

# Africa Growth Report 2015

SECOND REVISED EDITION



**Preface by Charlotte Maponya**  
CEO of Maponya Group and  
Chairwoman of Brand SA

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Data Driven Solutions

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## Preface

# Africa has a collective destiny

Charlotte Maponya

CEO of Maponya Group and Chairwoman of Brand SA

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South Africans have recently commemorated 21 years of democracy. Our struggle for freedom and liberation became a collective struggle as the people of the continent and the wider international community joined us. When we attained our long-yearned-for freedom, we knew our success was due to the collective efforts of the citizens of our continent and the world.

Citizens of Africa – at all levels - spared no effort to fight for our liberation. Heads of countries took up our struggle at international fora; they joined the broader international community in calling for international sanctions against the apartheid government; they hosted South Africans who were escaping the horrors of our country; they provided our people, inside and outside of the country, with food and clothing. Citizens of the continent accepted and integrated our people into their communities. Some lost their lives for supporting our struggle when they were targeted by the then South African Defence Force. And some countries even provided travel documents to our people so that they could garner more international support for our fight for liberation.

The words, “South Africa’s freedom was not free”, is more than just a slogan. Efforts and lives that contributed to our freedom cannot truly be quantified.

South Africa has always been cognisant of our debt to the continent and its people. Since 1994, we have actively pursued a foreign policy that puts Africa at the centre of our developmental agenda. It is for this reason that South Africa worked with other leaders on the continent to spearhead developmental policies like NEPAD, while advocating on the global stage that Africa should no longer remain on the periphery of international relations. We took this position to the United Nations Security Council during both sittings

as non-permanent members; we have also taken this position to the G-20, BRICS, and other similar forums.

South Africa also provides material support to the continent in that we are amongst the largest investors on the continent and we actively support peace and security initiatives through dialogue, mediation, and humanitarian and security contributions.

South Africa acts in this way because we are cognisant that our fortunes are intrinsically linked to that of the continent. We are also committed to the vision of an Africa rising – an Africa that is no longer on the periphery but a continent that can take its rightful place in the community of nations.

And driving this commitment to the growth and development of our continent is the need for us, as leaders in our respective spheres, to deliver a better quality of life for all the citizens of Africa. To us as leaders, the citizens of the continent are not just a market for goods. Our people are at the heart of the spirit, the culture, the richness, and the heritage of our continent. Our people make our continent amazing. Our people will carry the history of our continent in their bloodlines and pass it on to future generations. Our people will attest to our struggles to emerge from a dark and forgotten continent to a place of glory.

It is against this background that South Africa also believes that the free movement of people throughout the continent must be facilitated. South Africa's rich culture and heritage is undoubtedly a result of the various waves of immigration that swept through our country. Such is the multi-hued collage of our citizens that many cannot even relate to the countries from which they have migrated.

Our fortunes are intertwined. Our destiny a collective one. Let us celebrate each other as citizens of one continent. We are citizens of a vibrant and dynamic continent. Let us work together to make our growth and development a reality.

*Charlotte Maponya*

### **3.4 Changing the African narrative – Xenophobia is not part of the Rainbow Nation’s DNA**

Roland Schatz  
Media Tenor International

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In 2014 the number of refugees passed 50 million for the first time since the end of World War Two.<sup>31</sup> Constant terror threats, the wars in the Middle East, and the worldwide economic crisis are only three of the reasons millions of people have been forced to leave their native countries and look for security and means subsistence in countries that are often far away.

But most host countries are ill-prepared for the arrivals – not only with regard to material resources but even more so in terms of a compassionate and open attitude towards the newcomers. This lack of a welcoming culture obstructs the speedy integration of migrants, and, very often, leads to violence against people who are already traumatized by their experiences in their home countries and on their way to to hoped-for safety.

As Bulelwa Makeke has pointed out, Xenophobia is not only a phenomenon observed in the so-called rich countries of the Northern hemisphere. As a large percentage of migrants stay in their region of origin, many poor countries are challenged by the inflow of migrants, and the reaction is very often as hostile as in developed countries. Recent events in South Africa are one example. Initially, this began in January as a series of attacks against foreign owned shops in Soweto. Police were deployed rapidly to the area and contained the situation. However, tensions towards foreigners reemerged again in April when the violence exploded in parts of Durban and then spread again to parts of Soweto in Johannesburg. The violence became so severe that the army was deployed.

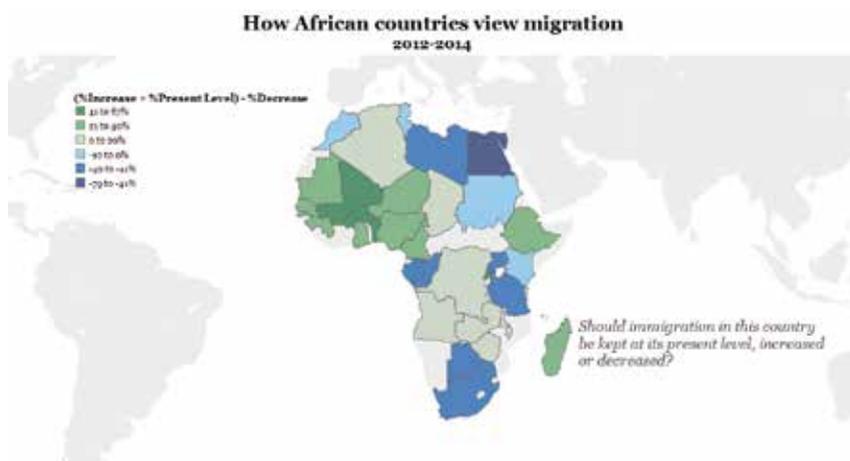
Similar to the situation in Europe and Asia, a large part of the population has only limited contact with migrants in general and refugees in particular. This

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<sup>31</sup> Laura Thompson, Deputy General Director of IOM speaking at the 15th International Agenda Setting Conference in Vienna, February 2015 [www.agendasetting.com](http://www.agendasetting.com) .

violence against people that have lost everything on their journey shows that many people in host countries feel threatened by the newcomers. This is not the only possible reaction, so the question is: Why is it that in some regions of the world the reactions are hostile, while in others citizens are more aware of the value of every newcomer as worker and as member of society with additional experience and knowledge?

Just take a look at the forthcoming IOM report *How the World Views Migration*: Gallup has run polls on a global level, as well in African countries both in 2012 and 2014. The results speak clearly.



Does it mean that those countries in deep blue are xenophobic? Surely not. Just look at the example in the south. South Africa became the rainbow nation for several reasons, but one was the fundamental understanding of the vast majority how precious every member of its society was and is, no matter which color, religion, or passport they have. So if public opinion results show severe concerns, it is less a question of people who used to have an open heart as a fundamental part of their nature now changing entirely, but more a reflection of how they have been supported with facts during the latest developments in their own country and abroad.

Laura Thompson, the Deputy Director General at the International Organization for Migration, pointed out in her keynote in Vienna at the opening of the 15th International Agenda Setting Conference February 2015, that the

empirical proof of values provided by migrants is fascinating and inspiring. “Too often migration is perceived as solely an immigration issue. How many Europeans are aware that the British diaspora, some 5 million people, is the eighth largest in the world? Nobody seems to question the desire of British people to move abroad and become emigrants. But the arrival of immigrants in the UK is another matter. The migration policy debate in Europe is almost entirely focused on immigration policy questions rather than the implications of emigration.

Another common misperception is that developed countries do not need low-skilled migrants. In fact, migrants in low-skilled jobs contribute to the functioning of the European economy by taking up jobs undesirable to natives, which in turn allows natives to take up higher-skilled and more remunerative employment. OECD forecasts show that for some countries like Italy, sectors requiring a low-skilled workforce like home care as well as food preparation and services will continue to grow. In other words, low-skilled workers will be needed just as much as highly skilled workers. And there is little evidence to suggest that migrants depress the wages of low-skilled workers – if anything, wages of earlier immigrants might be negatively affected. One study found that between 1990 and 2000, all European countries ‘experienced a decrease in their average wages and a worsening of their wage inequality because of emigration,’ while immigration led to a positive effect on the average wages of native workers and a corresponding reduction in wage-inequality in the countries of destination.

Another common stereotype is that migrants take jobs away from local people. The evidence suggests that countries with high unemployment rates usually have lower, not higher, immigration rates. This could be partly because migrants move where they are more likely to find jobs. Migrants usually take the ‘3-D’ jobs -- dirty, dangerous and difficult -- that natives are unwilling or unable to do. Migrants fill the gaps in the job market. They complement the local labor force rather than competing with it by providing skills at all levels that are needed in most developed countries. An analysis of 30 countries by Hays revealed that many countries, including the U.S., Mexico, Canada, Chile, Brazil, China, Spain, the U.K., France, and Sweden, are facing a talent mismatch, which means that the available labor force does not have the skills employers are looking for. Research from the Boston

Consulting Group suggests that Germany could experience a labor shortage of up to 2.4 million by 2020, and Australia of 2.3 million. But this is not only true for developed countries. A recent report by the McKinsey Global Institute estimated that by 2020, there will be a potential shortage 38-40 million workers with higher education globally, and a shortage of 45 million workers with secondary education in developing countries.

Too often, there is a perception that migrants are a drain on the welfare system of the receiving country. Research shows that migrants are net positive contributors to the welfare systems of almost every European country. Migrants contribute to public finances more than they take out in public benefits and services. Migrant households contribute an average €5,000 per year to host countries' public purses. A study by the Bertelsmann Foundation shows that each migrant in Germany contributed €3,300 in 2012 on average. In other words, if anything, immigrants make receiving countries slightly richer, rather than poorer. Migrants often contribute more, on average, to countries of destination than natives, because the country of destination has not had to bear the costs of training and educating migrants who arrive to work. This is particularly true for highly skilled migrants.

Another key benefit of migration is that it enhances innovation. Patent applications in Europe are higher in countries with policies to attract highly skilled migrants. The presence of high-skilled migrants and foreign students in higher education contributes to the creation of knowledge as well, and evidence shows that immigrants increase patenting activity of natives too. Networks of diaspora members contribute to the diffusion of knowledge and the presence of a more diverse workforce makes innovation more likely. Migrants file the majority of patents by leading science firms – 65% at Merck, 64% at General Electric, and 60% at Cisco, just to give a few examples. First-generation immigrants or their children had founder roles in more than 40% of the Fortune 500. Immigrants are more than twice as likely as native born to found a company: they started 28% of all new U.S. businesses in 2011, despite accounting for just 12.9% of the population.”

Companies such as Google, Intel, PayPal, eBay, and Yahoo! have all been co-founded by migrants. Migrants have started 25% of U.S. venture capital-backed public companies and 40% of venture capital-backed technology

firms. In two out of four of all engineering and technology companies established in the U.S. between 1995 and 2005, there was at least one immigrant as a key founder. These companies were responsible for generating more than 52 billion dollars in sales and creating almost half a million jobs as of 2005. Such contributions have only increased in the past decade .

Highly skilled migrants and diversity in the workplace positively affect work productivity in recipient countries. Diversity, not only of the highly skilled, but also of the low-skilled, makes countries more productive and richer in the long run. Gains in productivity stemming from ethnic diversity in firms have been demonstrated by various studies.

Migrants, and especially skilled migrants, contribute to increased trade and investment flows between countries of origin and destination in a way that is beneficial to both. Research finds that discrimination might be a constraint to these effects entering into full action, and the fight against discrimination starts, again, with knowledge and understanding of how migrants contribute to societies in destination countries

Last but not least, emigrants abroad vastly contribute to the development of their countries of origin. The money sent by migrants from developing countries back home – 404 billion dollars in 2013 – dwarfs development aid figures, and (excluding China) is greater than financial flows from foreign direct investment and other financial transfers. Households back home benefit greatly from these money flows in terms of greater expenditure on health, housing and education; easier access to formal financial services and information technologies; and insurance in the event of environmental or economic shocks. Furthermore, remittances are incredibly resilient during economic hardship in origin countries and also during times of crisis. For instance, during the intense flooding in Pakistan in 2010, remittances increased by about 20%. Following Typhoon Haiyan, the Philippines saw an 8.5% increase in remittances, helped by money transfer companies agreeing to zero fees for making remittances. But why is it that these facts, presented by IOM on a daily basis, resonate so little with people on the ground – regardless of whether they are in Africa, Europe or Asia?

## **Pronounced negativity – coverage on foreigners on international TV**

One of the reasons for growing concerns amongst people towards foreigners in general and migrants in specific is grounded in the way local and national media have changed their narrative around foreigners. In order to understand this media impact it is necessary to analyze how the media covers the state of the economy in each country, on the continent as a whole, and the global perspective. In times of impressive economic growth rates and good news from the labor market, the overall sentiment towards foreigners and foreign countries is rather open and optimistic.

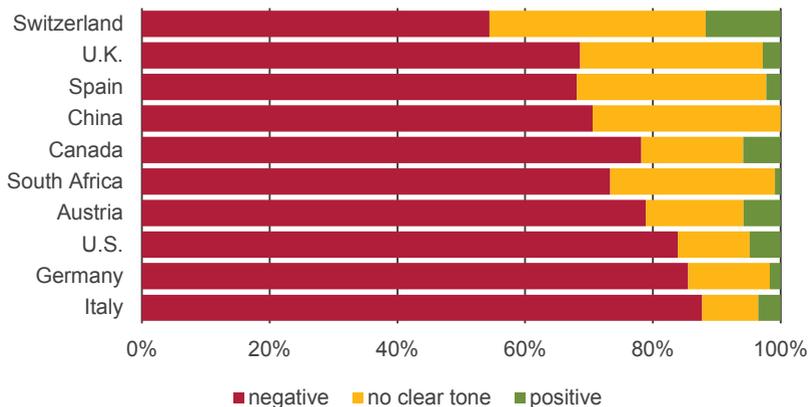
This changes rapidly once the economic drum beat is pessimistic. Since the finance sector in the U.S. as well as in parts of Europe caused tremendous damage to large parts of industries and nations, general enthusiasm for open societies declined. The world experienced quite a number of surprises. In the past it was a given that each time the U.S. caught a cold economies in other parts of the world would suffer and come to a near standstill. But by 2008, this was no longer the case. Germany was able to break out of this trend mainly because it had built strong business relationships with other continents, allowing German corporates to make up for the lower business volume coming from the U.S. by growing contracts out of Asia and Africa. But headlines in media focusing both on Wall Street and on Main Street reduced their news selection to a U.S.-centric perspective. The consequence of this was that the overall economic sentiment turned pessimistic and foreigners were framed as the bad guys, causing costs, creating troubles, and bringing all types of challenges to countries.

The coverage of migrants on international TV news has always been negative, but this trend peaked in 2014, even though the news did not directly describe the foreigners as people who will steal jobs from their host country or will excessively access welfare benefits in their host country and drain the state.

Since 2008, another important aspect has to be taken into account in order to better understand overall sentiment towards the Other. It is not only the media narrative towards foreigners and foreign countries that sets the frame, but the cultural background that comes with it. This is how global media have reduced migrants to a stereotype where their religion is concerned, creating

a severe increase in fear of the unknown amongst those who are not familiar with what Islam means to the heart of its followers on all continents.

**Chart 28: “News” on Islam reduced terror**

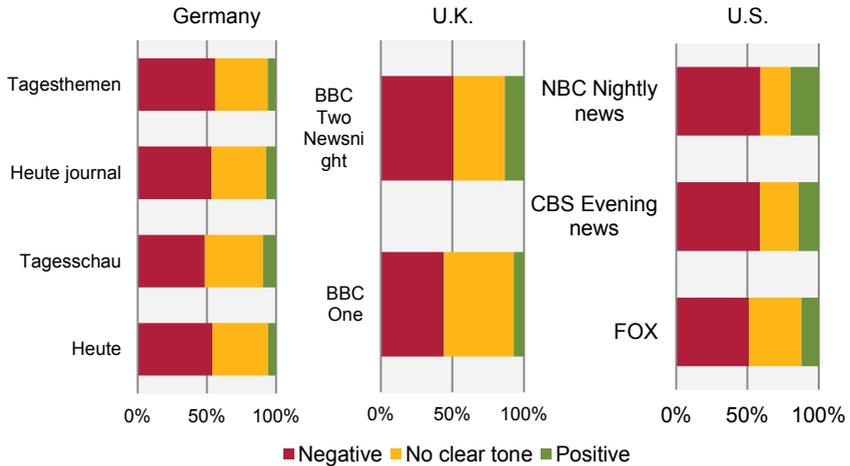


Basis: 509,618 reports about protagonists in 21 international TV news shows/ 8,359 reports on Muslim protagonists

While this book focusses on the perspective of Africa, it is crucial to understand that these experiences are not uniquely African and that all continents are dealing with similar challenges.

Therefore we begin by sharing results from outside Africa before turning the most recent events in SA. An analysis of TV news in Germany, the U.K. and the U.S. for the year 2014 shows a massive share of negative reports on foreigners and refugees (cf. chart 29). Even though many stories describe the migrants as victims, reporting creates a picture of a big problem. Good news – stressing the opportunities for integration and the benefits for the host countries – is very limited.

**Chart 29: Tonality of coverage on foreigners, immigration, and Xenophobia**



Source: Media Tenor International, Basis: 3,609 reports on foreigners and immigration out of 230,226 reports on protagonists across 9 TV news programs, January - December 2014

## Germany

Within the E.U., immigration has become a major issue of concern as some member countries are struggling to deal with the vast number of people who are trying to make their way to the continent. According to Eurostat, the number of asylum seekers to the E.U. rose by 44% in 2014, hitting 626,000. Germany attracts the highest numbers of foreigners through its borders across Europe. It is now the world's second biggest destination for migrants, second only to the United States. In analyzing German TV it is clear the country's media have been heavily focused on negativity in their reporting on foreigners. One of the primary drivers of this negativity has come from the perception that foreigners drain state resources. The narrative in German media often focuses on the cost implications that the rising number of migrants will have on the German economy, and this drives negativity.<sup>32</sup> The other factor driving negativity is fears over Islamization fuelling anti-immigration movements. The Patriotic Europeans against Islamization of the West (PEGIDA) is one such organization which has organized rallies attracting thousands of people

<sup>32</sup> Integration Index 2012, InnoVatio , page 12ff

over the view that foreigners are threatening to upend German cultural life and traditions, as they do not integrate into local society.<sup>33</sup> Polling done by Ipsos Mori shows that the cultural element is now becoming the greatest concern for Germans regarding immigration.<sup>34</sup> However, Germany does, in fact, need immigrants and many of the immigrants coming to the country are bringing valuable skills. Linked to this is the fact that the German population is suffering from a declining birth rate. As such, the rising number of immigrants in the country are helping it to sustain its economic boom. A far more comprehensive picture of the benefits of immigration and the value that foreigners add to the country, is often missing in German media.<sup>35</sup>

## United Kingdom

In Britain, media coverage of foreigners has also been overwhelmingly negative. Towards the end of 2014, polling data compiled by Ipsos Mori showed that around 42% of Britons considered immigration to be the most pressing issue facing the country. One of the reasons for the high negative coverage of foreigners on British TV is likely linked to the manner in which the media has chosen to cover the attitudes of British people towards foreigners in the country. For instance, in the Ipsos Mori data, only 25% of Britons felt that the government was doing a good job of handling immigration; this would be a major driver contributing towards negativity. In a situation where the majority of people in the country are not happy with the government's approach to immigration, it is easy for the media to generate negative sentiment in focusing on this narrative.<sup>36</sup>

British attitudes towards foreigners are often fuelled by the view that foreigners are coming into the country to take jobs, especially in regard to people from E.U. countries that come to the U.K. under the common system of freedom of establishment and services. Concerns about Islamist violence are prominent in the news as well, not only driven by terrorist attacks in the country, especially

<sup>33</sup> Yermi Brenner, 22 December 2014, Germany's burgeoning anti-immigrant rallies, Aljazeera

<sup>34</sup> Alberto Nardelli & Philip Olterman, 26 November 2014, U.K. and Germany have different attitudes towards immigration, The Guardian

<sup>35</sup> Anthony Faiola, 27 July 2014, The new land of opportunity for Immigrants is Germany, Huffington post

<sup>36</sup> Alberto Nardelli & Philip Olterman, 26 November 2014, U.K. and Germany have different attitudes towards immigration, The Guardian

the London bomb attacks of 2005, but as well by the high-profile reports about the rise of I.S. This, combined with the fact that immigration in Britain is far more visible because of the country's high population density, makes the issue all the more topical in the country's media.

## **United States of America**

Out of the three countries analyzed, television stations in the U.S. have generated far higher levels of negativity towards foreigners and immigration, with an average tonality of approximately -57.5% across the three analyzed TV news programs. The TV news programs identified, have clearly focused on framing the debate in as negative a fashion as possible, although they have also mentioned some positivity.

Immigration reform is an issue in the U.S. that led to a heated debate in 2014 with the Democratic and Republican Party regularly butting heads over the best way forward. In particular focus in 2014 was that the news media framed immigrants as exploiting America's immigration policy and putting incredible strain on the country's border patrol. President Barack Obama's executive decision to provide work permits to 5 million illegal immigrants attracted massive media coverage on U.S. TV as it had far-reaching consequences. Although this generated some positivity as it would significantly assist thousands of families, his decision to bypass the Republicans also fuelled anger and drove negativity. This was followed by in depth focus on the large number of unaccompanied children who have been detained at the country's border posts.<sup>37</sup> Under U.S. law, children from non-contiguous countries such as the island nations in the Caribbean cannot be turned back at the border and must have their own deportation hearing. An estimated 52,000 unaccompanied children tried to enter the U.S. in 2014. In some cases the number of children was even presented as a possible national security threat as media reported that they could be used as transits for weapons and drugs.<sup>38</sup>

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<sup>37</sup> John Roberts, June 16 2014, Wave of humanity: Border Patrol overwhelmed by flow of illegal immigrants, Fox news

<sup>38</sup> Lindsey Boerma, July 7 2014, Is the surge of illegal child immigrants a national security threat?, CBS news

## Xenophobia in South Africa – what role does the media play?

On Friday March 20, 2015, the Zulu King Goodwill Zwelithini gave a speech to a local community in Pongolo in the province of Kwa-Zulu Natal which contained some controversial statements regarding foreigners in the country. During the course of his speech, the King stated that foreigners should go back to their home countries because they are changing the nature of South African society. Although the speech was given to a relatively small group of people, it was picked up by local media in the area and by March 23 it had made national and international headlines across major outlets.<sup>39</sup>

Two days after media outlets reported on the King's speech, an estimated 250 foreigners, mainly of Congolese descent, were attacked in Isipingo in Durban. The violence against foreigners then escalated into April, as a number of attacks were reported on in and around different areas in Durban. By April 16 the violence had then spread to parts of Johannesburg, in some cases foreigners had predicted that attacks were imminent and had actually closed their shops the day before.<sup>40</sup> By the time the violence had been brought under control, seven people were dead, thousands of foreigners had fled their homes (with many choosing to leave the country), and millions of rand worth of damage had been incurred.

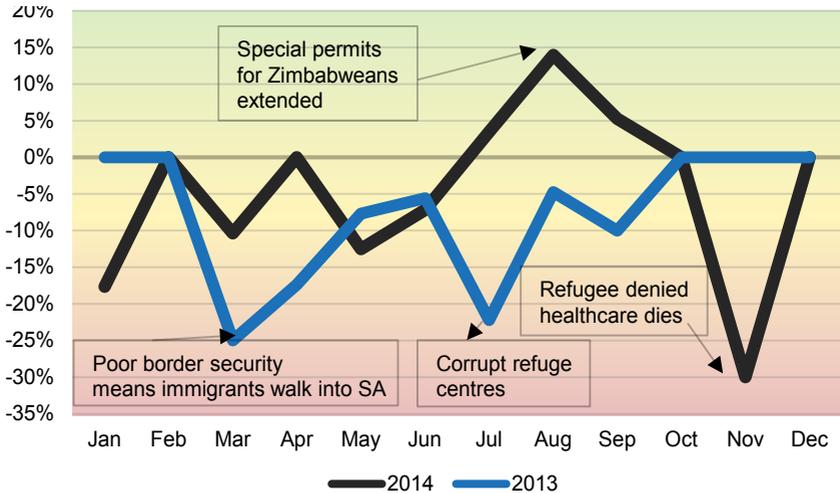
The course of the events shows that the ill-chosen comments of King Zwelethini were only the occasion for this outbreak of violence, but that they fell on fruitful ground. While foreigners figure not very prominently on South African TV, the way the government dealt with immigration was covered to some depth (cf. chart 30).

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<sup>39</sup> Bongani Hans, March 23, 2015, King's anti-foreigner speech causes alarm, IOL news

<sup>40</sup> Mia Lindeque, April 15, 2015, Xenophobia violence fears spread to JHB as foreigners close shop doors, Eyewitness news

**Chart 30: Tonality of coverage of the South African government in relation to foreigners: 2014 in comparison to 2013**



Source: Media Tenor International, Basis: 476 statements on the South African government in relation to foreigners out of 800.746 statements about the government in SA opinion leading print

Over the entire two year period, the only time that the South Africa government managed to attract limited positivity regarding foreigners was when it announced an extension on special permits for Zimbabweans who were staying in the country in August 2014. With this in mind it is clear that the South African media have created the picture that the country's government is struggling to effectively deal with and handle the flow of foreigners into the country.

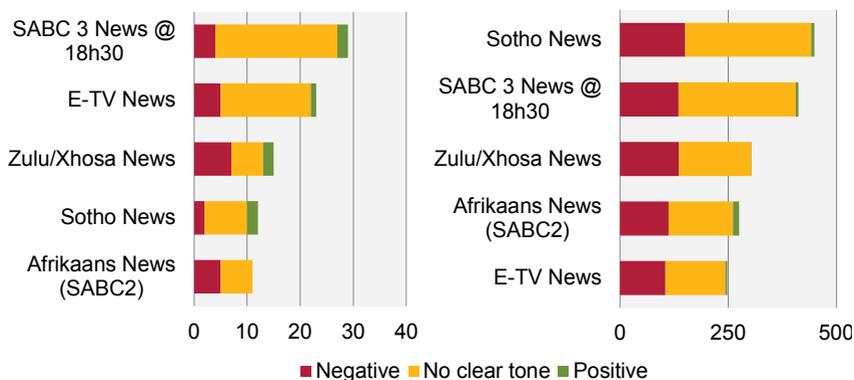
Understanding the mechanics of media impact and Agenda Setting is important in order to recognize trends ahead of time and to prepare insightful information on all sides. This shows how people were conditioned to view foreigners in 2013 and 2014; the media has shown that foreigners are a problem that the South African government has been unable to manage.

However, aside from the way in which the government has been depicted by the media, there is also a need to examine patterns in how foreigners

and related issues have been covered. While reporting about foreigners has been not as negative on five South African TV programs as in the news from Germany, the U.K., or the U.S., the overall picture was clearly negative in 2014. But while for the whole of 2014 there were only 90 reports on South African TV, in the first four months of 2015 coverage soared to 1,688 reports.

As reporting focused on xenophobic violence in 2015, the share of positive reports dropped markedly, underscoring the impression that South Africa cannot benefit from migration and is unable to integrate foreigners successfully (cf. chart 31).

**Chart 31: Tonality of coverage of foreigners on South African TV 2014/2015**



Source: Media Tenor International, Basis: 1,778 reports on foreigners across five South African TV news programs

The coverage highlighted on South African TV can be summed as follows: Unless foreigners are being attacked it is unlikely that they are going to draw significant media attention. This media image of migrants is totally ad odds with reality. South Africa finds itself in a unique position where international migrants tend to have lower unemployment rates than non-migrants. The country’s unemployment data shows international migrants have an unemployment rate of 14.68%, while 26.6% of non-migrants are unemployed. One reason for this stunning fact is that migrants are more likely to take jobs that locals are unwilling to take or work in the informal sector. Migrants are also more likely to start their own businesses, with 11%

classified as employers and 21% classified as self-employed. Contrary to popular belief, migrants do not dominate the informal sector. Only two out of every ten businesses in the informal sector are run by migrants.<sup>41</sup>

Ultimately, foreigners play a positive role in South Africa. They start businesses and employ local people, pay rent, contribute to the tax base, and in many cases provide affordable and convenient goods to South Africans in rural areas.

## Changing the narrative

From the data highlighted the trend on South African TV media when reporting on foreigners is perhaps best summed up by, “If it bleeds, it leads.” TV media appear uninterested in foreigners unless they are being targeted in violence. It is a disturbing sentiment because although the media has no direct incentive to report on foreigners in a constructive manner, as an agenda setter it is has the power to direct and shape what perceptions Africans have towards foreigners. In rural areas all over the world those perceptions can be particularly destructive, as the recent outbreaks of xenophobic violence have illustrated.

How people stood up to and responded to this violence in South African society highlighted that 99% of the population still feels itself and acts as part of the rainbow nation. The challenge is that there is no institution in the country that has been successful in altering the perception that have been presented. Coverage on the government shows that in general it has a poor track record in its dealings, and has failed not only through policy but also through communication to clearly articulate the role of foreigners and their contribution to South Africa.

But all stakeholders – media, government, religious leaders, and representatives from all sectors of education and business -- in South Africa have made it clear to the world that the spirit of Nelson Mandela is truly vivid and strong to manage these challenges and show the world once again that it should that look south to where inspiring solutions are born and implemented.

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<sup>41</sup> Kate Wilkinson, April 17, 2015, Analysis: Are foreigners stealing jobs in South Africa?, Africa Check

Over the past three years the UN Academic Impact has, under the leadership of its director Ramu Damodaran and together with Media Tenor, started a series of masterclasses on “Unlearning Intolerance,” influenced by the spirit of the rainbow nation in order to help journalists understand how news selection shapes the perception of the Other. These classes create hope that change is on the way, but it will take time. Seeing leading journalists like Ulrik Haagerup, Executive Director at DR-TV and author of *Constructive News*, implementing fundamental standards to improve news selection also provides hope that the real threat of xenophobia around the continent can be reduced based on an increasing understand of the empirical evidence provided by those (such as Laura Thompson and her team at IOM) who have dealt with migrants daily for more than 70 years.

## 3.6 The home team scores! An assessment of the economic impact of 2010 FIFA World Cup

Stan du Plessis & Cobus Venter

University of Stellenbosch, Bureau for Economic Research

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### Introduction

The Fédération Internationale de Football Association (FIFA) World Cup (WC2010) kicked off amid extraordinary expectations: that the home team would excel, that the tournament would be a memorable spectacle and advertise the unique potential of its South African hosts, and that the tournament would bring substantial economic benefits. Such expectations have become standard where mega sport events, such as the FIFA World Cup and the Olympic Games, are concerned, and political leaders emphasise the economic legacy in their bid to host these tournaments. In the South African case, these expectations of economic benefit were so widely shared that one survey reported the expectation of one in three citizens to benefit economically from WC2010 (Ferreira, 2011)

It is time to measure the evidence: the home team did well, relative to reasonable expectations; the tournament was a logistical success, much enjoyed by hosts and guests alike and favourably received by the world's media; and it is the purpose of this paper to measure the likely economic impact.

The economic impact of a mega sport event like the FIFA World Cup or Olympic Games has three time dimensions: First, there is the economic activity associated with the tournament preparation. Second, activity associated with the event itself. Finally, there is the event's longer run legacy. Where the preparations are concerned, the tournament accelerated the upgrade of the national public transport system and added a number of purpose-built structures such as stadia. Private sector accommodation also expanded. During the event, the hospitality and related services sectors enjoyed heavy demand (in a traditionally quiet tourist season in South Africa) and of course,

there are intangible benefits from experiencing the tournament. In the long run, the economy stands to benefit from improved confidence at home and an enhanced image internationally, following extensive media coverage, as well as the impression made on thousands of visiting fans. These benefits, and the costs incurred in the attempt to secure them, are explored more extensively below.

## The World Cup market

The peculiar division of profits and costs associated with the FIFA World Cup cannot be understood without a brief discussion of the institutional arrangements that define the market for the world's largest mega sport event (Maennig and Du Plessis, 2007). Under present arrangements, (the football federations of) potential host countries join a fiercely competitive bidding process to buy the right to host a future tournament. FIFA is a monopolist seller in this market and, unsurprisingly, extracts the bulk of the associated economic benefit.

The price paid by the winning host is a contract that stipulates the extensive infrastructure developments required by FIFA<sup>42</sup>, tax privileges for FIFA, as well as extensive control over media and advertising associated with the tournament. There is nothing untoward in this: potential hosts are aware of these requirements when they submit their bids, though the public in the host country rarely are. In South Africa, as in Germany during 2006, there has been much dissatisfaction as the various agreements with FIFA have come to light (for example, Beeld, 23 June 2010; Butler, 2010).

A breakdown of FIFA's revenues and expenditure for WC2010 are as follows: total revenue (largely from television rights and sponsorships) was US\$3.7 billion. Against this FIFA's expenses amounted to US\$1.3 billion, which include US\$20 million to the South African Football Association, 80 million for the FIFA World Cup Legacy Trust, and the large expense items such as prize money, television production and marketing (FIFA, 2010: 36). Therefore, the direct profit of the tournament for FIFA was US\$2.4 billion,

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<sup>42</sup> With respect to the 2014 FIFA World Cup to be hosted in Brazil, Jerome Valcke (FIFA's secretary general) recently said that FIFA was concerned about stadium development, airports, tourist accommodation and the telecommunications system of Brazil (Blitz, 2010a). These concerns entail major investments by the government of Brazil and are part of the price paid by the host country to the sellers of the FIFA World Cup 2014.

while the Local Organising Committee (LOC) made a profit of US\$10 million (FIFA, 2010: 38). This was a comparable surplus to that of the German LOC in 2006 (Maennig and Du Plessis, 2007).

### **Costs and expected benefits from the tournament**

Despite the small surplus for the LOC, one might hope for broader benefits to the economy along three dimensions: from the preparation for the tournament, from the event itself, and from a longer-run legacy. South African President Jacob Zuma emphasised all three dimensions when he proclaimed the economic success of the tournament with the hyperbole that “South Africa will never be the same again after this 2010 World Cup” (quoted in Mnyandu, 2010). His optimistic assessment was informed by the calculations of consultants Grant Thornton who have estimated a total direct and indirect impact for the tournament on the economy amounting to R93 billion, or 3.6% of GDP (Reuters, 2010). Also optimistic, though less exuberantly so, was Finance Minister Pravin Gordhan who claimed after the tournament that “the level of GDP is about one percent higher than it would have otherwise been” (Gordhan, 2010). This section explores the evidence for these claims.

### **Preparation for the tournament**

Hosting the FIFA World Cup is an expensive undertaking, with exacting requirements not just for the sport stadia, but also for transport infrastructure, the hospitality sector and the media. The preparation for FIFA WC2010 required investment on all these dimensions, with the public sector assuming much of the responsibility for the investment in stadia and the upgrades to the transport and media infrastructure, while the private sector supplied the need in hotel capacity.

There is an inherent difficulty in identifying the expenditure associated with a single event such as the FIFA World Cup. While expenses directly related to hosting the tournament, such as hospitality for the players and fan parks, can be attributed to the tournament without controversy; it is much harder to identify investment expenditure directly attributable to the tournament. The stadiums seem like an easy place to start and a number of these would clearly not have been built without the prospect of the tournament, including the new Cape Town stadium in Green Point. But even with stadia,

the identification runs into difficulties: should the upgrade of Loftus Versfeld be attributed solely to the World Cup even though it is the home ground of a successful rugby franchise who would have upgraded the stadium in any event over the medium term? More difficult still is the identification of infrastructure upgrades as attributable to the tournament, given the backlog in the logistical network at the end of a long economic expansion. Highways, bypasses, busses, rail upgrades and even airports were necessitated by the pressure of an economy running ahead of its infrastructure<sup>43</sup>.

In this paper we take a minimalist approach and identify only those projects that are incontrovertibly associated with the tournament or the preparation for the tournament, or have been labelled as such by the government in the allocation of public funds. In its preparation for the tournament, the South African government identified 24 projects that would ensure a successful event, as well as leave a lasting positive legacy for the economy. Public expenditure on projects directly related to WC2010 started in the 2005/2005 fiscal year and these expenditures have been summarised in Table 1, adjusted to show calendar year totals<sup>44</sup>.

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<sup>43</sup> In February 2006 in the Accelerated and Shared Growth Initiative (ASGISA) government recognised the logistical network as a key constraint to faster long run growth in the economy.

<sup>44</sup> Since the fiscal year ends on 31 March each year the fiscal year totals were allocated pro-rata to the overlapping calendar years. Allocations for the 2010/2011 fiscal year were allocated entirely to calendar year 2010.

**Table 11: Public expenditure on the World Cup (in millions of Rand)**

Line	Project	Description	2005	2006	2007	2008	2009	2010	Subtotal	Project Total
1	1	Stadiums	181.1	510.4	3603.8	4372.5	2319.5	717.3	11704.6	11704.6
2	3	Public transport in host cities	184.3	473.6	1010.4	2668.5	2606.1	4304.0	11246.9	
3	3	Commuter rail		134.3	401.8	119.0	0.0	464.8	1119.9	
4	3	Motorways			97.5	107.5	179.9	51.6	436.5	
5	3	Buses						500.0	500.0	
6	3	Transport sub-totals	184.3	607.9	1509.7	2895.0	2786.0	5320.4	13303.3	13303.3
7	6	Emergency power and utilities				102.0	34.0		136.0	136.0
8	7	Broadcast and telecommunications				600.0	612.5	287.5	1500.0	1500.0
9	12	Event health management			151.5	229.1	348.6	96.4	825.6	825.6
10	13	Event disaster management						60.0	60.0	60.0
11	14	Event operations (including Confederations Cup)					380.3	336.8	717.1	717.1
12	15	Event safety and security			112.5	225.1	261.7	706.4	1305.7	1305.7
13	16	Event volunteers							25.0	25.0
14	20	Event protocol, ports of entry infrastructure				750.0	1150.0	1100.0	3000.0	
15	20	Immigration services			0.7	86.9	150.7	391.8	630.1	
16	20	Total protocol and ports of entry			0.7	836.9	1300.7	1491.8	3630.1	3630.1
17	21	Event communication, hosting, strategy, legacy & cultural events							504.0	504.0
18		Tournament tickets and paraphernalia						30.9	30.9	30.9
19		Total	365.4	1118.2	5378.1	9260.6	8043.3	9047.4		33741.9

Sources: "2010 FIFA World Cup Unit" at the National Treasury and Estimates of National Expenditure survey 2010.

**Table 12: Public investment on the World Cup (in millions of Rand)**

Line	Project	Description	2005	2006	2007	2008	2009	2010	Total
1	1	Stadiums	181.1	510.4	3603.8	4372.5	2319.5	717.3	11704.6
2	3	Transport	184.3	607.8	1509.6	2895.0	2786.1	5320.4	13303.2
3	6	Emergency power and utilities				102.0	34.0		136.0
4	7	Broadcast and telecommunications				600.0	612.5	287.5	1500.0
5	12	Event health management			151.5	229.1	348.6	96.4	825.6
6	13	Event disaster management						60.0	60.0
7	20	Total protocol and ports of entry			0.7	836.9	1300.7	1491.8	3630.1
8		Total Public Investment in the World Cup	365.4	1118.2	5265.6	9035.5	7401.4	7973.4	31159.5
9		Nominal GDP at market prices	1571082.0	1767422.0	2017102.0	2283823.0	2407689.0	2645993†	
10		Total Investment Expenditure	263754.0	324083.0	406918.0	513749.0	543392.0	568664†	
11		Private sector investment	196267.0	236118.0	284364.0	333899.0	322600.0	334804.5†	
12		Public sector investment (government plus public corporations)	67487.0	87965.0	122554.0	179850.0	220792.0	233724.7	
13		Share of World Cup investment in total investment	0.0	0.1	0.3	0.4	0.3	0.3	
14		Share of World Cup investment in public sector investment	0.5	1.3	4.3	5.0	3.4	3.4	

Source: "2010 FIFA World Cup Unit" at the National Treasury, Quarterly Bulletin of the South African Reserve Bank and Medium Term forecast by the Bureau for Economic Research (BER) at the University of Stellenbosch

† Estimates for 2010 were taken from the BER's medium term forecast updated in June 2010.

Table 11 shows that public expenditure in the run up to and during the event amounted to R33.7 billion. Row 18 of table 1 shows the R30.9 million that government departments have apparently<sup>45</sup> spent on tickets and other tournament related paraphernalia<sup>46</sup> (Kahn, 2010; Azzakani, 2010). To estimate the economic impact of these outlays, it is necessary to separate those items that may be regarded as investment from those that are consumption, since investment can, in principle, contribute to the long-run growth potential of the economy. Table 12 shows a reduced version of table 11, with just the investment expenditure by project and some national accounts data as points of reference.

In absolute terms, the numbers in tables 11 and 12 are undoubtedly large, especially when compared to the R818 million envisaged as the total cost of these projects in the South African Government's original bid document (FIFA, 2004: 65). That the bid document's assessment was a dramatic underestimation was soon apparent (Maennig and Du Plessis, 2007), but the political decisions, based on dramatically skewed information, had by that time been taken<sup>47</sup>.

Unsurprisingly, the opportunity costs of hosting the tournament in a country with urgent claims on public resources have been highly contentious. The difficulty of the political decision at stake is clear from the examples of the opportunity costs that had been used in the debate. This included the claim by Greta Steyn that the R33 billion in expenditure would easily cover the R23 billion required to solve the country's urban sanitation problem (Steyn, 2010), or that 205 schools in the Gauteng province could have been funded with the R10.8 million of the money spent by government departments on tickets and World Cup paraphernalia (Flanagan, 2010).

Economic calculations can be a useful barometer to measure the expected direct economic impact of hosting FIFA's World Cup. To that end, the data in table 12 is instructive: Public sector investment directly attributable to the

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<sup>45</sup> Final data was not available at the time of writing.

<sup>46</sup> Finance Minister Gordhan has indicated that such expenditure by government departments falls foul of the Public Finance Management Act and has cautioned both government departments and municipalities that the Auditor General would investigate any such expenditure (Benjamin, 2010).

<sup>47</sup> A further cost associated with the tournament is the various constraints on local business and society required by FIFA in their bid to protect brand and associated rights of their tournament. FIFA is especially concerned about ambush marketing and the resulting constraints on local businesses led to much resentment and a diversion of local police resource to enforce FIFA's rights (Beeld, 2010).

tournament amounted to some R31 billion spread over 6 years, with the peak in 2008<sup>48</sup>. To give a sense of scale, it is useful to note that in the year of peak World Cup investment (2008) when government spent R9 billion on tournament preparations, the public sector invested R180 billion and the private sector R334 billion. At the maximum in 2008, World Cup investment was 0.4% of GDP, in a year when the total investment rate for the economy was 22.5%.

Modest though the numbers are for the WC2010 projects, they still overstate the relative importance of these projects in the years leading up to the tournament. Crucially, a third of the investment expenditure was on the 10 newly built or renovated tournament stadia. The improvement of highways, airports and the rail network can, if correctly planned and implemented cost-effectively, improve the long run growth potential of the economy. However, the economic viability of the stadia is a much harder proposition to prove.

The dominant role of the public sector in the development of these stadia itself raises caution about their long-run viability. Ahlert (2001) found that the beneficial impact of stadium development on the economy rises with the share of private sector finance in the project. That the private sector provided more than 60% of the finance for the 12 stadia used in the 2006 FIFA World Cup Germany, suggests that those stadia were developed with greater sensitivity to the economic needs of their longer-term clients, the regional football clubs. Clubs are keen to invest in new stadia due to the encouraging impact on attendance and prices supported (at least for a period) by a well-designed new stadium (Feddersen, Maennig and Borchering, 2006; Howard and Crompton, 2003; Coates and Humphreys, 2005).

The stadia of WC2010 are predominantly public sector projects, which suggests that the needs of football clubs and the long-run economic viability of these stadia were not binding considerations in their location and design. While the upgraded rugby stadia at Ellis Park in Johannesburg, Loftus Versfeld in Pretoria, and the Bloemfontein stadium have seen productive use by the large local rugby franchises, it is far more doubtful whether the

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<sup>48</sup> While the R11.7 billion invested in stadia is easily attributable to the tournament, that is not true of many other projects, such as upgrading airports, highways and border posts. These would have been priorities in any event, though it is true that the tournament with its unyielding deadlines accelerated their delivery. This was both a benefit (earlier improvement in the country's logistical network) and a drawback (the tight deadlines raised the costs of these projects).

stadia in Nelspruit, Polokwane and even Port Elizabeth will be profitable enterprises in the long run. The prospects for the spectacular stadium in Cape Town remain uncertain if the local rugby team does not relocate from their present home stadia (Maenig and Du Plessis, 2009), a prospect which remains doubtful even in 2015. Since the local football league would not be able to support the stadia from attendance, rugby and alternative events would have to cover the bulk of the maintenance costs<sup>49</sup>.

The potentially productive investment by the public sector for World Cup projects therefore amounts to R19.455 billion spread over 6 years, with the largest investment occurring in 2009, at R5.08 billion. Given that investment expenditure accounted for just over a fifth of the economic growth since the mid-1990s (Du Plessis and Smit, 2007), it is clear that the potential contribution of these projects to economic growth, prior to the tournament, at no stage exceeded a fraction of a percent of GDP.

There was also considerable private sector investment in the tourism sector in the years leading up to the tournament. Table 3 shows the number of hotel beds available in the various categories of hotels as surveyed by Pam Golding Tourism and Hospitality.

**Table 13: The supply of hotel beds in South Africa**

Level	2007	2010	Avg growth p.a.
5 star	8013	10295	8.7
4 star	12585	21049	18.7
3 star	23714	26698	4
2 star	3559	4185	5.5
1 star	3156	3645	4.9
Total	51027	65872	8.9

Source: Pam Golding Tourism & Hospitality Consulting (Pam Golding, 2010)

<sup>49</sup> The low average attendance and low tickets prices at local PSL (Professional soccer League) matches is the reasons for the importance of the ruby teams in the economic calculations. The team with the largest fan base in the PSL, Kaizer Chiefs, enjoyed average match attendance of 21533 for the 2009/2010 season, while the average for the PSL as a whole was 7637 ([www.stats.football365.co.za](http://www.stats.football365.co.za)).

While there was robust expansion of hotel capacity over this period, especially at the luxury end of the market, it would not be appropriate to attribute this solely, or even largely, to the approaching World Cup. Instead, rising demand had long since necessitated investment in extra capacity. Nevertheless, the approaching World Cup affected the timing of these projects with the completion dates brought forward in order to be ready for the tournament. The investment in hotel capacity should, accordingly, not be counted as a net gain for the economy associated with the World Cup. While the latter undoubtedly affected the timing of the projects with the beneficial effect of earlier completion, it also raised the cost of these projects by working to a tighter deadline.

Even if neither private nor public investment directly associated with the tournament made an important contribution to economic growth, it is possible that these projects nevertheless created valuable job opportunities. Unemployment is a major economic and social pathology in South Africa where the measured unemployment rate is estimated to be in order of 24% on the narrow ILO (International Labour Organisation) definition. Against this backdrop, even temporary additional employment would meet an important social goal.

Due to the nature of the projects associated with WC2010, new job opportunities would mainly arise in construction. Indeed the South African Government has claimed that 66 000 new jobs were created in construction and that the police force was permanently expanded by 40 000 new officers (Hartley, 2010). The World Cup could at most have affected the timing of a permanent increase in the police force; as such an expansion must be justified by long run safety and security conditions unrelated to any particular event, however large. But construction sector jobs might well have been created in preparation for the tournament, requiring a closer look at the national employment statistics as published in the Quarterly Labour Force Survey.

Construction on the stadia started in 2006 when around 458 000 workers were employed in the construction sector, which was around 5.6% of total formal sector employment. As the stadium construction gathered pace around 17 000 construction jobs, workers were added to this total. However,

these were the final years of the long economic expansion, which started in South Africa in the third quarter of 1999, and the economy was employing more workers across a broad range of sectors at this time. Indeed the proportion of workers in construction hardly changed as the stadia projects gathered pace, suggesting that total construction employment was simply keeping pace with the economy.

An explanation better supported by the data is that construction jobs at stadia expanded while employment contracted proportionally elsewhere in the construction sector, leading to very few new jobs created. This is also consistent with the rapid decline in construction sector employment (faster than total employment) from 474 000 at the end of 2008 to 408 000 in the first quarter 2009. Accordingly, the recession-hit construction industry provided little alternative for the immediate redeployment of these workers as World Cup projects finished (see also Mokopanele, 2010).

It is reasonable to argue that the World Cup projects supported employment in the cyclically sensitive construction sector during the recession, which started domestically in November of 2007. But this counter-cyclical effect had evidently run its course by the end of 2008 and subsequently, on average, employment contracted faster in construction than in the economy.

### Activity during the event

Turning now to the economic impact of the event itself narrows our focus to the tourist industry where most of the immediate impact of the tournament falls. The FIFA World Cup is the largest of the mega sport events and tens of thousands of supporters travel to the tournament to see their teams in action, while hundreds of millions follow the tournament on television. But it is no simple matter to quantify the number of tourists who arrived in the country for the tournament as such. Prior to the tournament the estimates varied enormously, with a high-end estimate of 500 000, which declined to a high-end estimate of 350 000 to 400 000 at the time of the FIFA 2010 World Cup South Africa (Baumann, 2010), with the lower end around 200 000. To estimate the tournament arrivals we used the following evidence:

1. Data on actual arrivals at the international airports.
2. Data on occupancy rates in the hotels of the major cities.

Hotel occupancy rates in Cape Town, Durban and Gauteng for the month of June since 2007 are shown in table 14.

**Table 14: Hotel occupancy rates in the major cities**

	Cape Town	Durban	Gauteng
Jun 2006	52.5	79.6	68.2
Jun 2007	55	74.2	73.1
Jun 2008	48.1	74.6	72.5
Jun 2009	49.5	67.3	54.9
Jun 2010	51.7	61.8	77.3

Source: STR Global

The data in table 14 should be read with the information on capacity expansion in table 14 where the growth in high-end accommodation especially, was indicated. Table 14 shows the extent to which World Cup visitors used Gauteng as their base for the tournament, given the number of stadia at close proximity and the easy access by road and air to more distant stadia. In terms of occupancy Cape Town experienced a better than average June, though not by much, and in Durban occupancy has continued its long decline.

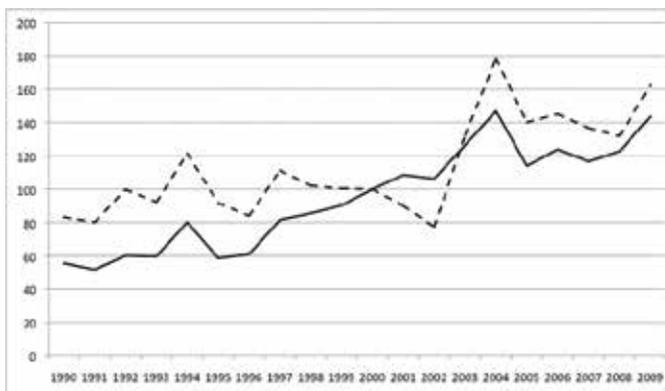
We were interested in calculating the number of extra tourist arrivals in addition to what would have been expected from a normal June. The following conservative assumptions were made about a normal June, based on the data for June 2009. However, there was a British Lions tour to South Africa during June 2009, which would have raised arrivals from the UK sharply<sup>50</sup>. Based on Spronk and Fourie's (2010) estimate of the Lions tour related arrivals, we adjusted the June 2009 arrivals downwards to 114 000. We also used the hotel room rates from 2009 and assumed that these tourists stayed for one week on average, and spent R4 000 each on local travel. Combining the cost of accommodation with the assumed travel expenses and another R1 000 per day for food and other expenditure, yields an average weekly expenditure of R15 320 by June 2009 tourists, and therefore the baseline expenditure for June by international tourists is R1.75 billion.

<sup>50</sup> Spronk and Fourie estimated an increase of 57% for UK arrivals on account of the Lions tour.

Combining the increment in occupancy rates between June 2010 and June 2009 with the number of available hotel rooms (and assuming that half as many additional guest house rooms were occupied as hotel rooms) in the major cities gives a figure of 7 497 extra rooms rented on an average day during the tournament. Making the further assumptions that these guests stayed on average for one week and that 60% of the rooms were occupied by two persons, with the remainder single occupancy, yields 71 977 additional visitors during the World Cup and a total arrival of 186 000 for June 2010. We assume that a quarter of the tournament guests were from elsewhere in the Southern African region.

A number of factors combined to yield a total considerably below the most sanguine expectations. These factors include the international recession and relatively high local tourist sector prices (in dollar terms). To demonstrate the latter, chart 16 shows the Econex/Portfolio real price index in rand and dollar terms<sup>51</sup>. The influence of rand appreciation on this index is clear, leading to sharply higher dollar prices for international tourists over the years leading up to the tournament.

**Chart 16: Rand and dollar tourist sector price index**



Source: Econex

How high were the room rates charged by hotels to these World Cup visitors? As with the 2006 FIFA World Cup Germany, there is clear evidence that the inflexibility of the tournament schedule improved the pricing power (in local

<sup>51</sup> The Econex/Portfolio price index reflects the price of accommodation in the tourist sector in South Africa.

currency) of hotels more than usual for the season and that is reflected in the average room rates (in current Rand) recorded in table 15. Table 16 shows the same data adjusted for inflation since 2006.

**Table 15: Average room rates - current Rand**

	Cape Town	Durban	Gauteng
Jun 2006	649.3	549.2	544.1
Jun 2007	724.1	625.7	670.3
Jun 2008	805.4	733.5	810.3
Jun 2009	908.8	832	959.4
Jun 2010	2598.5	1872.7	2858.8

Source: STR Global

**Table 16: Average room rates - constant 2006 prices**

	Cape Town	Durban	Gauteng
Jun 2006	649.3	549.2	544.1
Jun 2007	683.3	590.4	632.5
Jun 2008	687.1	625.8	691.3
Jun 2009	725.4	664.0	765.7
Jun 2010	1983.1	1429.2	2181.8

Source: STR Global

It is clear that hoteliers enjoyed a much enhanced price environment during the World Cup, with room rates rising by as much as 185% over the preceding June for Gauteng, 173% for Cape Town and 115% for Durban. Revenue per room was therefore sharply higher in all these cities and hoteliers were unambiguous beneficiaries of the tournament during the event. Though comparable data does not exist for motor and bus transport services and restaurants, these businesses would also have gained handsomely during the tournament.

With an estimate of arrivals and price data for hotels, we are now in a position to calculate a rough estimate of the expenditure by international tourists in

South Africa during the World Cup. The calculation is based on the following assumptions:

1. 72 000 extra international arrivals, a quarter of which were from neighbouring countries.
2. These tourists were assumed to have stayed on average for five days<sup>52</sup>.
3. A daily rate of R1 400 is assumed per person for a high-end hotel and R500 at the low-end.
4. We assumed that 2/3 of the international tourist stayed in high-end hotels and all the tourists from neighbouring countries in low-end hotels.
5. We assumed daily expenditure (other than accommodation and transport) of R1 230 by international visitors and R500 by visitors from neighbouring countries.
6. We assumed domestic transport of R8 000 per trip from the international visitors and R4 000 for visitors from neighbouring countries.
7. Since we assumed 72 000 extra arrivals in June 2010, that leaves the 114 000 tourists that arrived this year who would have arrived without the tournament, but spending at the inflated accommodation and transport prices of 2010. The gap between the average expenditure of these tourists and their compatriots in 2009 was R9 000 per trip and we add this additional expenditure to the outcome of WC2010.

These assumptions amount to R24 310<sup>53</sup> spent on average per trip by the international visitors and R11 000 on average by visitors from neighbouring countries. Combining this data with the assumed number of arrivals yields net additional expenditure of R2.535 billion (0.08 % of 2010 GDP) by visitors to the tournament.

Turning to the ticket sales, since South Africans bought the bulk of the tickets for the tournament, and this money accrues to FIFA (and leaves South Africa), we need to subtract the ticket sales to South Africans to arrive at a realistic estimate of the net contribution of the

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<sup>52</sup> Visitors earlier in the tournament were more likely to stay longer, while the knock out phase of the tournament would have seen shorter visits.

<sup>53</sup> An amount confirmed with tour operators as a realistic average for their clients during this period.

tournament. We assumed that South Africans bought 80% of 2.7 million tickets sold, at an average price of R500, which amounts to R1.3 billion. The net gain on net exports from the event itself in rand term is therefore, R2.5 billion minus R1.3 billion, which is R1.235 billion or 0.04% of GDP. A realistic multiplier for the tourism sector is in the order of two, which suggests that the ultimate impact of the event on the economy would be around 0.08% of GDP.

While the calculation above is sobering in comparison to the most optimistic expectations, our claim is not that the benefit of hosting the tournament should only be measured in rands and cents. There are a number of intangible effects associated with hosting the tournament, some immediate and others over the long run.

The first of these is the enjoyment of experiencing the tournament, one might call it the 'feel good' factor. Economists have studied the difference between the value that local citizens place on such tournaments before and after the event and have found a very significant rise in their evaluation of what it was worth to them to have experienced the tournament on home soil (Maennig and du Plessis, 2007). The generally successful hosting of the tournament in South Africa and the widely shared positive assessment by South Africans thereof suggest that this effect was relevant for FIFA World Cup 2010. But there are also longer-term intangible benefits.

### Long run benefits and costs

Another opportunity arises from the dramatic stadia constructed for the World Cup, namely the possibility of an iconic building emerging from the tournament forever associated with the event. Examples of such iconic buildings include the Sydney opera house and the Guggenheim museum in Bilbao or in sport, the Allianz Arena in Munich.

With a thirty-story arch that soars over the pitch in the shape of the central bands of the South African flag, the dramatic design of Durban's World Cup stadium at least has the potential to become a new image for the city, though there is little evidence by 2015 that this stadium has become the new image for Durban. Furthermore, the iconic building is only ever the icing on the cake of successful urban renewal, with the bulk of the work done by the successful integration of the building within the city centre, including an efficient transport

system linked to major travel hubs, safe and clean surroundings, and policies that encourage competition, innovation and the dissemination of technology.

An improved international image does not need to be restricted to stadia or particular cities alone, but could be enjoyed by the entire country. This is especially true for the business sector, conditional on a successful tournament from a logistical and organisation perspective with spectacular images beamed to television sets around the world and unprecedented column inches in the printed and electronic media commenting on the events and the location. There is evidence that Germany enjoyed an improved international image from the successful 2006 World Cup (and the 'Land of Ideas' image project associated with it), with South Africa having even more to gain on that front than Germany. Germany gained handsomely on indices of national brands and South African has further to climb on the same measures.

### **Summary for FIFA World Cup 2010 South Africa**

In summary, preparations for the tournament were expensive in absolute terms and raised real questions about the opportunity costs of allocating public funds in that direction, but were small relative to the size of the economy and investment occurring elsewhere in the public and private sectors. As an augmentation to the capital stock, the tournament preparation is a minor story and at most the tournament affected the timing of wider infrastructure upgrades.

Employment was not much affected by the World Cup preparations either. The evidence suggests that workers were redeployed within the construction sector and few new job opportunities were created. However, the World Cup projects did have a counter-cyclical impact during the recession that started in November 2007. The event itself made only a small net contribution to the economy, here estimated to be in the order of 0.08% of GDP. Of course some sectors, notably the tourist industry, enjoyed an unseasonably good June and were beneficiaries of the tournament.

South Africans and international visitors also enjoyed the tournament immensely, a benefit that is no less real because it is difficult to quantify in monetary terms. And there are potential longer run benefits mainly due to the

improved image of a vibrant economy where institutions function smoothly, which offers attractive scope for trade and investment. These benefits, if they raise the long run growth trajectory of the economy, will be more valuable in time than the somewhat disappointing net benefits from June 2010. But the link between mega events and higher sustained growth is tenuous, and in the South African case unfulfilled, with the latest IMF estimate of potential GDP shows a decline of more than 1% per year since WC2010 (IMF, 2014).

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## 4.2 Viettel, a new benchmark for investors in Africa

Interviews with Tao Duc Thang, Viettel Global Investment JSC and Safura Da Conceicao, Frelimo Central Committee and President of Movitel

by Roland Schatz

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**Roland Schatz (RS): Why did Viettel decide for Burundi in the beginning?**

Tao Duc Thang: Telecommunications in the mind of Viettel is an essential commodity for everyone. Mobile broadband technology and telecommunications are also the tools to help the people earn money. Viettel is a telecom enterprise which has solution to boom in emerging country. This has been proven by the awards: Mobile operator has the fastest growth rates in the world (Magazine Wireless Intelligence); Award “The world’s best telecommunications service provider in developing countries.”- WCA 2009; Award “Enterprise has the best solutions to help improve the situation of rural telecommunications in Africa”-AFRICACOM 2012 gave to Movitel (Viettel Brand in Mozambique); Movitel achieved Gold Stevie Award winners in category “Fastest Growing Business in the Middle East and Africa” and was called the “Miracle thing in Africa “(International Business Awards 2014 -IBA- Stevie Awards organization). Telemor - Viettel brand in Timor Leste achieved for “The most successful start enterprises” and the IBA called “The happiness beginning Enterprise.”

As we have analyzed in Burundi, only 10% of the total 10 million populations have access to telecommunications services, we have decided to invest in here with the goal to make telecommunications market boom as we had done in Vietnam, Laos, Cambodia, and Mozambique.

**RS: Were you aware of the risks?**

Tao Duc Thang: Investments in any field or wherever might always take risks. Therefore, we always have the mind to face it. However, we understand if we get the emotion, the heart of local communities the difficulties will pass.

Therefore, when investing in any market, we also invest with all our best, the best technology, and the best infrastructure; create more jobs for local people, give the technology to the locals. In many markets such as Laos, Cambodia, Timor Leste, and Mozambique ... we always invest the largest and deepest network infrastructure before doing business. In Mozambique, when we operated formally, we made Mozambique become the 3<sup>rd</sup> rank in Africa regional about fiber optical cable infrastructure. In Peru, we have built 15,000km fiber optical cable which has a line go through the Amazon region where has not had any line before. We hope the local people will feel our heart and our desire to do the best thing.



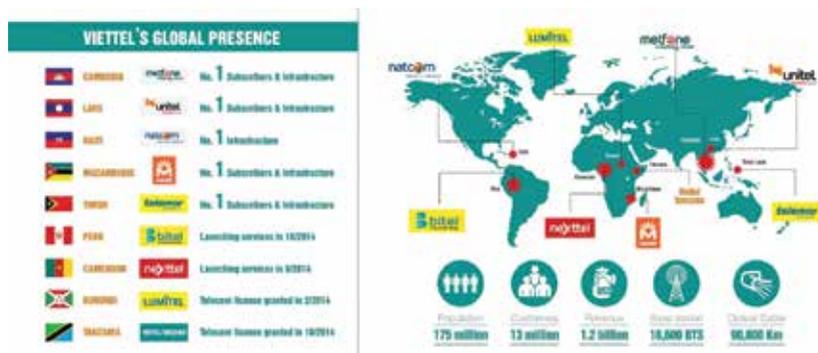
**RS: Which other countries in Africa are you invested in? Why?**

Tao Duc Thang: Over the last 10 years, Viettel has connected over 260 million people across Asia, Africa and South America with 76 million customers, creating jobs for nearly 70,000 employees. Viettel has been present in 10 countries, 4 African countries including Mozambique, Cameroon, Burundi, and Tanzania.

Viettel in Mozambique (under brand name Movitel) is the largest mobile operator in the market with 4 million customers, accounting for 38% market share. It owns the biggest telecom network with 3,000 2G/3G base stations, 27,000 km of fiber optical cable covering 80% of Mozambican population. Movitel contributes 70% of the country's fiber optical cable, making Mozambique among the top three nations in terms of fiber optical cable infrastructure in Africa.

We are planning to have official service launching in Burundi, Cameroon and Tanzania within this year. After a few months providing service (soft launching), we have had more than 1 million customers in Cameroon and 600,000 customers in Burundi. That impressive start-up make us believe that we can achieve success in African markets.

To implement the global growth strategy, we search every investment opportunity in every potential markets, not only in Africa but in all other continents.



**RS: How was the reaction of your team when the crisis started?**

Tao Duc Thang: During the instability time, we still operated the network service. Lumitel stores opened during the most difficult days. Viettel Burundi staff tried to go to work even without public transport. The technical teams went to maintain the systems, troubleshoot problems in the affected stations to ensure the smooth communication in Burundi for nearly 3 weeks.

**RS: What have been the reasons to stay?**

Tao Duc Thang: We think that the most difficult time is the time people need information and connection. So we needed to work for the people of Burundi. Telecommunications is essential like food and water. If there were only one customer, we would serve. That decision was supported by the local staff.

**RS: Why is long term investment for Viettel so crucial?**

Tao Duc Thang: We (Viettel) aim to expand the market coverage to 300-400 million people and become the top ten companies in the world about telecommunications investment.

At this time, we have invested in 9 countries with a total population of 175 million people (almost twice the population of Vietnam). In the Asia there are three countries: Laos, Cambodia and Timor Leste. In the south of Americas there are two countries: Haiti and Peru. In Africa there are four countries: Mozambique, Cameroon, Tanzania and Burundi. In the countries that have had business for 3 years, Viettel are the market leader in terms of both revenue and market share.

**RS: What projects in Vietnam you want to share as well with your business partners and clients in Burundi, Cameroon, Mozambique etc ?**

Tao Duc Thang: There is a very special point in our activities, it is in each country, we use different brands: Viettel (Vietnam), Lumitel (Burundi), Nexttel (Cameroon), Movitel (Mozambique), Metfone (Cambodia), Unitel (Laos), Telemor (Timor - Leste), Bitel (Peru), Natcom (Haiti) ... We want the local people understand that the company is for their country and for themselves.

That's why these names have a certain meaning suitable to the culture of that country. For example, Met in Metfone means friends in Cambodian; Bitel was inspired by the way the people here cheer in nation events: Lumitel mean shining. It was inspired by the 3 stars symbols in the flag of Burundi...

We want to share some stories. Haiti is an example. Shortly after Viettel had planned to invest in Haiti, earthquake and cholera disaster killed hundreds of thousands there. We had a lot of meetings to decide whether to invest or not. And finally, we decided to invest because in that situation they needed the help. Until now, the brand of Viettel in Haiti (NATCOM) holds No. 1 in telecommunications infrastructure with 2G & 3G stations of 1,550; also is the first company to build completely new optical fiber network infrastructure for Haiti after the earthquake with 4681 km in length; as well as No. 1 in broadband to 100% of provinces, cities and districts of Haiti.

Most recently, when Nepal experienced the worst earthquake in history, Viettel officials here have once again shown their determination. With goals setting out market research to promote investment in Nepal, Viettel employees have decided to stay to observe social reaction. At the same time, they tried to help the people here with activities such as blood and food donation. This story was in the press in Vietnam as a story about the social enterprise responsibility.

One time, Timor-Leste Prime Minister Xanana Gusmao said: “With investment from Viettel, the telecommunications industry continues to be competitive. I see Viettel expanding rapidly and widely. Telemor established fiber network to allow people in remote areas to access cheap telecommunications services. These contributions of Viettel Telemor are very meaningful with government and people here”. Or Mr. Jaquenly Michael, Minister of Mozambiquean Communications and Telecommunications said at the opening ceremony of our company (Movitel in Mozambique): “It’s magical. Movitel has contributed to make Mozambique become one of the nations with fastest growing telecom infrastructure and become one of three countries with largest optical fiber infrastructure, after South Africa and Nigeria.”



**RS:** Why do you think the Vietnamese way of doing business fits to Africa?

Tao Duc Thang: We saw opportunities from Africa markets: the majority of the people and government support and respect Vietnamese people. We are known as brave men who defeated two powerful empires for liberty and independence, a nation with economic miracle... The user’s density of telecommunications services, especially advanced services, is still low. The application of ICT is still low; these are a great opportunity for Viettel.

Also, as you know, in Vietnam, Viettel is a typical story of success; the business has brought telecommunications services from only for a few (people with more money) to service for everyone; from service only in cities

to everywhere. And of course, our experience in Vietnam will help us to achieve our goal in foreign markets especially in Africa.

Besides the African market, we also pay attention to all markets in all other continents. We will invest if we have opportunities in any markets which are suitable to us.



## **“I was right to choose Viettel as an investor in Mozambique”**

Ms Safura is a member of Frelimo Central Committee and the President of Movitel, a joint venture between Viettel group of Vietnam and Mozambique's SPI Company. The President said many Mozambicans had laboured under the misconception that Vietnam was an agricultural country without telecommunication industry before the arrival of Viettel. In the following interview with the magazine's reporter, Ms Safura explained how she decided to join with Viettel to develop Mozambique's telecommunications services.

**Roland Schatz (RS): What do you think of Vietnam ahead of the presence of Viettel in Mozambique?**

Ms Safura: Before the advent of Viettel, we didn't know much about your country but we did know about the Vietnam War and that Vietnam was a large rice exporter. We also had knowledge about Vietnam through the movies and the revolutions, which Mozambique also experienced.

**RS: Why did you trust Viettel among a number of telecommunication companies as Viettel had less experience in overseas investment at that period of time?**

Ms Safura: During some working visits to Vietnam, I met the Viettel leaders and developed the preliminary understanding of Vietnam's telecommunication as well as the operation of Viettel group. Then Viettel's staff were dispatched to Mozambique and showed their desire to invest in our country. And we began searching for more information about Vietnam's telecommunications and the Viettel group but there was not much information on the internet.

After we launched the bidding, many international telecom companies showed their interest. But our perception was that a country with a strong telecommunications industry was often looking down on Mozambique from a higher position. And our curiosity about Viettel grew and it came from a country which had long-term relationship with Mozambique and shared certain similarities. During the first meetings with Viettel representatives, we realised that they were very open and friendly. We were just like brothers and we really wanted to develop the cooperation.

Then, we had a series of working trips to Vietnam and checked if Viettel had the capacity to invest in another country with an area triple that of

Vietnam. We realised that Viettel was an appropriate partner, which could make changes in Mozambique. The fact that Viettel was a state company belonging to the Ministry of Defence and the development of Vietnam's telecommunication ensured us that Mozambique's telecommunication would have the same future.

**RS: You obviously must know about Telenor or France Telecom. Was it hard to persuade other Mozambican officials to accept Viettel?**

Ms Safura: There had been different ideas during the preparatory process for the bidding. But I myself had witnessed the success of Viettel in Vietnam so I completely trusted the group's ability in Mozambique. I told the senior officials that my company and Viettel would do something in Mozambique. Many officials had tried to prevent me from entering a joint venture as they told me that Vietnam was only an agricultural country, but I had full trust in Viettel and decided to join Viettel in the bidding. If my decision was wrong, I would accept it.

**RS: Have you ever been suspicious of the success of Viettel in Mozambique?**

Ms Safura: We had discussed that we needed an impressive tender document to beat other rival companies. Viettel Vice President Nguyen Manh Hung spoke with me about the issue. "I will give you a wonderful bidding package," he said after the conversation and my trust kept growing.

I still remember this story. When I first received the tender document, I couldn't read a word because the English was very poor. I was very nervous and I contacted Mr Hung. Three days later, I had a brand-new tender document, which I could read and edit some parts. We finally had a tender document with no shortcomings, full of commitments and specific statistics, which could convince all the judges. Now, some officials have recognised that they were wrong to advise me not to co-operate with Viettel.

I also remember this comment: "Does Vietnam have telecommunications? You will be a loser." They said so because the tender document had a commitment on building 1,500BTS within a year. Some called the commitment "crazy". But the Movitel staff had tried their best and we have made it. Now, we own more than 2,000BST and the largest fibre optic cable system in Mozambique after two years building the infrastructure and one year of doing business.

Many Mozambicans hadn't had the chance to use a mobile phone before. Now, all areas of the country have the signal coverage so that the mobile phone service extends to every one. Viettel's achievements have cleared any suspicion and underlined trust in their commitments.

**RS: Since Viettel's involvement how has the Mozambican telecommunications market changed?**

Ms Safura: Movitel is the third network company in Mozambique. Previously, 29% of the Mozambican population had access to telecommunication services. At present, more than 40% of local residents are using telecommunication services thanks to the Movitel network coverage in remote and rural areas or 100% of the districts. This is unprecedented in Mozambique. Viettel has built 70% of the network infrastructure in Mozambique. The country is very large so it has taken other telecommunication companies ten to fifteen years to develop their network coverage but it took Movitel only a year to complete the set target.

**RS: What has been brought by the co-operation with Viettel?**

Ms Safura: Vietnam and Mozambique had built a close relationship during the wartime. Many Vietnamese agricultural, healthcare and cultural experts have worked in Mozambique. We always appreciated co-operation with Vietnam and with other partners including Viettel. The co-operation has yielded economic benefits and other social and cultural fruits.

The presence of Movitel has stimulated the strong and sustainable economic and social growth in Mozambique. The Viettel staff have trained their Mozambican colleagues in a new working style and ways of thinking. Movitel's operations are not entirely for economic purposes but Viettel has transferred the technology and participated in the socio-economic programmes in Mozambique such as narrowing the rural and urban gap.

A typical example is that Movitel has brought free internet to all lecturers and students under a commitment signed with 4,200 schools in Mozambique. This policy enables the development of both Mozambique and Viettel.

I don't have specific statistics at present but the changes brought by the internet for schools policy have improved the access to information. In the

past, it took schools up to 30 days to receive correspondence from the ministry. Now, the Internet made all schools receive the correspondence instantly. Each school has also bought more computers used for teaching and learning. Those are outstanding changes Movitel has contributed to education in Mozambique.

**RS: How did you feel when Frost & Sullivan presented Movitel with the company with Best Practices award?**

Ms Safura: I'm proud of this award. This is the second international award Movitel has been granted within a year. Earlier, the company won the Africacom award of for its best solutions in extending and improving telecom services in rural and underserved areas in Africa. The awards can confirm the right development way of Movitel for its successful operation, infrastructure and business. Again, Movitel was internationally recognised for its contributions to the telecommunications sector in an African country.

The success has brought both economic benefits for the company and the better life for the people in rural areas. We have had a large vision nationally and we target poor people by gradually eliminating the rural and urban gap. That is the most important success.

After two years in operation, we've absorbed many good lessons, which I can apply in my own work. I'm proud of this work and feel more responsible for further efforts. I couldn't express this feeling now but it is really beyond my expectations. Frost and Sullivan is a market research consulting firm and their award must be fair and deserving.

Like the first award Movitel won nearly a year ago, I have told myself that I had made a right decision and some others were wrong.

**RS: Does Movitel have a plan to invest outside Mozambique?**

Ms Safura: Movitel is a road or a bridge connecting us with other countries in Africa. In the future, we want to expand our business. This can be a five-year plan. I believe that the success of Movitel in Mozambique will be replicated in other neighbouring countries.

RS: What are the comments of the Mozambique's government and people on the efforts of yours and Viettel's?

Ms Safura: The Mozambican government and people have had positive comments on our achievements. The government officials often go on business to the remote areas where they couldn't use their mobile phone before. Now, they can use mobile phones everywhere they go to in Mozambique thanks to Movitel's services. Of course, they highly appreciate this change.

RS: Thank you very much for the interview!

## Editors



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Tao Duc Thang is General Director of Viettel Global Investment JSC, one of the main subsidiary companies of Viettel Group. Based in Hanoi, Vietnam, Thang has more than 20 years of experience in the telecommunication sector. He had participated in overseas investment activities of Viettel in 2006, focusing on establishing and maintaining networks, before his appointment to General Director of Viettel Global. His latest experience with Viettel Global is the acquisition of Beeline with Viettel Cambodia. Prior to Viettel Global, he held many major positions with different companies of Viettel in technical, engineering, and management, including Director of Technical Operations Center of Viettel Telecom in 2007, Director of Viettel Network in 2010. During these positions, Thang served as chief engineer, overseeing the network infrastructure across Vietnam including network design, construction, operation and optimization.



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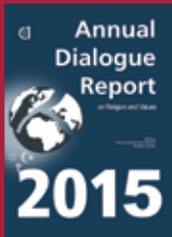


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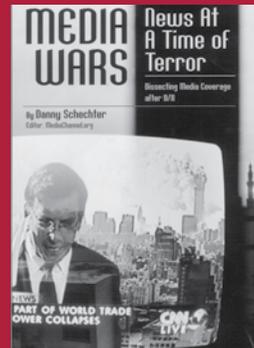
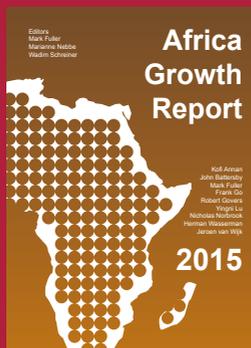
In the mid-80s it became clear that neither politics, finance, science nor culture alone held the solutions for sustainable growth. The concept of the “round” table was coined in 1985 in Switzerland before it became a political concept with the fall of the Berlin wall.



In Fribourg, InnoVatio as a publishing house offered not only authors a platform for their multi-stakeholder ideas, but also an intellectual home to managers in the form of future workshops. Private university concepts for Flensburg, Koblenz, Karvina or Witten were discussed and developed further. The technology parks in Dresden and Ostrava came into being. The cultural management academy, Kulturmanagement Akademie, for the Schleswig-Holstein Music Festival opened its doors.

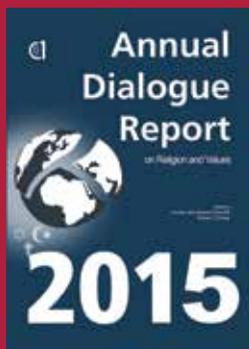
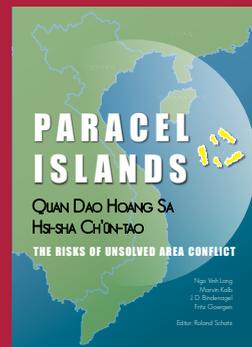


Between 1987 and 1990, thanks to its Swiss heritage, the publishing house was able to use opportunities for supporting alternative thinkers in East Germany, Czechoslovakia and Hungary which would have been impossible from West Germany.



After the fall of the Berlin wall, the significance of the media and the information they transmitted became ever more relevant. Accordingly, together with the Allensbach Institute for Public Opinion Research and academics from universities in Mainz, Dresden and Munich, the publishing house founded its own media research institute, Media Tenor. Initially only from Germany, and from 1996 internationally, data on the media's influence on voter decisions, consumer decisions, share prices or vacation trends are continuously collected and made publicly available.

The terror attacks in New York and Washington led to an additional focal point for the publishing house: Together with the World Economic Forum, and later with Prince Ghazi of Jordan, the C1 World Dialogue Foundation was founded in Basel, and engages the willingness of people to enter into dialogue with each other on various continents and, by means of concrete projects, provides documentation to schools, universities and the media in order to overcome stereotypes in teaching, research and mediation.



## Media Tenor International

MEDIA TENOR was founded in 1993 by eminent scholars within and outside of the area of communication science and public opinion research like Elisabeth Noelle-Neumann, Peter Glotz, Hans Mathias Kepplinger, Wolfgang Donsbach and Hartmut Schiedermaier. MEDIA TENOR was established as the first media research institute to focus on continuous one hundred percent media analysis of opinion-leading news outlets. Thanks to this unique approach the institute is able to define the awareness threshold. It expanded internationally serving universities, NGOs, governments, the media and the corporate sector.

As a strategic partner, MEDIA TENOR helps organizations understanding and leveraging the media. Through partnership with MEDIA TENOR, organizations are able to tailor messages to reach target audiences effectively, consequently reducing advertising cost and increasing the return on investment from an organization's external communication.

Today MEDIA TENOR is the leading media institute in the field of applied Agenda-Setting research, serving partners in the scientific, government and corporate world with strategic media intelligence. Every year experts and practitioners from media, academia, governments and NGOs meet at the International Agenda Setting Conference to exchange latest trends and improvements in the field of applied media impact analysis. Because MEDIA TENOR analyzes every single report in opinion leading media from print to TV and online media, our partners know whether their media relations activity has been relevant or not. MEDIA TENOR empowers them to create and maintain an active and strategic media presence, strengthening both credibility and reputation. The database open to the public has grown up to 90 million analysed statements – growing every day. These are now open for academia around the World in the Global Media Impact Center in Boston.



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