

Critical Dimensions of Indian Investments in Africa (IIA Project)

Background and Rationale

In recent years, the BRICS countries have emerged not only as major recipients of Foreign Direct Investment but also as important outward investors. According to UNCTAD's 2013 World Investment Report, in the year 2000 BRICS' outward FDI was approximately US\$7 billion; however, in just over one decade this figure has grown to approximately US\$145 billion. BRICS countries are increasingly becoming significant investors in Africa and although Africa receives only four per cent of BRICS FDI outflows, BRICS countries have joined the ranks of top investing countries in Africa.

In order to shed light on the impact of the increasing BRICS foreign direct investments in Africa, this project will initiate a research-led discourse on improving the social, economic and environmental impacts of investments in the mining and agricultural sector, using India as a case study. As part of the BRICS group, India has emerged as an economic power in the past two decades and this growth has been accompanied by an increasing demand and subsequent investment in primary resources such as minerals, agricultural products and most importantly fuels in Africa. The bulk of research that has been undertaken on Indo-African engagement has focused on this bilateral engagement from a business perspective however there is a need to better understand the different ways in which the investment is impacting/benefitting the local communities in Africa. Given that, factors such as, existing institutional arrangements, focal areas of funding, traditions of investment are likely to impact the thinking and practices of future investment in Africa, the CUTS project will therefore seek to serve as a lesson for future policymaking and implementation at the national levels in the select 'host' African countries i.e. Ethiopia, Kenya, Uganda and Zambia.

Objective

This project will seek to:

- a. Analyze the impact that current Indian investments have had on the sustainability of local communities, as a lesson for future policymaking and implementation at the national levels in select 'host' African countries.
- b. Initiate civil dialogue on investment issues by actively engaging with local stakeholders at various stages of the report development including in the dissemination of results.

existing research on India's engagement in mentioned Africa countries. The bulk of current research in this area provides a business perspective on Indian investments in Africa. Therefore, the research under this project will be used to provide a systematic review of both the public and private sector engagement in the areas of mining and agriculture. The objective of the research will be to collect information on the dominant Indian players within the African continent as well as identify the companies that the project will focus on.

Activities

a. Desk Research

The preliminary phase of this project will entail secondary research methods to collate

b. Surveys

The second phase of the project will comprise of interviewing stakeholders from various categories which will include regulatory authorities, government officials (from both

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consumer/internal & external trade departments), media, academia, business, consumer organisations and other NGOs, lawyers, trade unions and environmental groups.

The purpose of this field work will be to analyse the impact of Indian investments on the communities within which they are operating. Questionnaires will be prepared for each stakeholder group focusing on the issues related to social, environmental and economic responsibilities of business.

c. Reporting

A report of all the country studies will be compiled outlining the impacts of Indian investment in the selected African economies. It will concentrate specifically on the impact that these projects have had on the livelihood of local communities and the environment. In light of the goals of the BRICS Declaration it will focus on the extent to which these companies have succeeded in fostering (i) job-creation, (ii) skills development, (iii) food and nutrition security and (iv) poverty eradication and (v) sustainable development in the countries. The nine principles of the National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business as well as other Indian regulations governing the activities of Indian MNCs will be used to analyse the performance of these companies in this regard. Additionally, an assessment of the regulatory system in each 'host' country will also be undertaken to gain an understanding of the role of the domestic legal frameworks in governing the behavior foreign investors.

d. Advocacy

Two events will be organised where the research results will be presented and used as a basis for discussing ways to increase the benefits that local communities derive from infrastructural investment projects.

e. Dissemination

The report will be disseminated both locally and internationally through various channels of HBS and CUTS.

Outputs

- a. Comprehensive country study/report
- b. Event reports
- c. Project webpage comprising of all the relevant details related to the project
- d. Dissemination of project findings through the BRICS-TERN newsletter (a CUTS' quarterly publication on BRICS – related issues)

Expected Outcomes

- a. Identification of good practices as followed by Indian companies operating in Ethiopia, Kenya, Uganda and Zambia.
- b. Drawing from the Indian experience, identification of various policies BRICS countries can adopt to ensure that investment is conducive to both inclusive and sustainable development
- c. Understand the role of the legal frameworks of both 'host' and 'investor' countries in fostering positive social, economic and environment impacts of FDI.

