

# Good corporate governance equals investment

Without increased economic activity across all industry sectors, Africa will need to focus on softer issues such as good corporate and political governance to retain investors in the short to medium term.



Image by 123RF

The global economic environment is changing and investors are hard pressed to find profitable and stable investment harbours for their funds. The end of the commodity super cycle, the slowing Chinese economy and volatile international markets are affecting Africa's ability to maintain projected growth targets for 2016.

The African Corporate Governance Network (ACGN), a NEPAD Business Foundation (NBF) programme developed to improve the institutional capacity of Institute of Director (IoD) organisations across the continent, recently launched a report titled *'The State of Corporate Governance in Africa: An Overview of 13 African Countries'* during a summit in Maputo, Mozambique.

The report, which was released in South Africa at the Nedbank-NBF Networking Forum, offers an insightful look into the corporate governance frameworks and the systems in place in 13 African countries that are key economic development role-players for the continent.

## It's all about reputation

During the Nedbank-NBF Networking Forum, Thabang Chiloane, head of public affairs for Nedbank Group, expressed confidence in the findings of the ACGN report, which not only demonstrate Africa's commitment to strengthening its governance foundation, but also establishes a solid baseline in terms of what corporate governance in Africa looks like.

The report which was done on 13 countries, namely, Egypt, Ghana, Kenya, Malawi, Mauritius, Mozambique, Nigeria, South Africa, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe, shows where the continent needs to focus its attention, and how to accurately measure governance improvements in the years to come.

“Africa has an unfortunate reputation of being a very difficult place to do business, and while the continent has made exceptional progress in addressing the fears and concerns of international investors in this regard, much work remains to be done,” Chiloane explained.

“This report clearly shows that many African countries understand the significance and importance of good corporate governance and are working towards improving the levels of good governance as the cornerstone of future economic growth for themselves and the continent as a whole.”

## **Brightest stars**

Looking at Africa’s top 10 brightest stars in terms of economic growth, the correlation between good corporate governance and the financial inflows from foreign investors is apparent. Good corporate and political governance is the foundation from which sound and sustainable economic activity can be built on, as it feeds into the frameworks and structures that govern commerce - including the movement, inflows and outflows of local and international funds.

The ACGN report presents a compelling picture of a continent largely committed to sustainably raising its governance game in order to compete for investment on the global stage. However, while this may be the ‘big picture’ of the overall state of corporate governance across the 13 countries included in the research, what is also clearly evident from the findings is that Africa remains a continent of immense diversity and complexity - and the corporate governance systems and approaches of its various countries are no exception to this.

This is demonstrated by the often vastly different stages of corporate governance progress seen across the 13 countries surveyed, with some still facing significant challenges as they start the process of setting out clear corporate governance frameworks, while others have established themselves as global leaders in governance with innovative and unique models and frameworks that many developed countries would do well to imitate.

## ***...Good corporate and political governance is the foundation for sustainable economic activity...***

According to Lynette Chen, CEO of the NBF, despite these disparities, a key take-out of the report is the fact that African countries now have an obvious desire for, and commitment to, good corporate governance, and this augurs well for global investment into the continent going forward.

“It is no secret that Africa is a lucrative market with its wealth in resources and a population of over 1 billion people. Whilst Africa has become one of the most appealing investment destinations in the world, it also poses many political and governance challenges to investors.

“The key to the continent’s ability to grow that appeal and attract steady and sustainable inflows of vital investment money, will be its capacity to raise global investor confidence by ensuring that good political and corporate governance standards are entrenched by governments, its institutions, as well as in the private sector,” said Chen.

That said, the report findings also underscore that many of the countries surveyed still have many challenges to be overcome, many of which will require collaboration and partnership with other countries on the continent.

However, the fact that all 13 of the countries included in the research have established a national governance oversight body in some shape or form, demonstrates their commitment to tackling these challenges, and their seriousness in terms of putting good governance at the centre of their future development.

The [African Corporate Governance Network](#) (ACGN) is a collaborative network of director membership organisations that promote effective corporate governance on the African continent and now has 16 members and 7 affiliate members from 16 African countries representing over 16 000 senior executives and directors across the continent.

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