

Business and Fragility in Africa: Solution or Problem?

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Big Picture

- There's never been an experience of successful sustained economic growth without the private sector playing a critical role
 1. British industrial revolution after 1780
 2. US in the 19th century
 3. Japan after the Meiji restoration
 4. South Korea
 5. China since 1978
- This will be true of Africa as well.

Fragility and the Private Sector

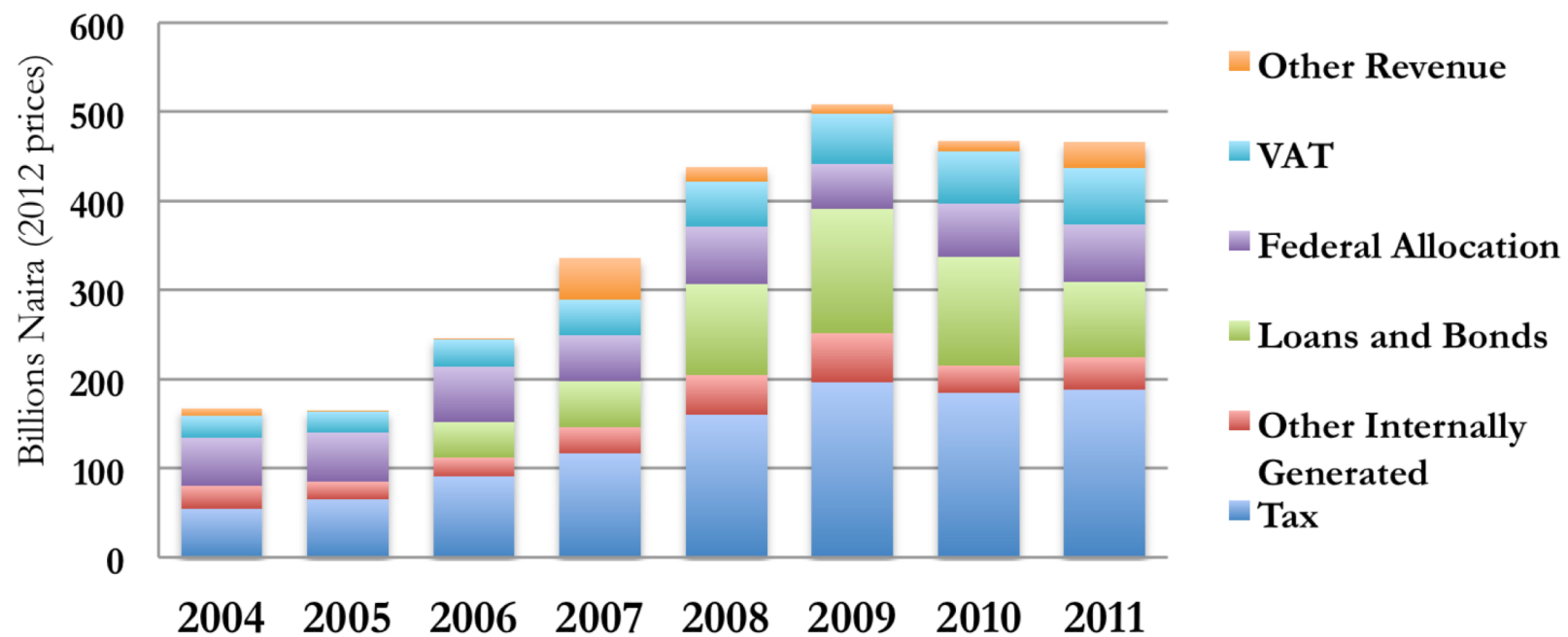
- But the evidence is mixed on the impact of the private sector in societies with fragile weak institutions.
- Let me distinguish between the impact of the private sector
 1. “in the small” holding the broader political economy constant, and
 2. “in the large” where the political economy is endogenous.

In the Small...

- The private sector can **complement** attempts to exit from fragility.
- An example of the former is the role of Alpha Beta Consulting (probably partially owned by Governor Bola Tinubu) in Lagos state, Nigeria.
- Alternatively, the private sector can **take advantage** of fragility.
- For example, illegal diamond exports in Sierra Leone.

Chart 4.1 Sources of Lagos State Revenue

Inflation-Adjusted



Source: Lagos Bureau of Statistics 2012a p. 7-9. All inflation adjustments use World Bank WDI Consumer Price Index.

**LAGOS
LAGOS
LAGOS**

At Work...

Pay your Taxes

Contractor: P W Nigeria Limited

Project: Rehabilitation of Bamgbose / Lewis, Alakoro Marina /
Kosoko Road And Completion of left over portion
along Broad Street, Lagos Island Local Government
Area

Project start date: Jan 2013

Duration: 15 Months



**Transforming Lagos
One infrastructure at a time**

Phone/SMS: 0705 105-7777

Twitter: @Lagosatwork

Facebook: Lagosatwork

Website: www.lagosatwork.gov.ng

Powered by: Lagos State Ministry of Works and Infrastructure

Table 1 Various West African countries and diamond production in selected years
(000 carats)

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998
Sierra Leone	78	243	347	158	255	213	270	104	8.5
Liberia	100	100	150	150	100	150	150	150	150
Guinea	127	97	153	167	381	365	205	205	205
Ghana	650	700	656	591	740	632	715	830	800
Ivory Coast	12	15	15	15	84	75	302	307	307

Source: *Complete Report, Sierra Leone, Diamond and Human Security: January 2000*, page 34

Table 2 Diamonds exported to Antwerp from West African Countries in same years
Selected Years (000 carats)

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998
Sierra Leone	331	534	831	344	526	455	566	803	770
Liberia	5,523	658	1,909	5,006	3,268	10,677	12,320	5,803	2,558
Guinea	287	374	526	1021	875	780	439	533	596
Ghana	597	675	689	526	498	643	608	531	n.a.
Ivory Coast	825	946	868	683	605	1614	2214	885	n.a.

Source: *Complete Report, Sierra Leone, Diamond and Human Security: January 2000*, page 35⁵¹

In the Large

- The private sector can help push the political economy in a more **functional direction**.
- The example of Black Economic Empowerment in South Africa.
- Or it can push it in a **dysfunctional direction**.
- The Africa Progress Report ...

BusinessMap BEE Personality: Max Vuyisile Sisulu

Mr. Sisulu was involved in the ANC since his youth, and went into exile in 1963, working in the liberation movement in Tanzania, Zambia and other parts of Africa. In 1986 he established the ANC's economics department, and returned to South Africa in 1993 taking a post in government. In 1994 he became a member of Parliament and in 1997 he was appointed Chief Whip in the National Assembly.

Education: MA in Political Economy at Piekhanov Institute, Moscow, Russia

Senior Military Commanders Course, Skhodnia, Russia

MA in Public Administration, JFK School of Govt., Harvard University

Work Experience:

South African National Assembly – Member of Parliament

National Institute of Economics Policy - Director

SA Aerospace, Maritime and Defense Industries Assoc. - Chairman

Human Science Research Council – Council Member

Free State's Economic Advisory Council – Advisor

ANC – National Executive Committee Member

Max Vuyisile Sisulu's brief CV:

Directorships: Denel - Deputy CEO

African Rainbow Minerals – Non-Executive Director

ChemCity – Non-Executive Director

Harmony Gold Mining Company – Former Non-Executive Director

Imperial Holding – Non-Executive Board Member

Imperial/Ukhamba/Tata – Non-Executive Director

Manyano Communications – Director

Resolve Group – Non-Executive Board Member

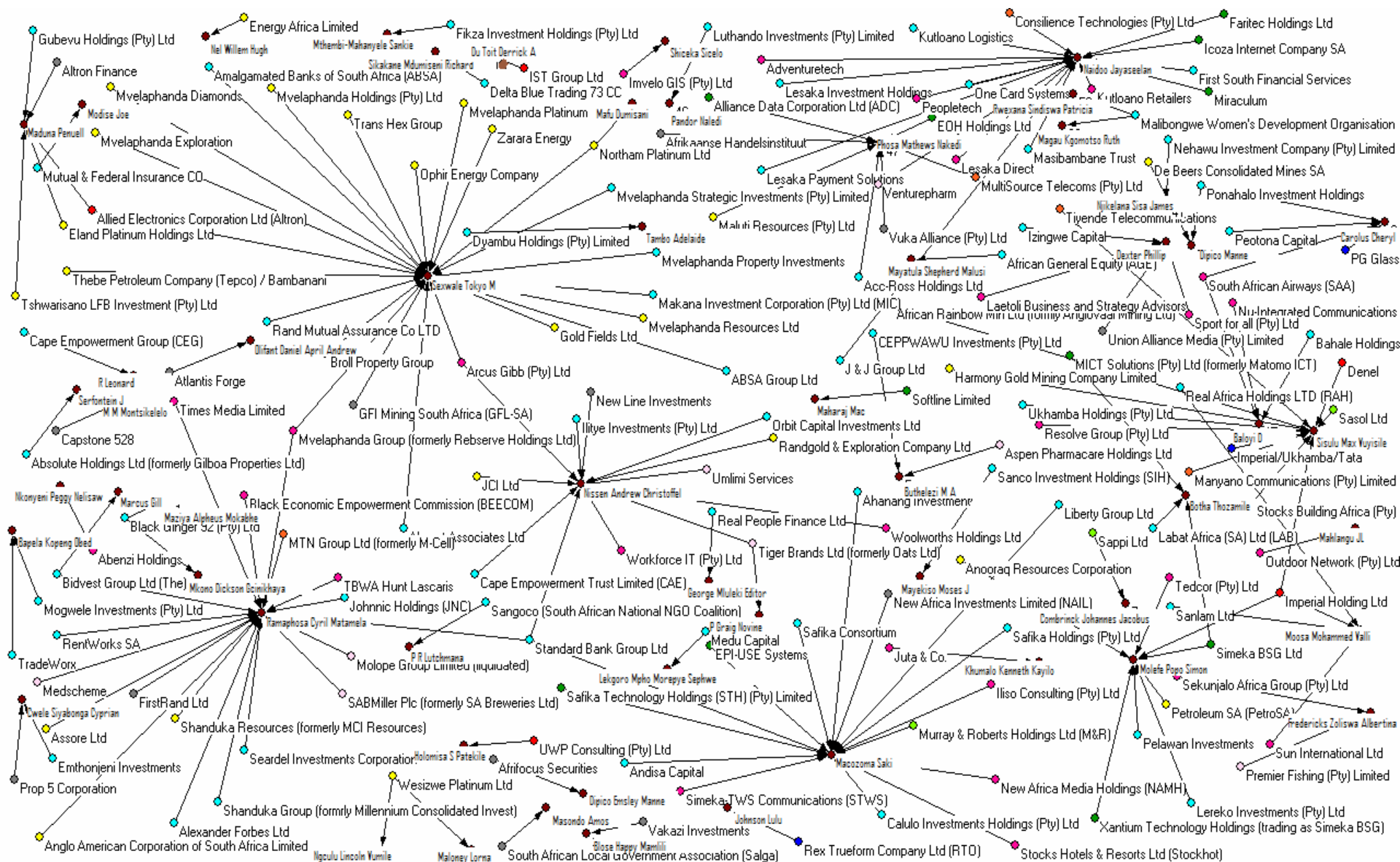
Sasol – Executive General Manager











Stock Building Africa – Board Member

Tiyende telecommunications – Executive Director

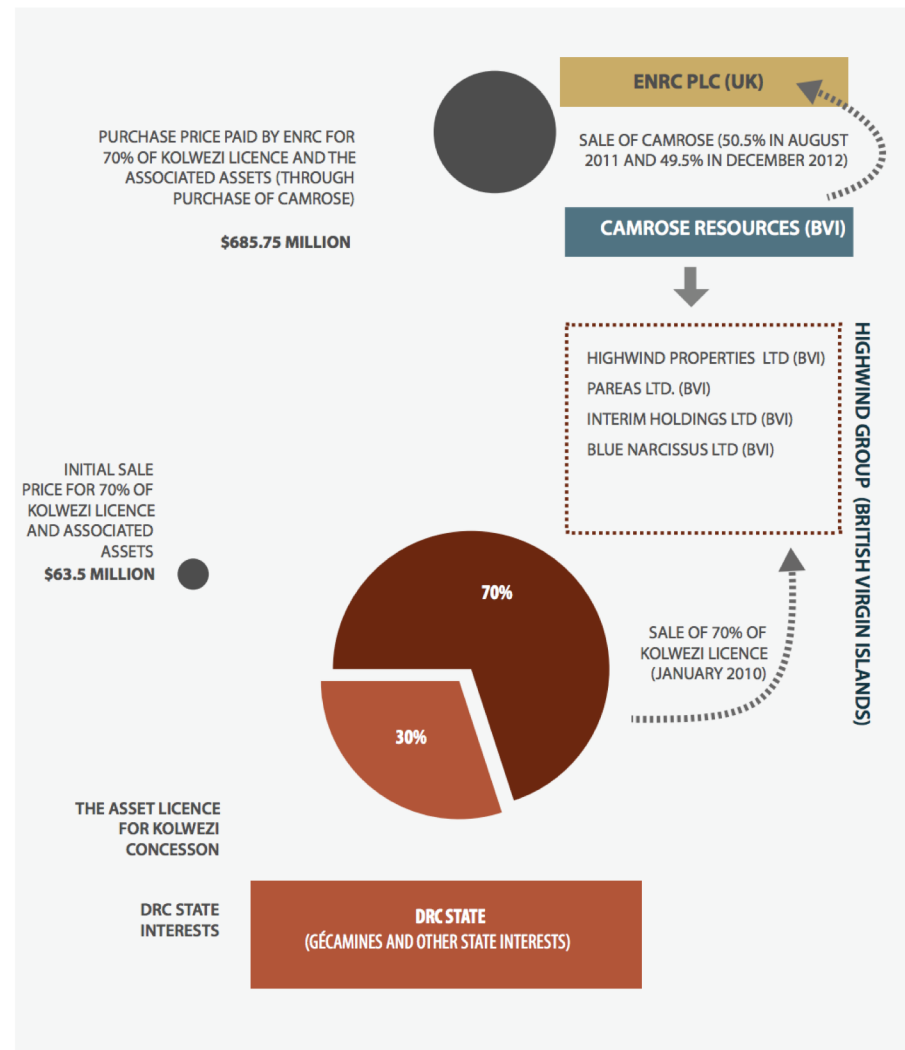
Ukhamba Holdings – Non-Executive Chairman

ANC Politicians and BEE Companies by Sectors



- | | | |
|---|---|--|
|  Unknown |  Cyclical Consumer Goods |  Financials |
|  Resources |  Non-Cyclical Consumer Goods |  Information Technology |
|  Basic Industries |  Cyclical Services |  ANC Politicians |
|  General Industrials |  Non-Cyclical Services |  Utilities |

KOLWEZI PROJECT



All the President's Wealth: The Kabila Family Business (2017) Pulitzer Center on Crisis Reporting



Companies
& businesses



71,000 hectares
of farmland

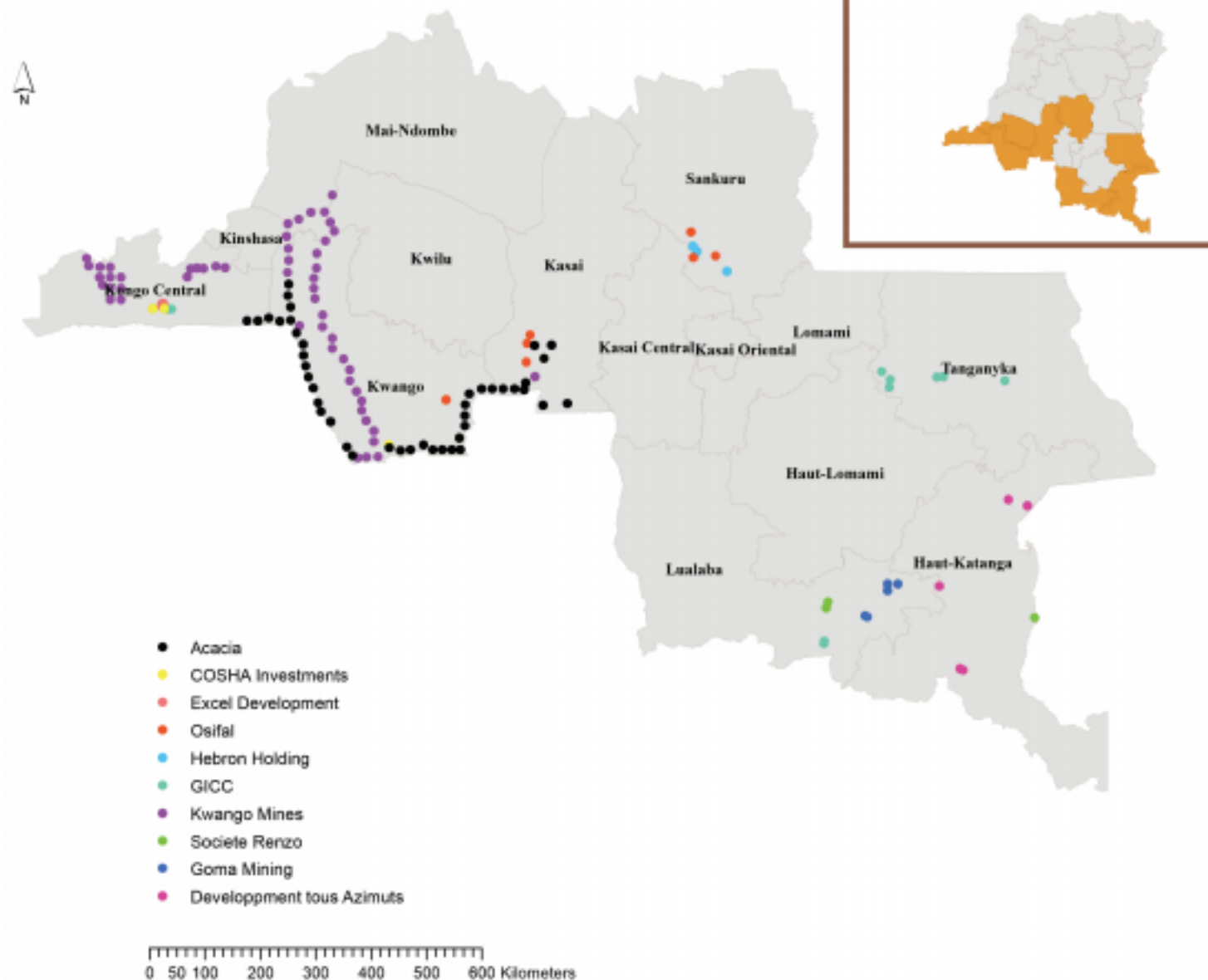


diamond permits
along 450 miles of
Congo's border with
Angola



4.8% stake in one
of the country's
largest mobile phone
networks

Kabila Family Mining Permits



Source: Cadastre Minier DR Congo, RGC/IGC

Understanding the Differences

- Something simple is that when political elites have an interest in public good provision, it happens.
- But Jamil Mohamed (the king of Sierra Leone diamonds before the civil war), was not a citizen and neither are the owners of the mining companies in the DRC.
- Sierra Leone marketing board...
- This problem is common everywhere in Africa (from Madagascar..)
- Maybe changing the citizenship laws could help a pro-growth coalition to emerge?