

Do Businesses from the BRICS Contribute to Development in Africa?

As businesses from emerging economies become more globalised, expectations are raised about their role as responsible corporate citizens and development actors when operating in low-income countries. While businesses from the global North have been the usual targets for praise or criticism with regards to their contributions (or lack thereof) to African development, little is known about the development contribution of firms from the BRICS (Brazil, Russia, India, China and South Africa). It is important to explore a variety of activities of these firms in Africa, which they consider to be developmental, and the justification behind them. In this context, there is a need to ask and understand how these firms view their own role as development partners for Africa.

South-South cooperation discourses espoused by BRICS (Brazil, Russia, India, China and South Africa) and other rising powers highlight the differences between them and Organisation for Economic Co-operation and Development (OECD) countries when it comes to engaging with low-income developing countries. Claims of egalitarian relationships where donor and recipient are considered equal partners in a mutually beneficial arrangement abound. These claims raise questions about whether businesses from these countries abide by these principles and how they apply them in their operations in Africa.

Business contributions to development can be broadly categorised into two approaches:

- The 'traditional' approach, which focuses on investments in infrastructure, job creation, tax revenue for the host state and Corporate Social Responsibility (CSR) projects, which are carried out in parallel to their core operations.
- The 'progressive' approach, which augments the traditional involvement by explicitly aiming to target poverty, reduce inequality, and even promote human rights as part of a firm's values and core business operations.

Based on original interviews with firms from Brazil, Russia and South Africa as

well as the review of secondary material for China and India, there are examples of the approaches and specific activities of these firms, and whether they are founded on a developmental ethos.

The less known: Brazilian, South African and Russian business in Africa

Brazil

The presence of Brazilian businesses in Africa has never been as large as that of the other BRICS, but during the government of President Lula da Silva (2003–10) it experienced remarkable growth in its volume and perhaps much more in visibility as it was promoted as part of the Brazilian Government's economic diplomacy strategy.

Large firms in the mining and construction sectors make up most of the Brazilian business presence in Africa and can often count on the state-sponsored loans from the Brazilian Development Bank (BNDES). Small firms in the manufacturing and services sectors rarely have access to such government support, with the exception of those fortunate few that receive APEX (Brazilian Agency for the Promotion of Exports) support.

Brazilian construction companies have been involved in large social housing projects as well as other infrastructure

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projects at the request of African governments. In addition, they often have a small CSR department or foundation that creates projects to address local employees' needs for professional development, health and education. In a few cases, these projects might include wider community concerns. The Brazilian conglomerate Odebrecht, for example, has taken the step to finance and support orphanages in Angola and Mozambique, where its operations are based within communities ravaged by AIDS.

Smaller companies are reported as having charitable projects, for example around food and medicine distribution or the provision of educational materials for schools, often led by the spouses of managers living in Africa. Perhaps one of the most traditional but well received developmental impacts from Brazilian firms in Africa is in their employment and training of the local workforce rather than bringing in their own workforce.

South Africa

Business presence is weakest in parts of Francophone and Northern Africa, while competition from traditional European investors as well as new investors from BRICS is stiff especially in Africa's big economies, such as Angola, Egypt, Kenya and Nigeria. In the Southern African Customs Union (SACU), of which South Africa is a member, however, South Africa is the leading investor in SACU because of its long-standing institutionalised relationship and history. South African corporates are also extending their reach into other African countries as far as Egypt, Ghana, Mali, Nigeria and Senegal.

A study by the South African Institute of International Affairs (SAIIA) on South African investment into the rest of Africa shows that, generally, so-called big or 'mega' South African investments such as the building of the Mozal aluminium smelter (US\$2.2bn) and the laying of the Sasol pipeline (US\$1.2bn) in Mozambique, and the merger of AngloGold and Ashanti Goldfields of Ghana (US\$1.4bn) are rare. SAIIA found that medium-sized investments are surprisingly diverse, ranging from breweries to finance and insurance to entertainment, health, railways, telecommunications, tourism and utilities. However, the majority of investments, especially in the retail sector, are generally much smaller, although ironically much more visible as evident in the changing cityscapes across the continent.

If there is anything unique about the South African investor presence in the region

vis-à-vis the other BRICS, it is the sheer diversity of investment outside Africa's extractive sector.

Developmental contributions of South African business in the rest of Africa have been reported in traditional economic areas such as better wages and direct or indirect job creation. Foundations and CSR departments are also undertaking localised projects for their employees and their families in education, agriculture and water supply; micro-credit for small businesses; and offering professional and life-skills training, for example in business management, literacy and numeracy.

One widely reported (but self-reported) developmental impact is the influence on better corporate governance and health and safety practices in the region.

Russia

Thirty years of Soviet presence in Africa left little behind for the Russian private sector to re-establish new partnerships in the continent. The Russian Federation has few development cooperation projects in Africa and even fewer involve the business sector. Mining and energy companies such as Gazprom, Lukoil, Rosatom and Rusal are their main representatives in Africa.

In their interviews, Russian businesspeople and government officials often claimed that the main barrier for expansion of private investments in developing countries (and particularly Africa) is a 'poor investment climate'. They described the situation as having worsened after the global financial and economic crisis in 2008–09. Less often, and never in public, there was also a recognition that Russian Government and businesses lacked the experience and capacity to be effective partners with regards to developmental objectives and even to risk large investments in Africa. So the trend has been for Russian firms to avoid such investments altogether and concentrate on middle-income and OECD countries.

CSR, usually associated with Western management techniques, is a weak concept and is rarely practiced by Russian firms. Providing development support in Africa when it is not even commonly provided in Russia is not a priority for many firms, although stepping in with ad hoc provision of water, sanitation and electricity where communities are not receiving these services from their governments is not unheard of. Those large Russian firms which do run CSR programmes justify these to their investors in terms of their contribution

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to profits and the creation of an enabling environment for business, rather than in terms of social and environmental responsibility.

However, it has been reported that some Russian firms are seeking out technical support from international non-governmental organisations or other international donors in channelling financial assistance to the local communities, particularly if those projects have social or cultural elements. Small and localised charity projects organised by the senior managers who reside in Africa were also reported.

All in all, the most significant contributions from Russian firms to African local development are of the traditional kind: investment in energy infrastructure (gas and oil pipelines).

The most scrutinised: Chinese and Indian business in Africa

China

The fact that China presents itself as a developing country and 'equal' business partner, rather than as a donor, has helped deepen South-South bonds with Africa.

Between 1996 and 2005, bilateral trade grew nearly tenfold. By the end of 2013, it had increased dramatically to US\$210bn, making China Africa's biggest business partner.

Chinese investments cover more than 49 African countries in diverse sectors including manufacturing (46 per cent), mining (28 per cent), services (18 per cent), textiles (15 per cent) and agriculture (7 per cent). Additionally, Chinese firms are involved in large public building programmes which range from airports, dams, hospitals, government offices, power plants, railways and stadia, revamping infrastructure abandoned by Western companies across the continent and even reconstructing entire urban cities.

Chinese businesses can claim to be boosting local economies by investing in infrastructure. However, their contribution towards other traditionally understood development approaches, such as generating local employment and tax revenue for the government is still in question. Many Chinese companies tend to bring in large numbers of Chinese workers and also buy much of their inputs from China, creating few backward and forward linkages within African economies. There has been a backlash against such practices, as evidenced by recent protests and even violence in Zambia and Nigeria. Another common criticism is around inefficient donation of money or equipment

to communities. This phenomenon has been linked to poor community engagement, which ultimately does not address the real needs of local groups, but addresses instead what companies perceive as key problems. It could be argued that Western firms have also been known for deciding what is best for their host communities. Only the most progressive of firms engage in truly inclusive processes with communities. Furthermore, Chinese CSR activities lack public campaigning and advertising since they advocate a philosophy of 'actions speak louder than words'.

India

Numerous studies conducted about the features of Indian multinationals in Africa have identified that Indian firms exhibit greater integration into domestic markets, operate extensively through informal channels and have greater access to the local political and social economy, due to the long ties of the large Indian Diaspora in Africa.

Another salient feature is that Indian firms tend to be privately owned, are varied in size and scale and are less vertically integrated than Chinese firms. Additionally, they prefer to enter in diversified markets and sell their products to private markets rather than African state agencies. Indian firms obtain supplies from local African markets and promote the integration of the management and their workers into the socioeconomic African environment.

While Chinese entrepreneurs are developing the region's infrastructure, Indian firms are primarily involved in the supply of information technology technical services, capacity building and training. Currently, India has a leading role in the telecommunications sector, transfer of technology and training of human resources in Africa.

Indians have invested more than US\$1bn in farms in Ethiopia, following a sharp decline in agricultural productivity in Central and Northern India, and India's need to meet domestic demand for agro-fuels and food. However, as a result, India has been involved in numerous land-grabbing controversies, most notably in Ethiopia.

Unlike China, philanthropy and social duties are more embedded features in Indian business culture. Spirituality is rooted in the ethos of Indian corporations and progressive practices, such as the 'Base of the Pyramid' approach, have their origins in Indian business culture. Some favourable reports claim that Indian businesses have prioritised labour issues,

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community engagement, and sustainable environmental practices. Indian CSR practices in Africa are often based on participatory projects and empowering local communities as stakeholders.

Between China and India, the former seems to have difficulties incorporating responsible business practices in the region, in many sectors, due to its voracious need for domestic economic growth. Alternatively, India seems to have a less expansionist approach but that does not necessarily mean it has an altruistic

agenda in Africa. Indeed, there is evidence that Indian companies have exacerbated local corruption with the complicity of African elites.

It appears that the trend amongst BRICS businesses operating in Africa is to emphasise infrastructure development, tax revenue, job creation and limited CSR projects focused on their own employees and their families. These approaches in fact, fall within the 'traditional' approach to social development followed by many businesses.

Policy recommendations

Policymakers and business actors from the BRICS

- Achieve greater development impact in African countries by putting in more effort when adapting business practices and CSR models that have proven successful in domestic settings to a very different economic, geographic and social environment.
- Be mindful that although South-South cooperation is based on a relationship between equals, there is clearly a vast difference of capacity between hugely populous, physically large and economically strong BRICS and their African counterparts.
- Gain a better understanding of local needs by enabling decisions around what to prioritise and invest in to be taken at the frontline, rather than at headquarters, which is often the case with Chinese and Russian firms. While inclusive community engagement may appear costly in the short term, there are long-term benefits to minimising the negative backlash and ensuring sustainable business prospects.
- Invest in good and appropriate communications (based on activity rather than PR spin) with local communities to enhance brand value and local perceptions of BRICS companies.

Policymakers in African countries engaged with the BRICS

- Rather than focusing on 'who is offering the best price', burgeoning business interest from the BRICS provides policymakers with an excellent opportunity for negotiating investment in progressive activities which will have a deeper and more positive development impact.
- Improve linkages between BRICS business and local firms by applying local sourcing rules in contractual negotiations. At the same time, supplier development programmes and appropriate industrial policies should be adopted to support African firms to develop their capacity and competitiveness.

Civil society organisations

- Seek opportunities to work with BRICS businesses around community engagement and social development, since this is an area where they lack capacity and experience.
- Engage in monitoring activities which help to support community engagement and ensure businesses remain accountable.

Further reading

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