

COUNTRY RISK AND THE ATTRACTIVENESS FOR FOREIGN CAPITAL FLOWS IN EMERGING COUNTRIES. EVIDENCE FROM AFRICA

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Diversity of emerging countries is found in the assessment of the country risk. This concept appears in the form of a sovereign risk or a political risk and more generally as a disaster endangering the achievement of the objectives of the companies. This disaster results from a particular political or economic context. Emerging countries are the place of both high profitability and high risk. Their attractiveness is well known and the assessment of the risks they generate must be done with respect to the following triptych: identification-valuation-treatment. Identification by considering various factors like political stability, budget deficit, balance of payments, debt and capital flight. The valuation of the risk is ensured by ratings coming from Moody's and Standard & Poor's on the one hand and rankings given by BERI, WPRF, Transparency International, Institutional Investor and Euromoney on the other hand. The treatment is then carried out while proceeding to the reduction of the risks via negotiation and structuring. Risk-shifting is used after the reduction of the risks. Direct and portfolio investments take part in the development of the countries hosts since they fit in the virtuous circle of the increase in the productivity as well as in the income, and thus become a major element of the economic growth. In the case of Africa, good governance, risk management and policies to attract investments could play, to a certain extent, their driving role. However the results are still unsatisfactory on the level of perceptions from the local economic actors and abroad on the level of the growth itself. Finally a set of actions allowing a better attractiveness of Africa for foreign capital is proposed by the means of an iterative and recursive risk-management process.