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South Africa's Business Presence in Africa

South Africa in Africa: Development Partner or Investment Predator?

Contents

Executive Summary

- South Africa's presence in the rest of Africa has to be seen in the dual context of its relative economic size and sophistication, together with the insolation the country endured through the apartheid years. The South African economy contributes 19% to the total African economy, one-third of sub-Saharan Africa's and nearly two-thirds of the Southern African Development Community (SADC) gross domestic product (GDP).
- Trade, projects and investment are closely linked to many facets of South Africa's expansion into the region, a factor that has assisted many South African companies in entering new markets. Much of the project work and related trade flows are linked to large capital investments in key sectors of the host countries' economies by South African based multinational companies.
- South Africa's traditional isolation from the rest of the continent is belied by the fact that in the Southern African Customs Union (SACU), the country has had a decades old presence in virtually every sector of those economies. In addition, these countries account for the bulk of investment by South African businesses in the rest of the continent, by numbers of investments.
- This scenario is changing fairly quickly as key South African companies expand into markets further afield, notably the greater Southern and East Africa region, and more recently into West Africa. North African activity is less pronounced.
- South Africa is now the key investor in the rest of Africa, according to the United Nations Conference on Trade and Development (UNCTAD), with investments of roughly US$1.4bn per year in the last decade.
- South African companies have often been at the forefront of investing in markets that have opened up to the global economy, in a variety of sectors, notably financial services, information communication technology (ICT), retail and mining, where South Africa has key strengths.
- Investment in the 'new economy' sectors such as ICT and financial services has tended to follow economic liberalisation, whilst investment in the 'old economy' of mining, retail and related industries has followed a less predictable path, with investment often despite, rather than because of the prevailing environment.
- Services sectors are becoming a larger part of the South African presence, although are far more difficult to track. Outside of the large financial, ICT, retail and mining services sectors, there are new sectors emerging such as the oil industry services cluster in Cape Town, advertising, franchising, architectural design, education and management contracts. Again, these draw in a variety of other South African companies and interests into the region.
- South African state owned enterprises have become a key link in the development of the continent, whether in their own right or as levers for private sector development and investment in other markets in Africa.

- Broadly speaking, South African investment in the region has competed with investment from the host countries as well as from ex-colonial powers, Europe in general, the USA, and more recently emerging global economic powers such as Brazil, China, Canada, Australia and India.

- **On balance, South Africa's activity in the region appears to be neither of the two extremes, that of a partner or a dominator. Companies operating in other African markets, more often than not, are basing investment or project decisions on the merits of each case, and more importantly the desire of the host country to attract foreign direct investment into the country. South Africa should thus be seen in terms of the global dynamic – not in the region to either rescue it or dominate it, but rather to become part of the increasingly intertwined regional and global fabric.**

1. Introduction

South Africa occupies a unique space in Africa. For decades the country was isolated politically, economically, socially and in the more extreme cases, even physically from much of the rest of the continent. The reintegration of South Africa into the international system in the early nineties coincided with a dramatic shift in the global environment as well. The collapse of the Soviet Union and most of her satellite states and the explosion of ICT were arguably the two key events of the time. The first heralded a dramatic shift (not always voluntarily) away from state-planned economies in Africa and other developing regions. The second saw a surge in access to information, a new ease in global communications and hence greater contact between people, countries and ideas than ever before. The advent of the new economy as it has been hailed, saw many South Africans exposed to the rest of the African continent for the first time. The rest, as they say, is history.

Since those early days there has been much written about the role of South Africa vis-à-vis the rest of the continent. In the early days, South Africa was widely expected to be the engine of growth that would kick-start development across the continent, with her access to skills, technology, financial services and other key inputs. This did not immediately happen, and in many respects African countries in the southern part of the continent absorbed increasing volumes of South African products that the domestic market could not. In addition, many South African companies were struggling to adapt to the new international environment that they were faced with, as a combination of the opening of the South African economy to international competition and the lowering of protective trade barriers forced many companies onto the defensive.

However, since the mid- to late-nineties, South African companies have become far more at home in the international environment – whether they are exporting, importing, investing in other countries or undertaking projects in other countries. This has been driven in part by sluggish domestic markets, but also by relatively higher growth rates in many neighbouring markets in Africa. Countries such as Mozambique, Angola, Botswana, Ghana, Tanzania, Uganda and Mauritius all regularly recorded growth rates in excess of 5% to 10% whilst South Africa struggled between 1% and 3% a year. It is relative of course, given that many of these countries were operating off very low bases in the first place.

South Africa also occupies a unique position in a global context in terms of its access to Southern and Sub-Saharan Africa. Much of Africa is physically far removed from traditional global trade and investment hubs, and is thus ideally placed to be entered from a South African base. South Africa has several key advantages that can be utilised in order to access other African markets in the sub-region. These are:

- Proximity;
- Integrated business infrastructure;
- Preferential trade agreements with many countries in the sub-region;
- Relative size of the various economies;

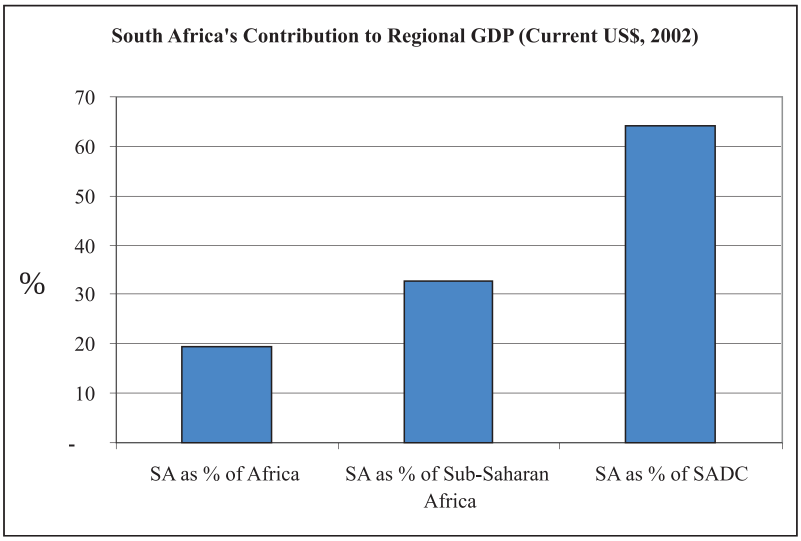
- Traditional dependence on South Africa in the immediate Southern Africa region;
- The expanding presence of many South African companies in all fields into other African markets;
- Investment in infrastructure and mining activities by South African companies acting as a spur for trade into the region;
- Familiarity with South African products, or those that are readily available in South Africa.

The new millennium has seen a desire to make this the 'African Century', and initiatives such as the African Union and the related New Partnership for Africa's Development (Nepad) have attracted either a good deal of enthusiasm or scorn. South Africa is a key player in the ideals and implementation of the initiatives, and as such the country's role in Africa has come under increasing scrutiny recently. A large part of the debate has centred on the role of South African companies in Africa – and in particular the role of large South African corporates. There have been two schools of thought on the role that they play – one being that they are not doing enough to revitalise the continent, whilst the other suggests that they have become the new colonial masters of the continent.

Where does the truth lie in this? An analysis of trade data, project information and investment footprints from key South African companies – or South African based multinationals gives some clues to the role that South Africa is playing on the continent. It is essential to look at all the components of South Africa's interaction with other African countries, as simply looking at trade data gives a skewed picture. The reality of Africa (and most other developing regions of the world) is that trade, projects and investment are closely interlinked. Trade data is taken from Customs and Excise releases. Project data has been derived from project databases maintained by consulting firm, Africa Project Access, as well as other sources. Investment data has been obtained from roughly eighty corporates based in South Africa, and covers the mining, manufacturing, engineering, fast moving consumer goods (FMCG), retail, banking and insurance, hotels and leisure, ICT, motor and transport, and other service sectors. Neither the project nor the investment data purports to be definitive, but rather illustrative.

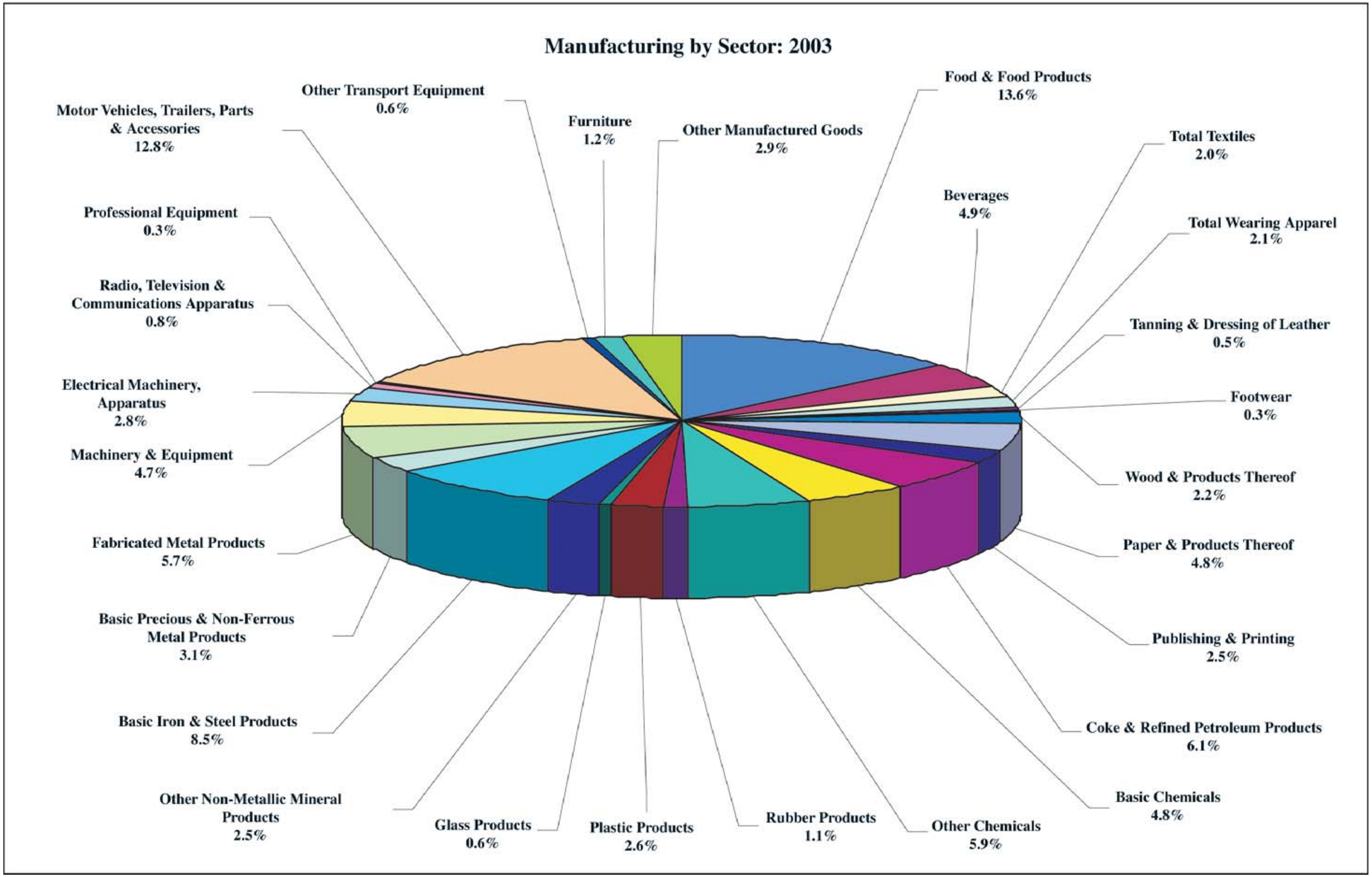
2. South Africa's Economy in Perspective

The South African economy is by far the largest in Africa, particularly in Sub-Saharan Africa. South Africa contributed 19% to the continental GDP in 2002 in current US dollar terms, rising to 33% of Sub-Saharan Africa's GDP, when the relatively more developed North African economies are removed, and 64% in the immediate SADC region.



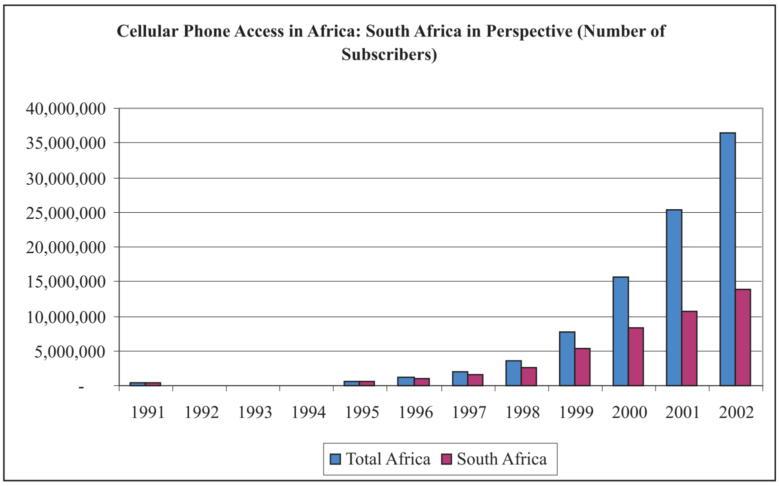
Source: World Bank Development Indicators

In addition, South Africa is responsible for around 40% of the continent's industrial output. The chart below illustrates the relative complexity and diversity of the South African manufacturing sector, and more importantly the fact that in many areas of this sector, South Africa is the only major manufacturer in Sub-Saharan Africa. Many of the countries in the region have turned to South African companies and expertise in these sectors to develop their own industries.



Source: Statistics South Africa

South Africa, one of the lowest-cost power producers in the world, accounts for roughly 50% of electricity output on the continent, more than 50% of the telephones (fixed lines and mobile), over half the computers and banking machines, and roughly half of all paved roads and railway lines. It is this infrastructure that allows South Africa to play the regional role that it does. The country accounts for 38% of mobile phone subscribers, and is both a key user and developer of this sector in Africa.



Source: International Telecommunications Union (ITU) Yearbook, 2003

Without going into great detail on the South African economy, it becomes apparent that the country is uniquely placed to take advantage of the growing economies and diversity in those economies in the rest of the sub-region and to contribute to its development.

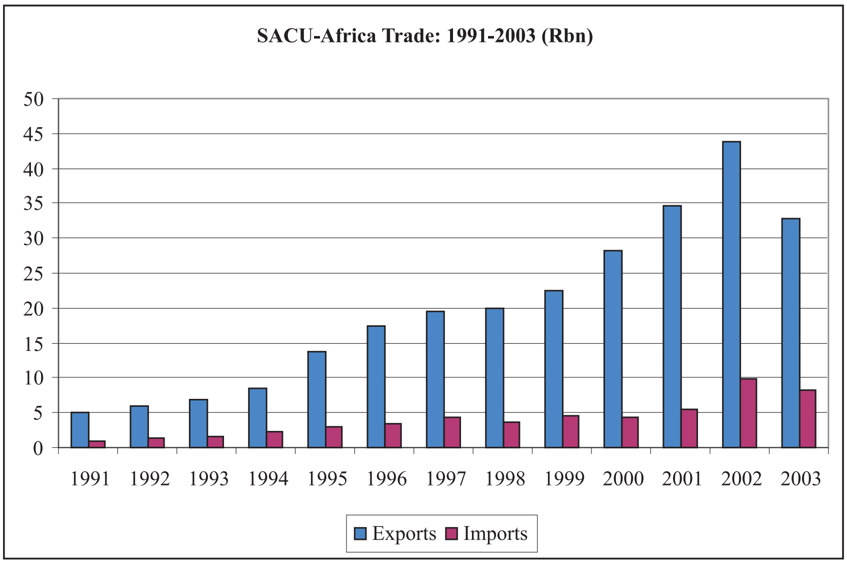
3. Growth in Trade: From Isolation to Integration

South Africa's[1] exports to the rest of Africa have grown considerably over the decade and half since the country was integrated into the continental community. From a shade over R5bn in 1991, the figure peaked at over R43bn in 2002, before falling back in 2003 to R38.4bn. It is interesting to note, although outside of the direct scope of this report, that in 2003 the US$ value of South Africa's exports actually increased. **Exports to Africa now typically account for 15% to 19% of total exports, exceeding those to the USA and many of the European Union countries.**

South Africa's imports from the rest of the continent have not matched the growth in export levels however, exceeding R5bn for the first time in 2001, and not yet exceeding 25% of export level. Furthermore, the import basket has been skewed in recent years by imports of oil, notably from Nigeria, which inflates levels artificially. It is one area of concern, as studies indicate that there is roughly a US$1bn overlap between what South Africa imports from the rest of the world but not the region, and what the region is exporting to the rest of the world but not to South Africa.[2] This is thus an area that South African companies would do well to explore, both from a practical point of view, as well as from the perspective

1 All trade data is SACU data and thus includes the statistics from Botswana, Lesotho, Namibia and Swaziland. It is estimated that South Africa accounts for around 80% of the total.
2 ITC UNCTAD/WTO Sub-regional Trade Expansion Programme, 1998.

of increasing levels of intra-regional trade as a whole. The development of stronger intra-regional trade links will foster greater regional development and prosperity. It will also go a long way to redressing the perception that trade is a one-way street in South Africa's relations with the rest of the continent. Trade imbalances have emerged as a source of contention with some countries.



Source: Based on data from South African Cusoms and Excise

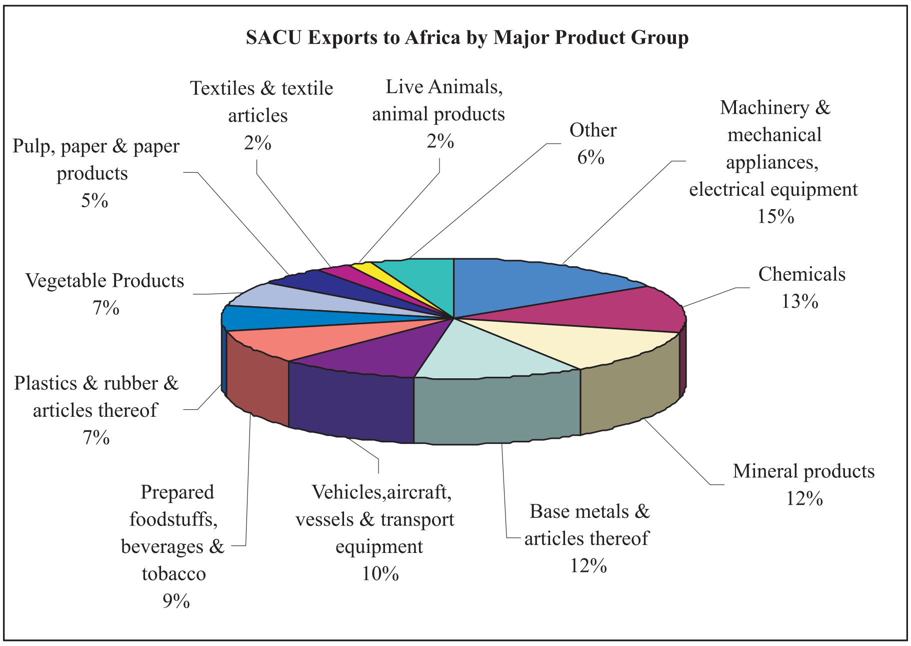
South Africa also dominates exports to other SACU countries. As the table below illustrates, South Africa enjoys no less than 75% of the market in each country. However, whilst this may initially look alarming, it should be remembered that the countries have had a single market for nearly a century, and each of the others has a very small population and economy by comparison to South Africa. Furthermore, Lesotho is completely surrounded by South Africa, Botswana and Swaziland are both landlocked, with major trade routes inevitably having passed through South Africa until recently, and Namibia was administered by South Africa for over seventy years. With the exception of Botswana, the countries form a common monetary area as well, making South Africa the natural trading partner of the other countries.

South Africa's Estimated Share of SACU Country Imports (%): 1999-2002

Botswana	76
Lesotho	75
Namibia	77
Swaziland	95

Source: IMF Statistical Appendixes

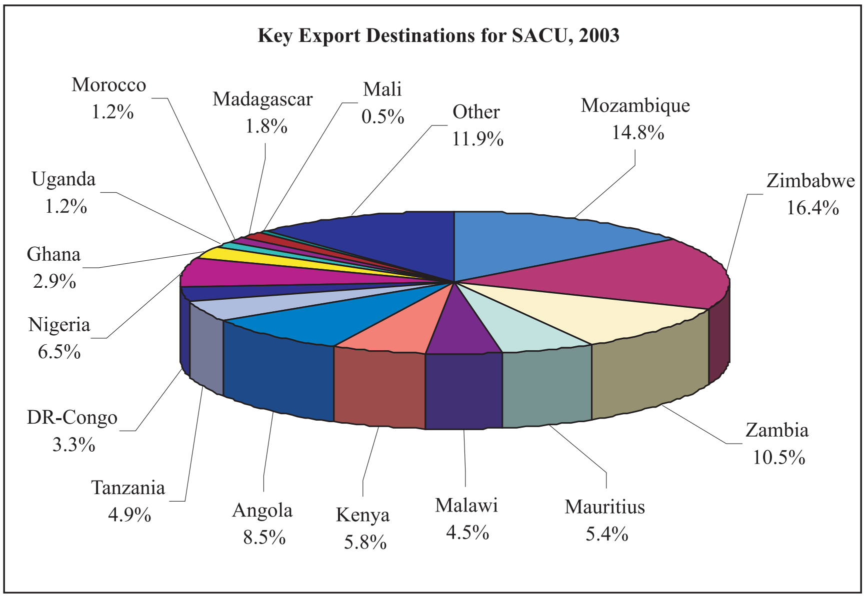
South Africa's export basket to Africa is also instructive. There is a high proportion of value-added exports to the rest of Africa, with machinery, mechanical appliances, iron and steel articles, transport goods, chemicals, and plastics and rubber goods accounting for close to 70% of the total. This is an important consideration, as it ties in with South Africa's domestic economic structure, based traditionally on mining, agriculture, engineering and chemical products, and their allied industries. These are also the areas that are attracting the most interest in other African countries, as will be illustrated shortly.



Source: Based on Data from South African Customs and Excise

By contrast, exports to Europe, South Africa's largest destination for goods, has a far higher proportion of precious metals and stones exports, as well as base metals and articles, and basic food and agricultural products, although there is a strong and growing machinery and vehicle export sector to Europe.

Key destinations for South African exporters (outside of the SACU) are still concentrated in the traditional comfort zone of Southern Africa and Anglophone East and West Africa. However, it is notable that countries such as Angola, the DR-Congo, Morocco, Madagascar and Mali are starting to feature as key export destinations within the African context.



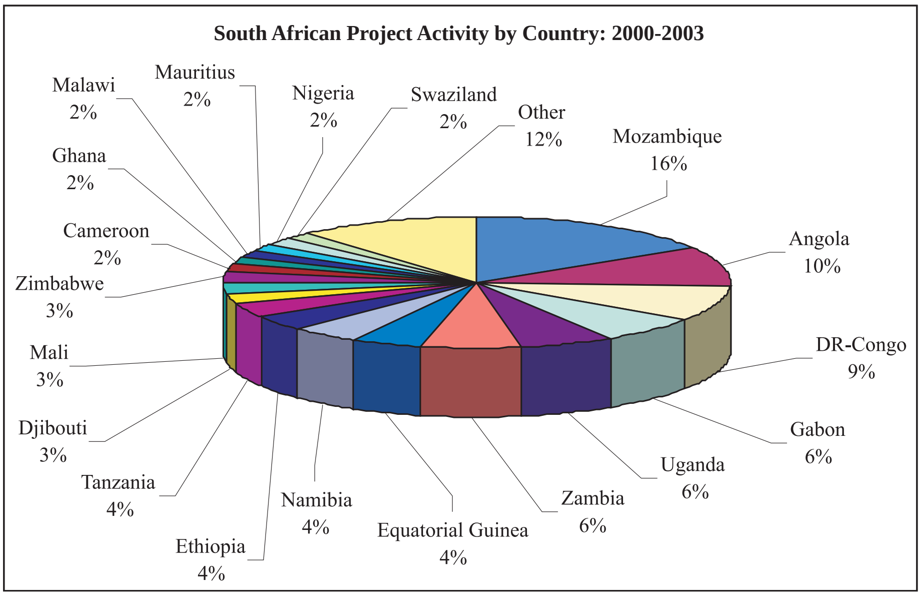
Source: Based on Data from South African Customs and Excise

It is also worth reinforcing the point that only Kenya and Nigeria of the top ten fall outside of the SADC region. Thus proximity and familiarity – both with products and conditions – have traditionally been important for South African exporters.

4. South African Project Activity in Africa

As has been mentioned above, mining, civil engineering and construction, agriculture, tourism and the manufacturing and service industries that feed into these sectors have traditionally dominated South Africa's economy. It should therefore come as no surprise that these are also areas that South African companies have become very involved with in the African context. The post-isolation era has thus seen a steady expansion of South African companies into other African countries in these industries.

The countries that South Africa has the most prominent profile in as far as project activity is concerned, are also largely the key trading partners. Gabon, Equatorial Guinea and Cameroon are not traditional trading partners, but recent South African expansion into the oil and gas sectors in West Africa have seen these countries beginning to emerge as small but growing destinations for South African project activity and investment. The chart below is not definitive in terms of activity, but rather representative, and includes the activities of over 200 South African and South African based companies.



Source: Based on Data from Africa Project Access

The chart below illustrates the breadth and depth of project activity that South African based companies are capable of undertaking in Africa. The key areas can be seen quite clearly – civil engineering, mining, transport, telecommunications, and latterly it is interesting to note how South African companies have aggressively entered the oil and gas sector, from virtually nowhere a decade ago. It is becoming an area of key competence from an exploration, production, service and manufacturing perspective.

This also fits in with the rapid expansion of project activity, and more recently, exports to countries such as Angola, Nigeria, the DR-Congo (to an extent), Tanzania (Songo-Songo), and the nascent upswing in exports to countries along the West Coast of Africa, or the broader 'Gulf of Guinea' extending from Angola to Nigeria. Once again, this fits the product profile of South African exporters in Africa – with a strong concentration on goods used in the construction and engineering fields, as outlined above.

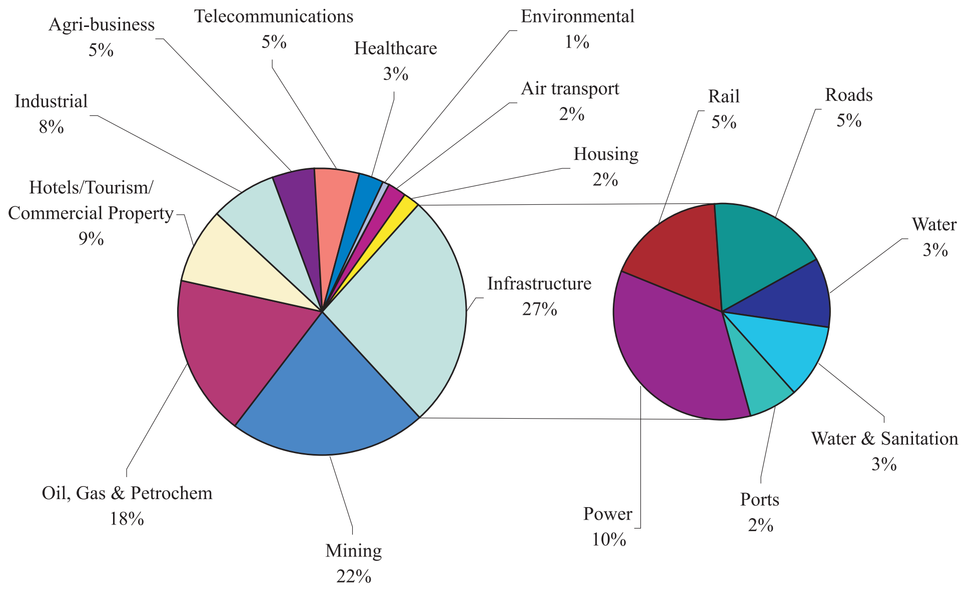
A point that should be stressed at this juncture – and it is an important one – is that Cape Town is currently gearing up to become a key regional oil and gas service centre for companies operating on the West Coast of Africa. In over 30 years of oil exploration and production, no other country or city in the region has taken this initiative. Until very recently, governments in the region had a lackadaisical attitude towards the development of industries, skills and services in their own countries to service the industries that are dominated by foreign investors. Nigeria, Angola and Gabon as the three key oil producers since the seventies have an extremely limited domestic manufacturing and engineering capability to service their local – or indeed regional needs. Perhaps one of the advantages – for want of a better word – of isolation, was that South Africa developed these capacities and industries. Ironically South African companies are routinely criticised for exporting these skills in competition to largely foreign (and often ex-colonial) competitors.

This does not happen in isolation of local companies either, and as South African architectural, engineering and consulting companies expand into new markets, they are assisting in the expansion of the local knowledge and skills base. This is particularly true of markets outside of the traditional comfort zone of Southern and East Africa.

A further note of interest is the surge in activity in the hotel, tourism and commercial/retail sector - a key indicator that local companies are increasingly confident about business prospects in other African markets over the long run. This once again draws a range of South African companies from manufacturers of consumer goods to engineers and fabricators into the picture.

Increasingly too, companies in the services sector are becoming involved in Africa, whether from a standards perspective such as the Council for Scientific and Industrial Research (CSIR) and South African Bureau of Standards (SABS), to environmental and social aspects of development, as 'soft issues' increasingly become the levers for investment and project activity.

Project Profile of South African Activity in Africa: 2000-2003



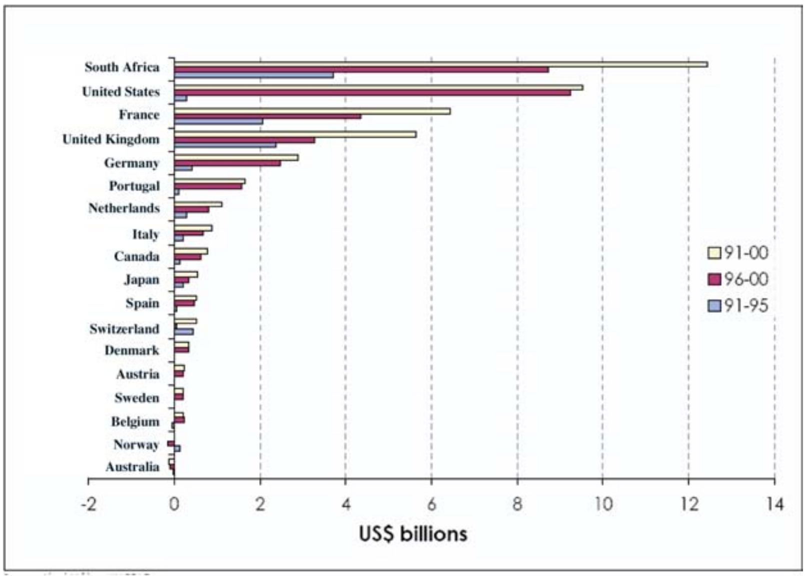
Source: Based on Data from Africa Project Access

5. Investment from South Africa into Africa

Eighty South African and South African based companies were sampled to assess their level of involvement in other African countries. The majority of these companies are listed on the JSE-Securities Exchange, and all are household names in South Africa. Their range of activities broadly reflects the project profile patterns above, but also includes the activities of companies in the financial services sector, media and educational services sectors.

(For reasons that are not immediately apparent, it has proved to be difficult to obtain information on South Africa's investment into the rest of Africa. However, the information that was provided, in concert with that gleaned from annual reports, press releases and other reliable sources of information does paint a picture).

A 2003 paper produced by LiquidAfrica Research reveals that South Africa was the largest investor into the rest of Africa in the decade from 1990 to 2000. Investment over this period, according to LiquidAfrica, averaged around US$1.4bn annually from South Africa, or a total of roughly $12.5bn over the decade.[3] The USA follows second with less than $10bn, which is substantially ahead of the levels from France, the UK, Germany and other foreign investors. As the chart below indicates, the bulk of South Africa's cross-border investment activity occurred in the second half of the decade.



Source: LiquidAfrica, UNCTAD

This reinforces the notion that isolation was a key deterrent to earlier South African activity in other African countries, but does not tell the full story. Of the roughly 80 companies surveyed for the purposes of this paper, the majority already had a presence in other African countries well before the end of isolation.

The companies have made in excess of 450 investments throughout the continent, with many of those dating back to the colonial era, or immediate post-independence era.[4] The graph below clearly illustrates

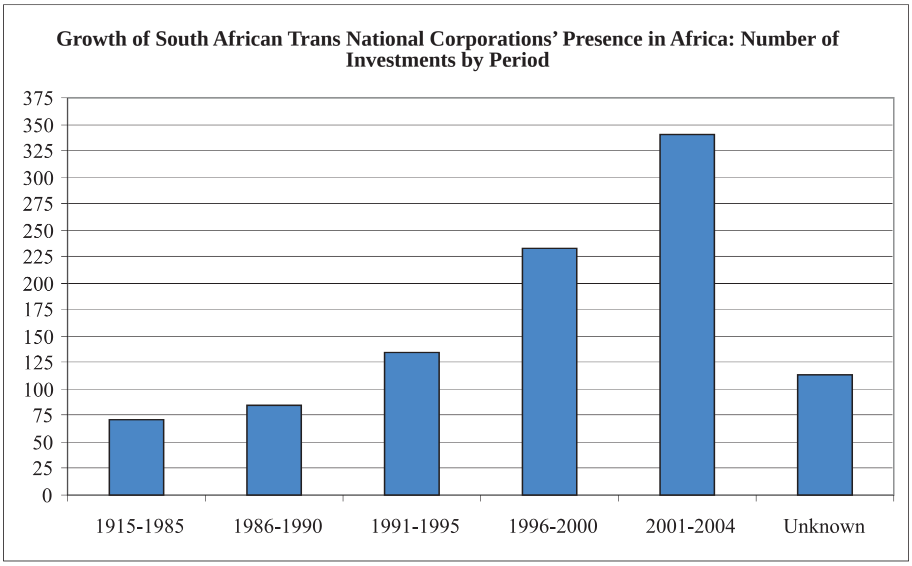
3 LiquidAfrica, "JSE Companies in Africa", June 2003.

4 Investment in these terms is defined as the establishment of a permanent physical presence in another market, where this involves capital outlay from the parent in South Africa, or South African based subsidiary.

that the presence of South African based companies in the rest of the continent pre-dates the end of the isolation era by some margin.

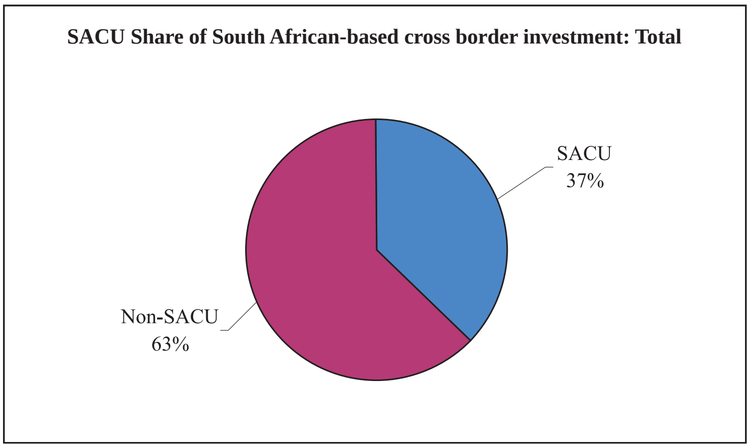
Until 1985, generally regarded as a watershed year in South African history as sanctions and disinvestment began to be applied in earnest, there were just under 75 investments in other African countries or territories from South Africa. Between 1986 and 1990, as a result of isolation there was very little activity, with the number of investments rising to only 85 – and this was in large measure due to the restructuring of Southern African assets by foreign companies.

The effective end of isolation in 1991 saw, the beginning of the era of rapid expansion into other markets. The periods between 1996 and 2000, and 2001 to 2004 saw the continuation of this surge. By March 2004 the number of investments by South African based companies surveyed in this report in other markets had reached around 460.



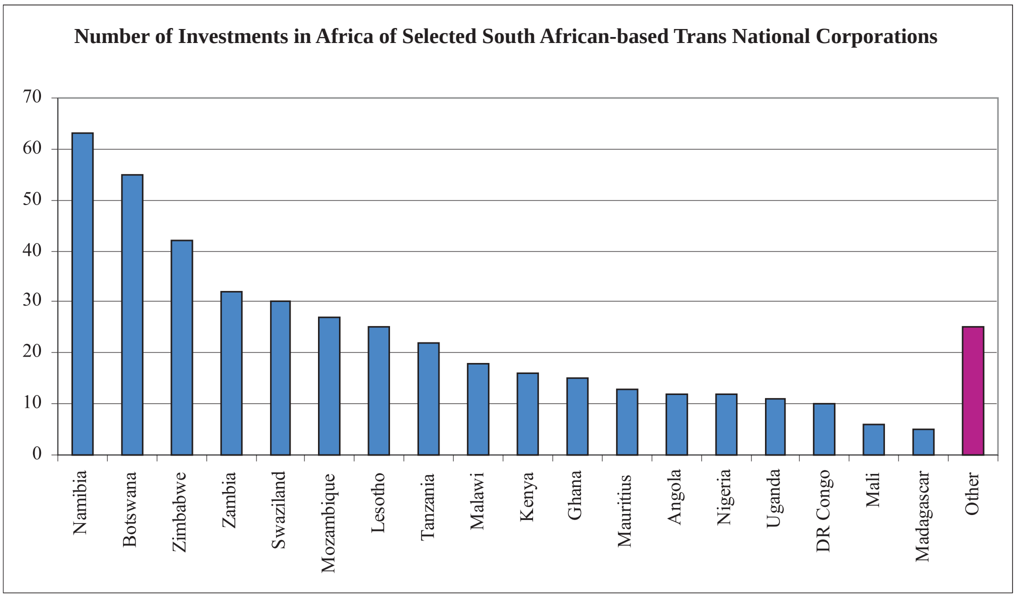
Source: Whitehouse & Associates, based on information collected from company records.
Note: Unknown relates to known investments that are not specifically dated. However, the vast majority of these relate to activity in the isolation era, and generally in the SACU countries. Available company records do not extend back to this period.

The spread of investment, and the alarm that often accompanies it needs to be placed in context. Thirty seven percent of the investments recorded in the survey occur in the other SACU countries. The close ties between the five countries of the SACU, and South Africa's position vis-à-vis the four smaller countries, is highlighted above. These investments date back to pre-World War 2 investments, and whilst there are several mining and manufacturing investments amongst them, the majority are through large retail groups, and to a lesser degree financial services companies. There has thus not been a seismic shift in the structure of economies as a result of South African activity in this environment.



Source: Whitehouse & Associates, based on information collected from company records.

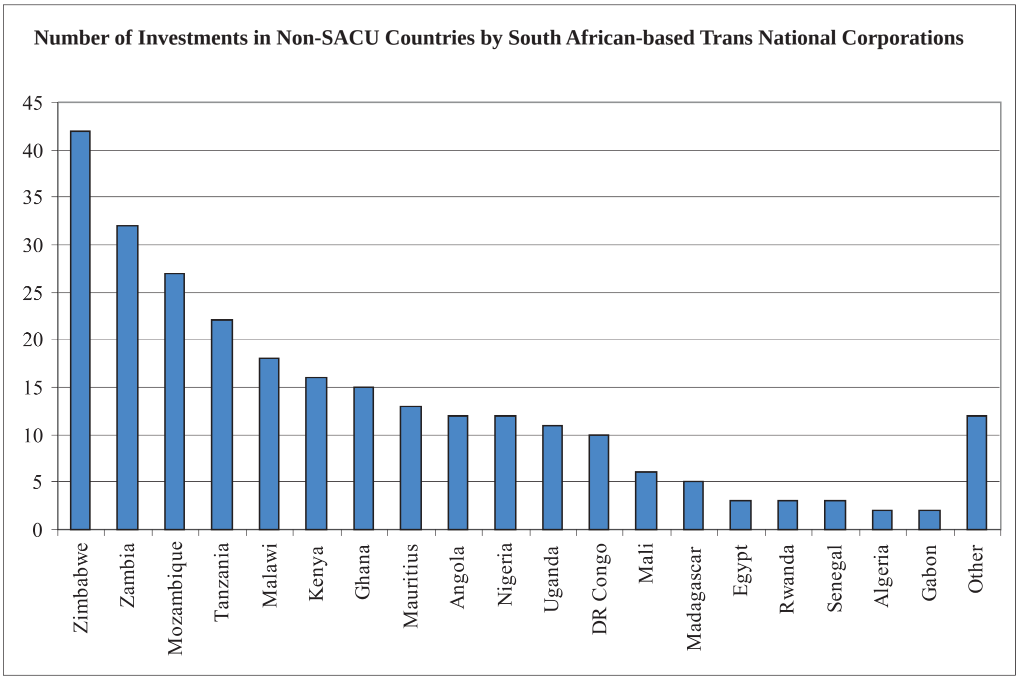
The graph below illustrates even more clearly the predominance of South African investment in traditional markets, and those close to South Africa. Only Kenya in the top ten is outside of the SADC grouping. All the SADC countries are in the top eighteen destinations for South African-based investors.



Source: Whitehouse & Associates, based on information collected from company records.

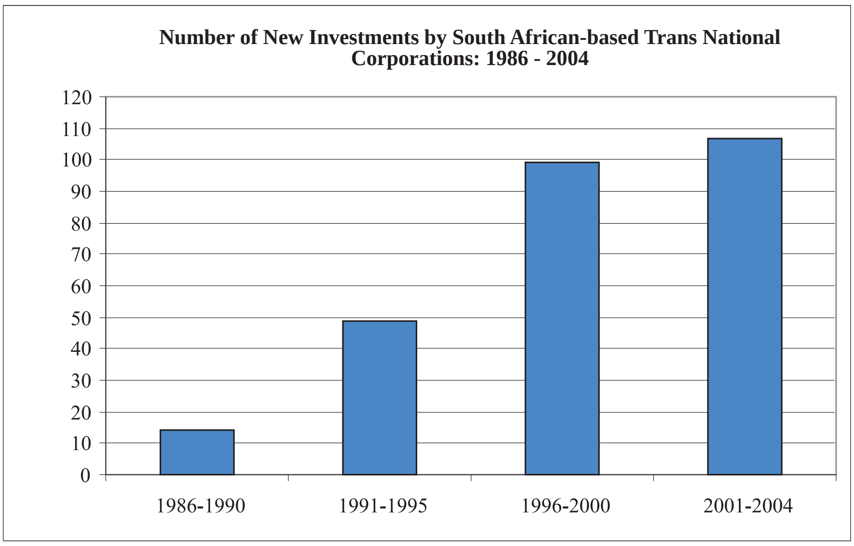
Non-SACU investment has been dominated by investment into Zambia and Zimbabwe – both countries that have a strong mining heritage, and have thus attracted interest in these areas.

It is also notable that there are substantial expatriate populations from both of these countries living in South Africa, adding a further element of familiarity to relations between South Africans and these countries. The same could be argued to a degree in the case of Mozambique, although that country and Tanzania have attracted investment from South Africa as a result of pure opportunity rather than any other reason. Proximity in the case of Mozambique, and a revised regulatory environment in the case of Tanzania are generally cited as the key reasons for the push into these markets.



Source: Whitehouse & Associates, based on information collected from company records.

The push by large South African based companies is still gathering pace. This is clearly illustrated by the fact that the last 3 years have seen greater numbers of new investment than the five years to 2000. The numbers below indicate a similar pattern to the UNCTAD-based figures released by LiquidAfrica, and suggest that South African cross-border investment has yet to peak.



Source: Whitehouse & Associates, based on information collected from company records.

The direction that the new investment is taking is interesting in that it is away from the traditional countries and into newer markets as illustrated in the following table. However, it should be noted that the investment in these markets are concentrated in two distinct areas – minerals and energy. Since 2001 countries such as Algeria, Burkina Faso, Equatorial Guinea, Gabon, Sao Tome and Principe, Mauritania and Morocco have attracted such interest from South African companies.

6. Date of Investment

Country	Pre-1990	1991-2000	2001-2004	Total	% of Investment post-2000
Algeria			2	2	100
Burkina Faso			1	1	100
Burundi			1	1	100
Equatorial Guinea			2	2	100
Gabon			2	2	100
Guinea			1	1	100
Mauritania			1	1	100
Morocco			1	1	100
Sao Tome & Principe			1	1	100
Senegal			3	3	100
DR Congo		3	7	10	70
Rwanda		1	2	3	67
Madagascar		2	3	5	60
Angola		5	7	12	58
Nigeria	1	4	7	12	58
Uganda		5	6	11	55
Mali	1	2	3	6	50
Mauritius	1	6	6	13	46
Tanzania	2	11	11	24	46
Kenya	3	6	7	16	44
Ghana		9	6	15	40
Mozambique	7	11	9	27	33
Zambia	11	13	5	29	17
Malawi	7	8	3	18	17
Botswana	40	8	7	55	13
Namibia	41	16	6	63	10
Zimbabwe	24	14	4	42	10
Lesotho	17	7	1	25	4
Swaziland	23	6	1	30	3
Cameroon		1		1	-
Congo (Brazzaville)		1		1	-
Egypt		3		3	-
Ethiopia		1		1	-
Ivory Coast	1			1	-
Seychelles		1		1	-
Total	**179**	**144**	**116**	**439**	**26**

Source: Whitehouse & Associates, based on information collected from company records.

The most noticeable point looking at the evolution of investment in other African countries, is that those that have attracted the most interest from South African companies in recent years are by and large those that have undergone substantial (positive) political and regulatory reforms. Thus, once again, Tanzania and Mozambique have attracted 46% and 33% of their investment respectively from South Africa once a stable and workable environment has been achieved. Uganda (55%), Kenya (44%), Mali (50%) and Mauritius (46%), reinforce this. Investments in countries such as Angola, Nigeria and the DR-Congo are largely 'enclave investments', occurring outside of trouble spots, although investments in the banking and telecommunications sectors in countries such as these should dispel the notion that they are impossible environments within which to work. Zimbabwe's data is self-explanatory.[5]

The SACU countries have had mixed results. The small and relatively unstable environments in Swaziland and Lesotho have mitigated against much new investment in recent years from South African corporates, whilst the more progressive systems in Botswana and Namibia – and substantial mineral deposits – have ensured continued South African investment, in direct sectors as well as related industries.

7. Role of Parastatal Organisations

A separate but related part of South Africa's drive into the rest of Africa has been the activities of the parastatal organisations such as Transnet, Eskom, the Industrial Development Corporation (IDC) and Development Bank of Southern Africa (DBSA). It is not the intention of this paper to discuss the merits or demerits of South Africa's state owned enterprises (SOEs) entering other markets from a philosophical viewpoint, but merely to highlight some of the activity that has been ongoing for the last decade. It should also be remembered that SOEs from countries such as France, Italy, Spain and China are long-standing investors in much of Africa, and the development finance institutions from the Organization for Economic Corporation and Development (OECD) countries have played a long-standing role in Africa. In the case of South Africa such coordinated policy objectives are not readily apparent.

The financial parastatals, the IDC and DBSA fulfil a dual role. First they provide critical development finance in other African countries, across a variety of sectors. They also act as levers for South African and international investment in the host countries, as the Mozal smelter in Mozambique illustrates so well. The IDC has spread rapidly from funding business proposals in South Africa alone, to a SADC-wide presence, and now to an Africa-wide presence. According to the IDC their African portfolio (excluding South Africa) comprises 69 projects under implementation, investigation or consideration in 23 countries. Funding has been approved for 33 of these projects in 11 countries. Furthermore, the IDC has approved or is considering 38 applications exclusively related to export financing or short-term trade finance for South African goods and services targeting African projects or markets.

5 It is not the intention of this paper to discuss the merits or demerits of reform processes underway in many African countries, as this is topic of debate in its own right. The hindrances to renewed increased investment in Africa are well documented by authorities at UNCTAD and other multilateral institutions.

The total value of financing approvals by the IDC was bolstered by a number of large financing approvals for development in the rest of Africa, which increased substantially from R392 million in 2001/02 to R2,4 billion last year. From 1999 to 2003, the value of IDC financing in Africa comprised 22% of the total finance portfolio.[6]

The DBSA has a mandate at this stage that covers the SADC region, although this is being expanded into other parts of Africa. Investments in the public sector were made mainly through public utilities in the energy, telecommunications, water, transport, tourism, financial services, and agricultural sectors. New investment loans in SADC which totalled R1,5 billion were approved (25 per cent more than in 2001/02), resulting in a cumulative investment portfolio to both private and public sector clients of R7,4 billion. This represents 26 per cent of the Bank's total investment portfolio to date.[7]

Furthermore, the DBSA and IDC are both critical repositories of research and information on the region, adding to the body of knowledge and support services that can be offered to local and international investors. This role cannot be overlooked, as a key constraint to investment and development in Africa has traditionally been the lack of reliable, verifiable data.

Transnet and its various divisions are active throughout much of the continent as well. Spoornet operates or manages rail networks in 14 countries across the continent, whilst the Ports Authority provides training and consulting to a number of other port authorities around the region. The role of Transnet in assisting with the development of competitive utilities in Africa is important to the development of the sub-region as a whole.

Eskom, through its commercial arm - Eskom Enterprises - is also a key driver of much of the development within the electrical power sector in SADC, and to a limited extent outside of SADC as well. The regional power pool, arguably in South Africa's interest, more than that of other countries in the region, as South Africa's domestic supply nears capacity, is an example of regional integration at a practical level being pursued by South Africa. Eskom is also becoming more of a regional player, with management contracts and investments in several SADC countries in place, and the prospect of further investments in the near future.

8. Conclusion

There has been a marked increase in cross border activity from South African companies, and South African based companies in the last ten years, and the trend shows no sign of changing. Investment has traditionally been skewed in favour of the other SACU countries, where South Africa enjoys something of a monopoly in terms of trade and presence. From the mid-nineties however, this trend changed, with increased activity in other Southern and East African countries. These activities took place largely but not exclusively to English-speaking nations.

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6 IDC Annual Report, 2003.
7 DBSA Annual Report, 2003.

In the last four to five years, there has been another shift. South African companies are increasingly taking advantage of opportunities in the energy sector as activity in that field – particularly along the West Coast of Africa – surges.

The activity from South Africa has covered most fields of activity, from mining and energy to a strong FMCG focus, but also into the 'new economy' with ICT, entertainment and services companies increasingly present across Africa. Investments outside of traditional areas such as mining have also gone a long way to creating both a business environment and a living environment that is conducive to further investment, whether it is the creation of telecommunications links, accommodation or retail and entertainment amenities.

Invariably, however the common denominator in the investment footprint has been that companies have generally preferred to engage markets that have opened up, and have a relatively higher degree of transparency and accountability, not to mention stability. South African companies have not had the benefit of an ex-colonial benefactor government as so many investors from Europe enjoy, nor the leverage of global oil companies.

Furthermore, tied aid was (and to a degree still is) used as a lever to facilitate activity in developing economies by developed governments, and South Africans have definitely not had this benefit until very recently with the entry of the IDC and DBSA into other African countries.

South African companies have therefore tended to invest in environments that they are comfortable in, and this could be used as a barometer of a country's progress towards greater governmental accountability. South African companies are thus interacting not only at a purely business level – but by doing so are showing faith in those countries that have adopted progressive strategies in more than name only.

There are many arguments for and against the continued expansion of South African companies into other markets, not least of which has been the issue of 'restructuring of assets' or job-shedding, but this is a global, and not a South African phenomenon. Perhaps it is a reflection more of the timing of South Africa's integration with the continent than anything else. **In summation, the evidence points towards a South Africa that is assuming a natural role in Africa, given the relative strengths and abilities of the country vis-à-vis most others in Africa.** It may not be a role that the entire continent is comfortable with, but as a Kenyan taxi driver once famously noted, "we've allowed the British to control our businesses for two hundred years. Why are we suddenly up in arms when a fellow African buys our companies?"

ANNEXURE

Who is doing what for better enterprise governance in Africa - some of the players and their activities.

Roger Ballard-Tremeer*

NEPAD

The World Economic Forum initiated South African NEPAD Business Group (RentiaV@jse.co.za) has invited business to express its solidarity for good governance by adhering to one or more of the following:

- Business Covenant on Corporate Governance
- Business Declaration on Corporate Responsibility
- Business Covenant on the Elimination of Corruption and Bribery
- Business Declaration on Accounting and Audit Practices

The United Nations Economic Commission for Africa (UNECA)

Since 1958 UNECA has provided technical development assistance to the countries and regions of Africa. Since the formation of NEPAD, UNECA has been active inter alia in assisting the continent to close the gap between the desire to improve governance, public and private, and the capacity to measure and monitor progress towards that improvement. The UNECA “project on monitoring and measuring progress toward good governance in Africa” is a contribution to enhance the latter capacity. Some project outcomes will inform the preparation of the Africa Governance Report (AGR) that will be launched during the fourth African Development Forum (ADF IV) to be held during October 2004.

Selected individual countries

Kenya

Since its inauguration the new government of Kenya has made considerable progress in improving governance to the extent that the country is now reaping benefits in increased investor interest.

Lesotho

Lesotho’s courageous decision to tackle massive corruption related to the construction of the Lesotho Highlands Water Project has resulted in convictions with several more cases scheduled to be heard by the country’s High Court. Judgements have pronounced especially on the acts of agents dispensing bribes on behalf of clients and the intimate nature of the agent / client relationship.

South Africa

The Institute of Directors in Southern Africa, KING Committee Report and Code on Corporate Governance, has, since its’ launch in early 2002, become a role model for private sector governance initiatives in Africa and further afield. The report has also become a source of business development guidance for those considering investing in the continent.

The World Bank

The World Bank has progressed from taking an ad hoc, low-visibility approach to instances of fraud and corruption in member countries, bank projects, and among staff, to a leadership role among the multilateral development banks in all three areas.

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It has a "comprehensive and integrated" anti-corruption strategy in place and has taken a public stand, based on research, that corruption is an obstacle to growth and the battle against poverty. It also has a special anti-corruption unit that has uncovered fraud and corruption in bank projects.

More than 180 companies and individuals have been blacklisted from doing business with the Bank and their names and penalties have been posted on the Bank's public web site.

Between July 2003 and March 2004, the Bank had referred 18 cases of fraud or corruption to national justice authorities based on investigations by its anti-corruption unit.

It operates a 24-hour global anti-corruption hotline, has strengthened financial disclosure to shareholders and has launched more than 600 anti-corruption programs in 100 countries.

The OECD

The OECD's Principles of Corporate Governance, issued in 1999 and now under review / approval (www.oecd.org/daf/corporate-affairs/), has become a global benchmark. The OECD works through Corporate Governance Roundtables in many regions including Africa.

The Commonwealth

The Commonwealth Association for Corporate Governance (CAGG) (www.cacg-inc.com) offers courses to business in Commonwealth countries including those in Africa and its website contains much useful information on governance in business.

The World Economic Forum

In addition to the covenants developed for NEPAD referred to above the Geneva-based World Economic Forum aims to make a further contribution to the field of corporate governance with a new initiative: The Global Corporate Governance Dialogue. The purpose of this dialogue is to contribute to the improvement of quality and coordination of corporate governance frameworks around the world, exploring particularly the international dimensions of the issue and using a workshop-based approach.

The new workshop-based dialogue will focus on the cross-country and comparative dimensions of corporate governance. The World Economic Forum has appointed an Advisory Board whose mandate is to contribute advice on the content and structure of these workshops.

The International Chamber of Commerce (ICC)

The ICC in Paris has developed a model code of conduct for organised business to counter bribery and corruption across the world.

Organised business in Africa

The second Pan African Consultative Forum on Corporate Governance was held in Nairobi, Kenya, 21st - 22nd July 2003, with the theme "Corporate Governance for Economic Performance and Sustainable Development". The first Forum was in Johannesburg, South Africa, in July 2001, and the next is planned for West Africa in 2005.

The Forum endeavours to:

- Promote corporate governance through the banking system, development finance institutions and private equity investment, as well as through the equity markets; a number of countries have already initiated reform programmes through their central banks and bankers associations, and other countries are about to commence;
- Ensure that those countries which have not yet set up national task forces are encouraged and facilitated to do so through cooperation with other African countries which have successfully implemented similar initiatives, as soon as feasible;
- Encourage country training courses for directors of state-owned enterprises, recognising their economic significance and the need for specialised induction for their directors and to share country experiences with others which have resolved to commence similar programmes;
- Disseminate information and methods used to launch corporate governance initiatives (www.corporategoveranceafrica.org);
- Promote the vital role that can be played by investor associations, and the need to form such associations in all countries with stock exchanges, and in all countries to create awareness of the rights of stakeholders;
- Mobilise domestic savings for investment in national companies, and so give greater confidence to international investment funds seeking opportunities in African markets;
- Forge trust among all the key players in the economic system, with particular emphasis on ethical conduct of directors, executives and employees, all of whom have a part to play in the efficient conduct of enterprises;
- Ensure that the needs and views of Africa are expressed in the forthcoming global policy dialogue to review the OECD Principles of Corporate Governance; representatives of this Forum will participate in a special consultative meeting to be organised by the Global Corporate Governance Forum in November 2003;
- Work in collaboration with NEPAD to promote good corporate governance in parallel with reforms for improved public and economic governance, so as to achieve the long term objectives of creating wealth for Africa through improving the operations of economic enterprises and attracting capital for investment, thereby generating growth and employment in a responsible and sustainable manner.

Organised business in South Africa is active in the promotion of good private sector governance. The South African Chamber of Business recently held a seminar on governance and the activities of the members of the South Africa – Angola Bilateral Chamber of Commerce are governed by a code of conduct derived from the ICC model.

The Organised Professions in Africa

Several of the organised professions in South Africa insist that their members should practice good governance. The South African Association of Consulting Engineers is one such body (www.saace.co.za).

The South Africa Foundation

The South Africa Foundation is an association of South Africa's largest corporations and major multinational companies with a significant presence in South Africa. They are represented on the Foundation's Council at the level of Chief Executive or Chairman. The Foundation is the independent, non-partisan voice of South African business leadership. It is financed entirely by private subscription from its corporate members.

The Foundation believes that business leadership has a collective duty to contribute to the process of policy-making on national and international affairs. It further believes that a strong, independent private sector, operating within a market-orientated economy, is an essential feature of any successful, free and democratic society.

Objectives of the Foundation

The Foundation seeks to formulate and express a co-ordinated view on macro-economic and other national issues and to promote the interests and further growth of South Africa's private sector both domestically and internationally. The Foundation strives to promote enterprise and an environment conducive to the conduct of business. It is also believed that the development of human capital and the raising of income levels are essential in building a successful nation.

The South Africa Foundation fosters relationships between South Africa and the rest of the world, in the belief that these relationships will improve opportunities for South Africa as well as for the entire southern African region.

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