What is stark in post crisis Africa is the polarity between rich and poor the huge gap between the rich and the poor. There has been a millionaires' boom everywhere on the planet, but what is different in Africa is that 48.5% of sub-Saharan Africa's population earn less than $1.25 a day and hunger affects 240 million people. Thus, an island of wealth is surrounded by a sea of poverty. Inequality and poverty are, as we know, the twin legacies of history. But what appears novel and important in the post crisis period is the appearance of a growing divide between rich and poor.

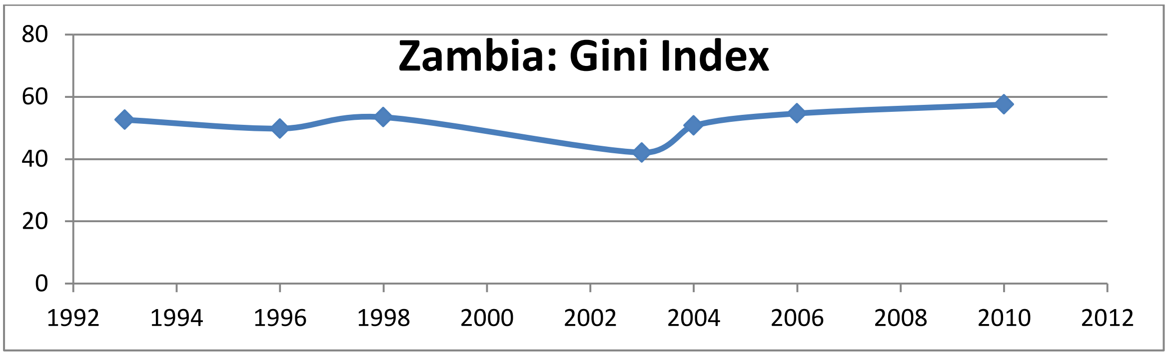
Gabriel Palma's 2011, "*Homogeneous Middles vs. Heterogeneous Tails, and the End of the 'Inverted-U'* focuses on the share of income of the richest 10% and the poorest 40%. He argues that quintiles are not the best analytical category in measuring inequality. By splitting the sample into deciles changes at the top and bottom ends are brought into sharper focus. In other words, while the Gini Index that we started with concentrates in the share of income of the middle income groups, the Palma Ratio focuses on the income shares of the very rich and the very poor at the tails of the distribution. What he finds is that by far the most important determinant of the income share of the rich is what happens with the income share of the poor[8]. Cobham and Sumner (2013) find that countries which reduce their Palmas have rates of progress three times higher in reducing extreme poverty and hunger compared to countries with rising Palma inequalities.

Kumar (2014) applies the Palma ratio to selected African countries. She finds that for South Africa in 2009 the ratio stood at 7. In other words the top 10% of the population earns seven times as much as the bottom 40%. In South Africa – starting from a very high base – there has been a 24% increase in the concentration of income over a 16-year period. For Nigeria, the change in the Palma ratio between 1986 and 2010 records a 75% increase in the concentration of income. In the more recent period (between 2000 and 2010) the increase was 22%. In Ghana there has been a 50% increase in the concentration of income in the country over an 18-year period, and a 29% increase since 1992.

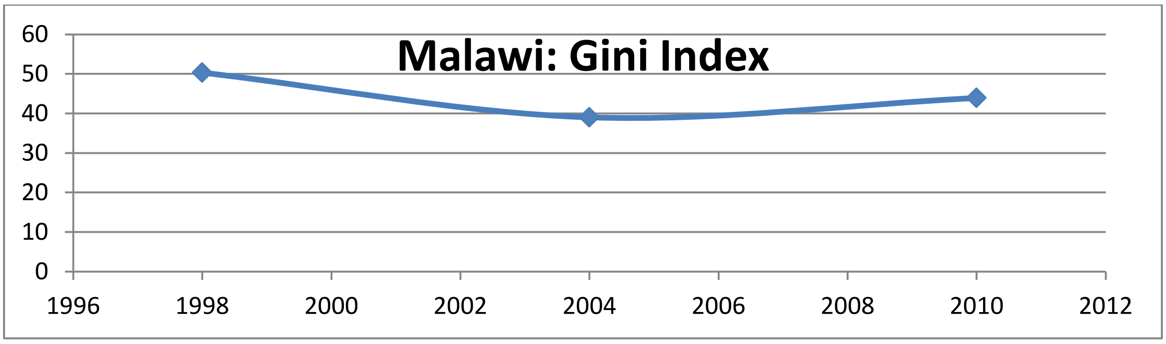
Figure 2: South Africa: Gini Index

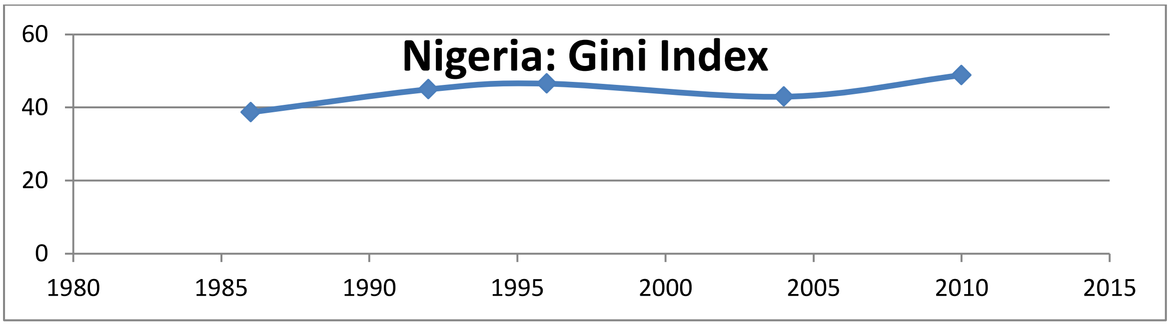


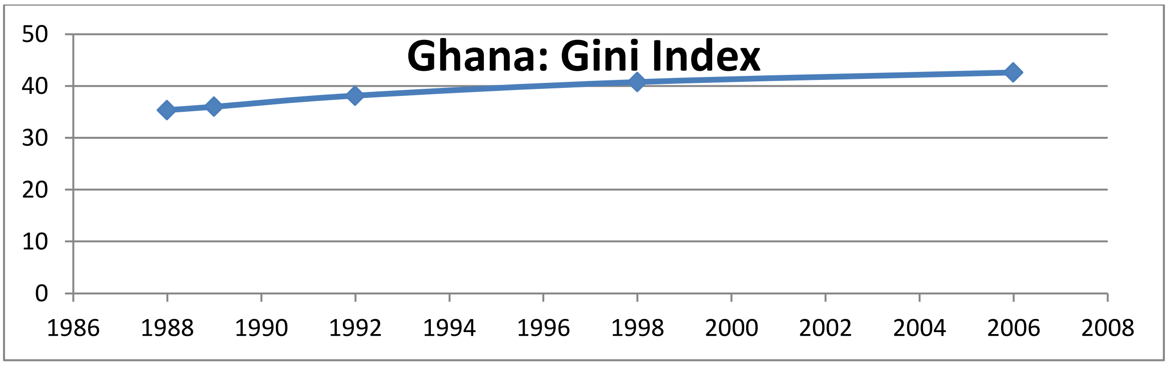
[8] The Gini measure is more sensitive to changes in the share of income of middle-income groups. Palma demonstrates that the Gini is best for measuring changes in the area of the distribution that is least susceptible to change.

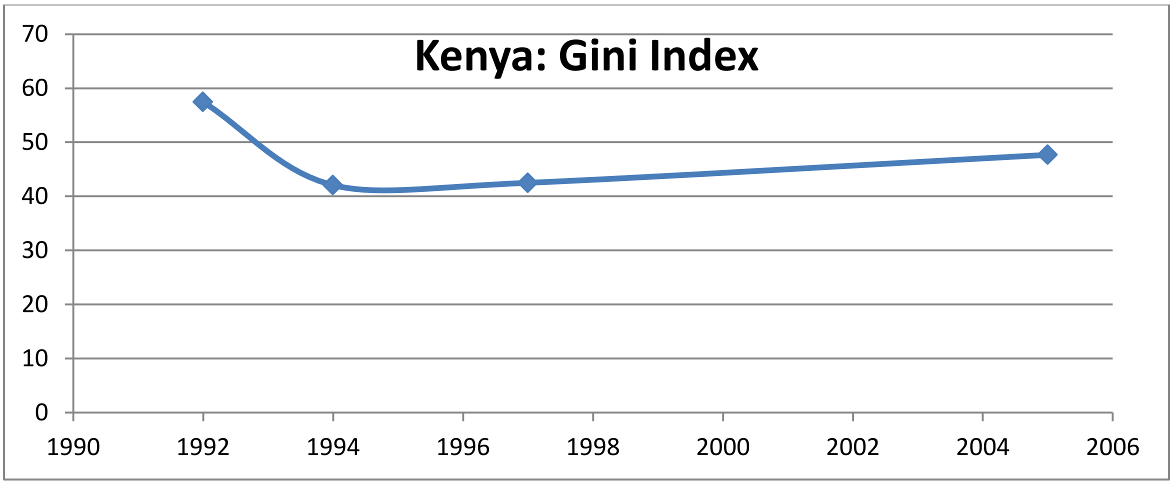


In Zambia and South Africa (countries with uniquely high levels of inequality) we have a mixed picture. After an unbroken rise in the Gini that extended from 1995 to 2006 South Africa has been was able to induce a decline in the Gini from 67.4 in 2006 to 65 in 2010. Since then the Gini has been constant. Zambia though is an obvious cause for concern. In Zambia the Gini climbed from 42.08 to 57.49. This is an alarming increase in a short period.

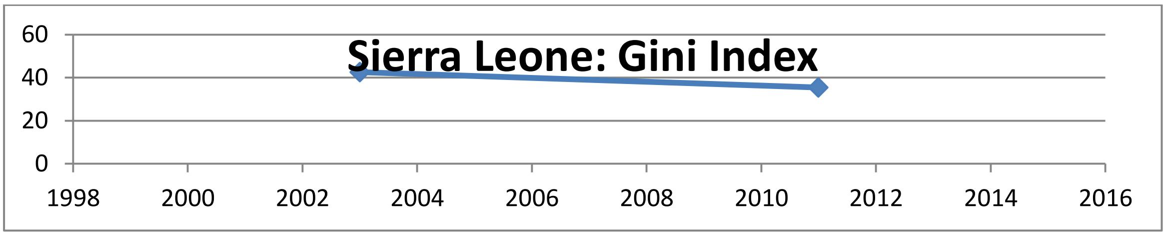








Malawi, Nigeria, Ghana and Kenya are our countries with Gini's between 40 and 50. In all cases there have been observable rises in the Gini Index. In Kenya's case, income inequality has been increasing since 1994. Recent data, from the Kenya National Bureau of Statistics and the Society for International Development, shows a reduction from 47.7% in 2005 to 44.5% in 2013. A 2008 World Bank study found that increases in consumption over the period 1997-2005/06 were concentrated amongst the wealthiest quintiles. The most striking finding is that the poorest quintile lost out in absolute terms, consuming less in 2005/06 than in 1997. The gap in Kenya has grown not only because the rich have been getting richer, but also because the poor have been getting poorer. The Gini Indices for Ghana and Nigeria record increasing inequality. For both these countries, there is evidence that this rising income inequality is having a drag effect on poverty reduction.



Only Sierra Leone shows a downward trend but this is limited to only two data entries over a limited time period.

8.0 Conclusion

In what sense can Africa be said to be rising? The GDP growth statistics are impressive but as all first year development studies students know - growth is not development. The spectre of land grabs, rising sovereign debt, a mountain of illicit flows and the new acquisitive BRICs actors on the continent are all processes that feed the inequality and injustice that informs the consciousness of the citizen. In doing so, they make the Africa Rising narrative a far-fetched flight of fancy. It is as if after years of presenting Africa as a dark doomed continent, we are suddenly confronted by a mainstream telling a nice story about the continent. The fast growth of the last decade was spurred in large degree by the commodities supercycle. It seems obvious that when those pressures abated that growth would inevitably slow. It follows too that after the unconventional monetary policy of the post crisis world a return to conventional policy would see capital return to the more traditional centres in the North. These are developments that are all in motion, inevitably so. Yet the narrative persists, according to EY's 2015 Attractiveness Survey, "We remain confident that, despite economic headwinds, the 'Africa rising' narrative remains intact and sustainable." My conclusion is that there are clearly two conversations taking place. The narrative is not aimed at the African citizen rather it is directed at the mainstream and an international business sector in search of high profits and returns. The business community sees a young, populous continent of would be consumers. The African citizen sees joblessness and pervasive injustice. These two realities are irreconcilable. A concern with land grabs, sovereign debt, the drain of licit and illicit funds and the inequality that persists are all not of import for the mainstream. The need to promote the narrative in the face of evidence to the contrary arises out of the mainstream's need to sanitise capitalism, to present it with its best face. If it could be logically claimed and demonstrated that Africa (a continent in which capitalism has never worked for the ordinary mass of people) was indeed rising it would be a vindication and legitimisation of the neoliberal order, an order that ultimately speaks to convergence in living standards between nations in a capitalist world. Africa is growing, and it is growing quickly-the growth statistics are not made up. But as it grows, inequality deepens and the land grabs, illicit activities of the Trans Nationals added to the looting of a section of the African comprador bourgeoisie produce a mal development that makes for an outward migration of dispirited citizens. So in a very real way, it makes no sense to speak of Africa Rising, at least not just yet. The circumstances here are reminiscent of the *India Shining* narrative promoted by the Bharatiya Janata Party (BJP) between 2005 and 2007. For Stiglitz that particular narrative was misleading; *"It is shining on 250 million people, but it's not shining on 850 million more. What's striking is how close the failures are to the successes. You don't have to travel very far—an hour, half an hour—to go back 2,000 years. It is that contrast that represents the challenge for India going forward"* (Stiglitz cited in Colombia Business School, 2007: 2). The situation is much the same in Africa.

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