

## **Notes from the AMCHAM Forum meeting on Managing Risk in Africa held on 15 May 2014**

This Forum meeting took place on the 15 May 2014 and was hosted by AMCHAM at their Killarney Country Club offices.

Todd Johnson from General Electric was the speaker and focused on Managing risk in Africa. A point to note is that the GE CEO Africa has relocated to Nairobi Kenya and the key reasons for the move is that Kenya is seen as a gateway into East, Central and West Africa.

Although GE has offices in South Africa and Kenya, it also has a presence in the following African countries Angola, Sierra Leone and Chad. It has 3000 staff throughout the continent with 300 based in SA.

### **In assessing security risk, GE looks at four areas -**

- Security risks
- Credit and treasury risk
- Compliance and legal risk
- Reputation and political risk
- Risk management embedded in multiple GE functions

### **Unique challenges of risk management in frontier markets**

- Lack of information- customers, suppliers and partners
- Local unfamiliarity with US corporate governance
- Compliance bubble versus involvement in Africa
- PEPs as a fact of life - (Politically Exposed Person) someone who has held political office or has served in government in the past and you are making a deal with.
- It is within this complex regulatory compliance sphere where the need to develop mitigation for reputation risk has emerged.
- A need to develop an effective risk mitigation strategy within the company.
- PEPs are not predisposed to committing financial crimes but rather their position in relation to state funds and other "cookie jar" opportunities significantly heightens the risk that they may do something corrupt, fraudulent or otherwise illegal.
- PEPs therefore pose an increased reputational risk to service providers in industry where a good name can be a difference between profitability and closure.
- Client due diligence practises become a key consideration for service providers wishing to do business with this category of highly influential and often wealthy individuals.
- The advantage of using this in an institutional risk assessment framework is twofold - it will assist your institution in mitigating its operational and reputational risk, based on international accepted best practise standards, whilst simultaneously meeting regulatory compliance standards routinely and cost effectively.

### **Managing Relational Risks entails-**

#### **Knowing Your Customer**

- Company registration documents
- Ownership structure
- Derogatory media - is there anything derogatory that appeared in the media about the company?
- Ownership structures
- Financial reference

### **Know your partner/dealer**

- Particular attention paid to reputational and compliance risks
- Most extensive review process
- Can include third party investigations
- Reviewed by senior business/region leaders

### **Managing Political Risks**

GE's size and commercial focus increases importance of managing political risk

- Have tools to manage political risk
- Political risk
- Well-developed local government engagement strategy
- Understand national development priorities
- Build company to country partnerships
- Regular outreach to the US Government including consul that deals with the commercial dimension
- Preference to engage via consortium - domestic and international partners (mitigate risk)
- Keep GE leaders informed of local political developments

*Notes contributed by:*

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