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Investment

SA TOPS AFRICA'S INVESTORS' LIST

South Africa is the largest foreign investor in Southern Africa. Some authorities maintain SA is also the biggest investor in the continent, but that is debatable, as records are sparse.

What is certain is that SA companies are venturing deeper and with more commitment into Africa than before.

The key question is, will the nations of Africa be able to look back and say that SA companies played a role in their recovery? Or will they be regarded as exploitive neo-colonialists?

"What Africa needs most from investment is employment," says SA Institute of International Affairs deputy director of studies Neuma Grobbelaar.

The Mozal 1 aluminium smelter in Mozambique, for example, will substantially boost the country's exports and economic growth, but will do little for skills development and job creation.

By such measure SA companies may not be doing too badly. In Mozambique, there are more than 250 SA companies engaged in over 320 projects and partnerships, a substantial increase from 18 months ago when there were about 150 SA investors, says Stanbic Africa corporate business development manager Arson Malola.

SA has become the second-largest investor in Mozambique, after Britain, but is involved in four times as many projects and employs six times as many people as do the British, according to the Maputo government's Investment Promotion Centre (CPI). The centre's research and development head Lourenco Sambo says SA direct investment in Mozambique over the past 12 years amounts to more than US\$1,3bn and has provided jobs for more than 43 000 Mozambicans.

SA direct investment in the 14 nation Southern African Development Community (SADC) – including intended projects, some of which may not have materialised – amounted to more than \$5,4bn in the six years to 2000, eclipsing the contributions of the next biggest investors, the US and the UK, combined, according to research consultancy BusinessMap.

As for the rest of Africa, a recent UN Conference on Trade & Development (Unctad) report claims SA "is by far the continent's most important source of foreign direct investment (FDI)", averaging \$1bn/year since 1994.

But SA Reserve Bank figures suggest the rate of African investment may be considerably less than \$1bn/year. The Bank's quarterly bulletins show SA's

combined direct and nonportfolio investment in Africa was worth R23.1bn in 2000 (the most recently measured year) – R3.3bn higher than in 1999. The largest growth in African investment came from 1998 to 1999 when the value of foreign investments rose by R6.1bn.

Unctad records FDI to Africa as being worth \$17,2bn in 2001, of which \$6,7bn went to SA. That means the rest of the continent received just \$10.5bn – negligible compared with the \$102 bn that went to Asia.

The question, though, is how well Africa uses the investment it does get, Banks have an important role to play in developing Africa through efficient intermediation of investment, says Stanbic Africa MD Sim Tshabalala.

Though Sub-Saharan Africa has averaged 3,5% growth since the early 1990s, consumption spending is so high (88% of GDP in 2000) that it leaves little room for savings and investment. To grow and attract investment, Africa needs savings of 25% of GDP. Instead, it is averaging just 12%. Notable exceptions are Angola (53%) and Gabon (35%).