

CRITICAL DIMENSIONS OF INDIAN INVESTMENT IN AFRICA (IIA)

PROJECT ADVISORY COMMITTEE (PAC) MEETING – I

16th April, 2014

Proceedings

1. Opening Remarks

1.1 **Mr. Pradeep S Mehta**, Secretary General of CUTS International, opened the meeting by welcoming and thanking the Project Advisory Committee (PAC) members for being a part of the first PAC meeting of the project on Critical Dimensions of Indian Investment in Africa (IIA Project).

1.2 The objective of the meeting was to familiarise the PAC members with the ongoing project activities and seek advice on the challenges and upcoming activities. Mr Mehta explained that there would be two presentations wherein the first would provide a background of the project and the second, elucidate on the research methodology.

1.3 Mr Mehta then invited Caroline Bertram who was representing Heinrich Boll Foundation (HBF) to give a few words. Ms Bertram mentioned that Germany sees India as an important partner in the globalised world and their interest in the project is to raise awareness about Indian trade and investment culture in Germany.

2. Outline of the IIA Project & Progress

2.1 The presentation on the outline and progress of the IIA Project was made by **Mr Vikash Batham**, Senior Programme Officer, CUTS International. It explained the backdrop of the project, current status and expected outcome. He stated that the main objective of the project is to analyse and assess the positive impacts (economic, social and environmental) of Indian investments on local communities in Africa. The project intends to identify ways to increase the benefits that local communities derive from these companies by engaging with local stakeholders. Further, Mr Batham explained that the National Voluntary Guidelines (NVGs) were being considered as the yardstick to measure the impacts of project companies.

2.3 The sectors chosen for the study are mining and agriculture because of the direct impact they have on local stakeholders. The countries were chosen on the basis of a number of factors including significant Indian mining and agricultural investments as well as the presence of CUTS' Africa Resource Centres to ensure effective implementation. The countries and companies chosen were:

- ✓ Zambia: Nava Bharat Private Limited

- ✓ Kenya: Tata Chemicals Magadi
- ✓ Ethiopia: Karuturi Global
- ✓ Uganda: Mcleod Russell

2.3 Mr Batham explained that as the project carried the responsibility of reflecting the dynamics of India's investments in Africa, the PAC would play a crucial role in guiding and helping design the project and its outcomes.

3. Research Methodology: Draft Framework Analysis

3.1 The presentation on the project's research methodology was made by **Ms Chenai Mukumba**, Assistant Policy Analyst, CUTS International.

3.2. The presentation revolved around the secondary literature review and the scoping visits done on the project companies. Ms Mukumba explained the results from the scoping study on the country-specific economic, social and environmental impacts on the local communities. The presentation also marked some of the positive impacts as well as concerns and issues faced by the local communities due to the company's presence.

3.3 Furthermore, the presentation highlighted the data collection tools and methodology and the challenges faced during the course of the project. The two main challenges, mentioned by Ms Mukumba were firstly that, as Karuturi was likely to shut down in Ethiopia, there was a need to identify another Ethiopian case study. Secondly, some of the companies had been hesitant to participate in the project however inroads had been made in both Kenya and Uganda.

4. Summary of Open Floor discussion

4.1 The open floor discussion was both rich and educating. **Ms Aditi Haldar**, Director, Global Reporting Initiative (GRI), suggested that the study should be taken to the level of policy intervention. Along with NVGs, the GRIs could be taken into consideration as they prescribed sector guidance such as mining for organisations to measure and report their sustainability performance. For instance, impact of investment like wealth creation could be looked at under the GRI. Further, she suggested that the project also involve other developmental organisations such as non-governmental organisations (NGOs), civil society organisations (CSO).

4.2 **Mr Ashok Madhukar**, Principal Adviser, Afro-Asian Development Consortium, added that we should look at the host country's policies, grievance handling, and implementation of the policies and the level of adherence of these policies by the companies under study.

4.3 Regarding the project methodology, Ms Haldar expressed concern on basing the project findings on a perception survey. She suggested that it would be important to supplement the survey data with secondary data to ensure veracity.

4.4 **Ms Neha Kumar**, Senior Technical Expert, GIZ, noted that this project showed that businesses should be equally responsible for both natural and social capital and that looking at it through a holistic risk lens, businesses also had much to benefit from becoming more socially sensitised. Regarding the framework analysis, she added that it would be important to mention the overarching NVG principles along with the principles already mentioned. For instance, Principle 8 is cross cutting to each issue, hence, can be mentioned as the overarching principle. She also added

4.5 **Mr Sachin Joshi**, Director, CII's Centre of Excellence for Sustainable Development, maintained that as much of the impact assessment would be obtained through perception surveys of local community members, it was important to insert caveats. He stated that the CII office in Ethiopia could be contacted to address the challenge of finding a new company in Ethiopia (in place of Karuturi).

4.6 **Amb. Kishan Rana**, Senior Fellow, Diplo Foundation, pointed that we may be reinventing the wheel as a lot of secondary literature is available impacts of Indian as well as Chinese investments in Africa. He said the focal point of the project should be to showcase how the Indian investment has been different from other BRICS countries. We need to highlight the value that Indian business brings to the host countries and how it benefits them. He elaborated his point through an example of Indian investment in Botswana where deaf and dumb locals were employed for diamond cutting. Although, initially there was public outcry regarding the employment (exploitation) of the locals, later studies revealed that the company had actually helped create jobs promote skills development. Later on, even jewellery was being manufactured and exported, thus adding value to their exports. Hence, from a larger perspective what needs to be reflected is the value addition that Indian companies bring to the table.

4.6 Ms Haldar stated that the project is ultimately going to flag value addition as the intention is to capture the positive impacts of these companies on the ground. If the study reflects responsible business it would directly result in long term value addition.

4.7 **Mr Manab Majumdar**, Assistant Secretary General, FICCI, expressed concern on analysing the impact of Indian investment in an African country on the basis of one company in a country. Ms Mukumba replied that the project was making use of case study methodology and that the secondary research component of the project will also include a literature review of other Indian and non-Indian companies.

4.8 Mr Madhukar agreed and maintained that for an investment the first impact is on the whole economy then political, social and environmental. He mentioned it was therefore important to first quantify the macroeconomic level impacts such as sectoral contribution to the Gross Domestic Product (GDP), export and forex earnings, employment, skill development, infrastructure and connectivity. He remarked that the project provided a laudable platform for evidence-based assessment of economic, environmental and social impacts of Indian investments in Africa which could be used as baseline study for further studies on analysing impacts of investment by other countries (particularly BRICS) in Africa.

4.10 Some of the PAC members observed that the project had high potential and would contribute significantly if the scope of the project could be broadened beyond the communities' perceptions. It could cover crucial aspects such as a review of other BRICS countries investment at a macro level and also in similar or different sector and provide a comparative analysis particularly with the Chinese investments mostly through the information available from secondary resources. It could thus examine common lessons for future policymaking on how such BRICS investments can be more impactful to the host countries. The project could also cover the expectations of different stakeholders from such investments.

4.11 It was discussed that though the project team had included some of the points raised in the terms of reference, an in depth analysis of the points raised by the PAC members will likely need more time and resources than the current project has provided.

5. Concluding Session

5.1 The session was concluded by **Ms Neha Tomar**, Research Associate, CUTS International. She thanked the PAC members for actively participating in the meeting and summarised the action points as follows:

- An analysis of host countries policies will need to be done vis-à-vis the NVG principles.
- Grievance handling could also be looked at as well as the implementation of policies in host countries
- Factors which highlight the responsibility and good practices of Indian investments in Africa will be drawn and highlighted.
- The project will also showcase the elements which make Indian investments in Africa different from other investments
- More of secondary literature survey will be done on Indian as well as non-Indian investments in Africa
- The sample size of community members will be reduced
- Further attempts will be made to connect with the headquarters of the project companies (in India) as well as local Indian embassies, local NGOs and CSOs.

Annexure 1: List of Participants – IIA Project PAC I Meeting

i.	Aditi Haldar	Director Global Reporting Initiative
ii.	Amb. Kishan Rana	Senior Fellow Diplo Foundation
iii.	Ashok Madhukar	Principal Advisor Strategic Development Afro-Asian Development Consortium
iv.	Divya Jyoti (On behalf of Bimal Arora)	Director (Programmes and Partnerships) Center for Responsible Businesses
v.	Manab Majumdar	Assistant Secretary General, Federation of Indian Chambers of Commerce and Industry (FICCI)
vi.	Neha Kumar	Senior Technical Expert IICA – GIZ (CSR Initiative)
vii.	Sachin Joshi	Director CII ITC Center of Excellence for Sustainable Development
viii.	Pradeep S. Mehta	Secretary General CUTS International
ix.	Vikash Batham	Senior Programme Officer, CUTS International
x.	Chenai Mukumba	Assistant Policy Analyst CUTS International
xi.	Neha Tomar	Research Associate CUTS International