

RISKS TO WATCH AFRICA



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After the success of the 2010 World Cup, South African politics has largely retreated from investors' radar but could return in 2011, especially as politicians prepare for local government elections. The number of conflicts in sub-Saharan Africa has dropped sharply since the late 1990s, but rising political tension in several volatile states could spill over. Nigeria's presidential race remains wide open with the ruling party divided over its candidate. Government spending is on the rise and the threat of unrest hangs over the oil-producing Niger Delta.

HERE IS A SUMMARY OF THE KEY POLITICAL RISKS TO WATCH IN AFRICA:

NIGERIA'S PRESIDENTIAL RACE

The ruling People's Democratic Party has seen its candidate comfortably win every leadership contest since the end of military rule more than a decade ago, but President Goodluck Jonathan faces challenges to secure the nomination.

Jonathan is a contentious candidate because of the ruling party pact that power should rotate every two terms between the largely Muslim north and mostly Christian south. He is a southerner who inherited the presidency after the death of the northerner Umaru Yar'Adua, who died part way through his first term.

The key moment will be the presidential primaries with voting dominated by Nigeria's powerful governors. Meanwhile, analysts expect government spending to rise in the run-up to the vote while the political uncertainty adds an effective brake to policy-making.

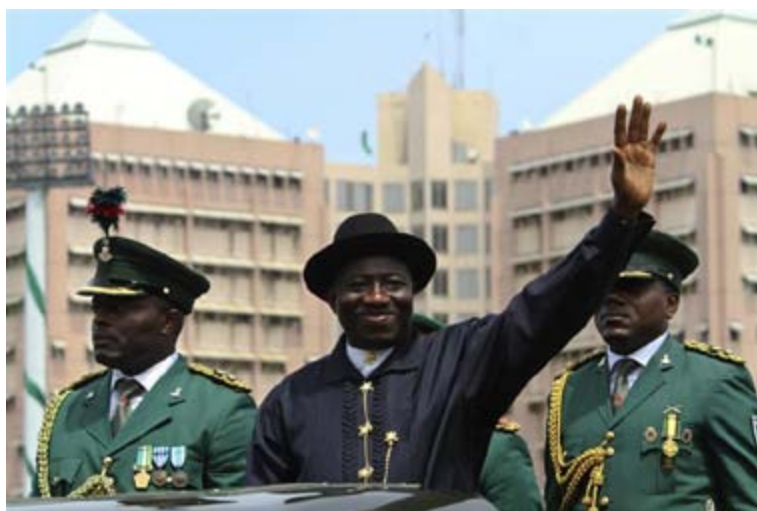
What to watch:

- The presidential primaries. Does Jonathan win enough support or do powerful northern politicians succeed in their bid to pitch former vice president Atiku Abubakar as a "consensus candidate" to challenge him?
- The passage of a key petroleum bill. Foreign oil firms are holding back investment until it passes, but it is unclear if this will happen before the election.
- Any uptick in unrest in the oil-producing Delta. The military has had the upper hand but ethnic or religious rhetoric could inflame matters during campaigning.

SOUTH AFRICA'S POLITICS

As politicians prepare for local government elections in the first half of next year, President Jacob Zuma's African National Congress government could face renewed labour unrest and anger amongst poor blacks over shoddy public services, feeding demands for more public spending.

A series of mining scandals involving companies with close family ties to Zuma as well as proposed measures to curb the media have posed awkward questions about his presidency, with some accusing him of cronyism.



Nigeria's President Goodluck Jonathan waves during a military parade. Reuters/Afolabi Sotunde

The ANC Youth League continues to push for nationalisation of mines despite everybody from the miners union to mine owners dismissing it as ludicrous; but the ANC has so far stopped short of slapping the youth league down.

What to watch:

- Signs of growing discontent at the ANC. Little in the way of policy change is seen ahead of the ANC national conference in 2012 but there could be clues in advance.
- The ANC appears to be watering down proposals for media reform, but the reporting of more dodgy deals by the -sometimes inaccurate- press could poison the atmosphere once again.

POTENTIAL NEW CONFLICTS

Sudan is due to hold a referendum on potential independence for its oil-rich south in January, promised in a 2005 peace deal that ended decades of North-South civil war. The referendum already faces legal challenges and could well be postponed - although that could spark a furious reaction from southerners who would see it as a northern plot to keep control of their oil. Analysts say it is in neither side's interest to return to conflict, but do not rule it out.

KEY DATES

January 9, 2011

Sudan's referendum on independence due.

February 18, 2011

Uganda due to vote in a presidential election.

April 9, 2011

Nigeria's presidential vote.

May 4, 2011

Madagascar elections.

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Cocoa-rich Ivory Coast also looks to be teetering on the brink of conflict after disputed November elections that left both Laurent Gbagbo and Alassane Ouattara claiming victory. Forces loyal to rival claimants battled in the capital Abidjan and there seems little sign of willingness to compromise on either side.

Some also worry of a return to violence in Kenya after the prosecutor of the International Criminal Court named suspects accused of being behind the bloody aftermath of the country's December 2007 election.

What to watch:

- Whether the referendum in Sudan takes place and its outcome. Do outside powers - particularly China, which is a major investor in Sudan - exert pressure for calm?
- If violence does escalate in Sudan and Ivory Coast, do investors take that as a signal that Africa may be more dangerous than they had recently thought?
- Do Islamist militants based in Somalia mount new attacks in nearby countries similar to blasts in the Ugandan capital Kampala in 2010?

CORRUPTION AND RESOURCES

Africa had been widely praised for making progress on human rights, democracy and corruption but some data suggest it has fallen back in the past year. The Mo Ibrahim Foundation said in October that while access to economic activity continued to increase, for the first time its survey showed a decline in governance.

Rising corruption would be a particular worry for companies moving in to take advantage of natural resources, with countries including Ghana, Uganda, possibly Sierra Leone and others beginning oil exploration or production.

Emerging powers particularly China have dramatically upped investment and aid in Africa. They are welcomed by most but some accuse them of operating with lower governance standards. Firms operating in Africa also face a tighter regulatory environment at home, with Britain's bribery act in particular - entering law in 2011 - seen forcing firms to tighten their procedures just as they face rival Chinese and other firms.

What to watch:

- How well Ghana handles its oil revenues. Until now, the West African country has won itself a good reputation for transparency but politicians are still divided over how to use revenue from its Jubilee Field. Any perceptions of deepening corruption would take the shine off what had been seen as one of Africa's leading success stories.
- What happens to the Mo Ibrahim and other indicators next year should indicate whether the 2010 results were a glitch - as some suggest - or part of a wider trend.
- How well is the new UK bribery act and other Western anticorruption legislation enforced? Do firms complain it puts them at a competitive disadvantage?

YEAR OF ELECTIONS

Two of Africa's longest serving leaders - Uganda's Yoweri Museveni (right, top) and Egypt's Hosni Mubarak - face elections in 2011, as does Congolese President Joseph Kabila and Madagascar's provisional government



following a coup in 2009.

Zambia's President Rupiah Banda faces a presidential election in the third quarter with a strong challenge from an opposition united under Michael Sata, although analysts say a healthy recovery in copper sales should help the incumbent squeak home.

Uganda's Museveni was billed as a darling of the West during his early leadership for skilful and liberal economic management, but relations have become frayed over growing accusations of increasing autocracy. He is seen likely to beat rival contender retired Colonel Besigye Besigye as he has in the last two presidential ballots but violence, allegations of vote rigging or donor flight could spook investors as negotiations over oil finds drag on.

Mubarak, 82, (right, middle) has yet to say whether he will seek another term in 2011 and officials indicate the most likely scenario is that he will. But his health has been an increasing focus since gall bladder surgery in March, particularly as he has no designated successor. Most analysts expect he will try to hand power to his politician son Gamal, 46. Gamal is seen likely to promote further business liberalisation but his lack of a military background could prove a problem with the army. Most analysts see little chance of social upheaval, but questions remain.

Pre-election instability in Congo could further dent investor sentiment there, while Madagascar leader Andry Rajoelina is hoping for the international recognition so far denied him after various power-sharing deals fell through.

Zimbabwe's President Robert Mugabe (right, bottom) wants to hold a referendum on a new constitution in 2011 and national elections later in the year, effectively ending a troubled power-sharing government with Prime Minister Morgan Tsvangirai. Elections would normally not take place until 2013, and local media reports suggest backbenchers on both sides of the divide are mobilising forces to resist an early election. That could stall the 2011 budget, bad news for a country whose recovery is still fragile.

What to watch:

- Signs domestic political worries are deterring investors in any of these countries.
- Following Ivory Coast's disputed election, any further suggestions of failed votes elsewhere in the continent might begin to darken broader investor sentiment and suggest years of progress might be starting to unravel.

