

India in Africa

Are Indian Cos. in Africa Being Responsible Enough?

This article attempts to review the behaviour of some Indian oil and gas firms operating in African countries



Indian investments in the African continent have increased exponentially in the last decade. Till early 1990s, the amount of Indian investments in the continent was below US\$50mn, it has now gone beyond US\$2bn. In addition to an increase in the volume of investments, there has also been an increase in the diversity of such investments. Oil and gas (O&G) operation account for a major share of Indian investment in the continent, where both Indian public and private sector firms have invested hugely. Of the total Indian overseas foreign direct investment (FDI) in the oil and gas sector, nearly a third (about 29 percent) is located in Africa.

A recent African Development Bank report asserts that the continent is blessed with considerable oil and gas resources that can catalyse growth and development of the countries, if it is used strategically. Discovered over the past 20 years, oil reserves in Africa have grown by over 25 percent, while gas by over 100 percent. A key development challenge, however, is managing the resources judiciously for a development path which is sustainable and inclusive. It is imperative, in the process, to draw synergies between the development goals of the countries and the interests of foreign firms which invest in the O&G sector.

There are several examples that suggest a lack of synchronisation between development objectives of African nations and the activities of foreign companies in this sector. Shell's long-lasting saga of oil exploration and the consequent adverse impact on the environment and communities living in the Niger Delta is one that is mostly cited. The company has also faced criticism for its recent bid to extract natural gas from semi-desert regions of South Africa. SOCO, a UK company has been condemned for its oil exploration activities in the Democratic Republic of Congo.

Firms operating in this sector across African countries have often not been able to conduct themselves in a responsible manner. This is a dangerous trend and needs to be reversed, in the interest of a secured future of the host countries. Literature of corporate misconduct

from the continent and elsewhere point towards adverse impacts not only on economic progress of the population but also on democratic governance processes. These remain critical factors for Africa's future.

This article attempts to review the behaviour of some Indian O&G firms operating in African countries. It emerges from the information available in the public domain that some of them have indeed adopted policies (Health, Safety and Environment or HSE) to cater to the needs of the workers and the environment/communities where they operate. ONGC Videsh Limited (OVL) and Kenya Petroleum Refineries Ltd (KPRL, is a privately owned limited liability company with 50 percent of its shares owned by Essar Energy Overseas Ltd, India) are noteworthy in this regards.

However, it would be necessary to undertake detailed ground truth verification to establish the extent to which these policies are actually being implemented by the companies. Concerns have been raised by independent institutions about the way Reliance Industries Limited (RIL) aggressively bid for oil concessions in Sudan. In addition to the workplace, responsible conduct of a firm is analysed in the marketplace, community and the environment as well.

A discussion on responsible business conduct among Indian firms in Africa is timely, given that the Indian government has emphasised that companies operating both within and outside the country's borders need to integrate elements of business responsibilities. Recent steps by the Government of India to ensure that large firms behave in a responsible manner have sparked a lot of debate and discussions on the subject of 'Business Responsibilities' in the country.

Exponents argue that Business Responsibilities and not CSR is the way forward for the future – though there is still a lot of misunderstanding regarding the difference between these two concepts. The recently released, National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (referred to as the NVGs) not only urges domestic Indian firms to behave in a responsible manner, but also those operating outside the country. The NVGs layout the determinants of Business Responsibilities, and urge Indian firms to adopt them.

Indian firms operating not only in the oil and gas sector, but in others too should rise to the occasion and demonstrate that their investment in African countries is not merely aimed at running the turbines back home, but also to contribute towards the long-term economic growth and development in African nations.

India-SA Ink Trade Pact

India is likely to sign a preferential trade agreement (PTA) with South African countries soon in a bid to lower trade barriers and boost two-way trade. It will give a considerable boost to our exports in the southern African region.

India and South Africa agreed to strengthen cooperation in the medium, small and medium enterprises (MSME) sector through joint ventures, technology collaborations through universities and research and scientific institutions and to enhance marketing tie-ups.

South Africa is India's second largest trading partner in the African region. India-South Africa bilateral trade increased to US\$10.6bn in 2010-11. The two countries target boosting bilateral trade to US\$15bn by 2014. *(ET & TH, 22.09.11)*

Nigeria Assures India of Prospects

The Federal Government of Nigeria assured a visiting Indian business delegation that Nigeria is creating a climate conducive to investment. The Indian trade body, NASSCOM, sent its second mission of delegates from 20 ICT companies led by Dr. Jai Menon and Anil Bakht to Kenya, Nigeria and Ghana to seek out partnerships and investment opportunities.

Nigerian Minister of Communication and Technology, Omobola Johnson, said Nigeria encouraged foreign investment. She gave the assurance that she would strive to promote foreign investment into the country without hampering local business. However, she also called on foreign ICT vendors operating in the country to comply with local regulations to ensure healthy competition. *(TM, 23.09.11)*

Congo-India to Build Hydro Plant

The Democratic Republic of Congo and India have signed a deal to build a hydroelectric plant in southern Congo. The plant, when completed, will have a capacity of 65 megawatts. The project is part of

Indian Aid to East Africa

India is looking to improve economic and strategic links with Africa, identified as the world's newest growth pole, but is yet to offer help to the countries of East Africa reeling under severe drought and famine.

The UN declared famine in two areas of southern Somalia, as the world slowly mobilised help for the 12 million battling hunger in the region's worst drought in 60 years. Tens of thousands of people have already died, and parts of Kenya, Uganda, Ethiopia and Djibouti are also hit by drought and are facing a "humanitarian crisis".

The UN estimates that US\$2.4bn is required to address the crisis, which has hit Somalia the worst due to a relentless internal conflict and aid restrictions by Shebab rebels in areas under their control.

(Livemint, 10.08.11)



Congo's effort to address power shortages and develop the country's infrastructure.

Analysts opine that the country has huge hydroelectric potential because of its many rivers. The deal calls for India to cover about 60 percent of the plant's US\$280mn cost, with the DRC picking up the rest.

The construction on the plant in Kasai Occidental province will begin in the next few months and will take about four years. *(VoA, 12.07.11)*

Indian Support to Zimbabwe

India pledged to assist Zimbabwe to rebuild its fragile economy through increased investment, technology transfer and capacity-building as the two countries enhance mutual trade and investment co-operation.

Minister of State for Commerce and Industry for the Republic of India Jyotiraditya Scindia said that India was interested in mining, agriculture, manufacturing, infrastructure, power and energy, ICT and the services sectors. Opportunities also exist in healthcare, e-governance and education.

Scindia said Zimbabwe presented immense opportunities for investment and premium returns, being part of the world's last frontier

markets. Against this background, he said, Zimbabwe would benefit from India's US\$5bn investment for Africa, US\$ 700 million institutional capacity building fund and India's education programme for 22000 Africans. *(TH, 21.09.11)*

India-EA Boosting Ties

India is looking at increasing engagement with different economic groupings in Africa, particularly East Africa, with the emergence of South Sudan as an independent nation and indicating a desire to integrate with the East African region. This is also a part of India's overall strategy to deepen engagement with the mineral- and resource-rich continent.

With a market of some 300 million people, it is one of the economically vibrant regions of Africa that is being described as the world's newest growth pole. India already has substantial investments in many countries of East Africa, especially Kenya and Tanzania.

Oil-rich South Sudan is replete with mineral resources such as uranium and diamonds, which India would like to source for its civil nuclear power generation programme and for its famous diamond cutting and polishing industry in western India.

(Livemint, 11.07.11)

Sources: ET: Economic Times; TH: The Hindu; TH: The Herald; TM: The Moment; VoA: Voice of America