Business and Fragility in Africa: Solution or Problem?

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University of Chicago
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

Lagos At Work...

Pay your Taxes

Contractor:  P W Nigeria Limited

Project:  Rehabilitation of Bambeose / 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)

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<tbody>
<tr>
<td>Sierra Leone</td>
<td>78</td>
<td>243</td>
<td>347</td>
<td>158</td>
<td>255</td>
<td>213</td>
<td>270</td>
<td>104</td>
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<tr>
<td>Liberia</td>
<td>100</td>
<td>100</td>
<td>150</td>
<td>150</td>
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<td>150</td>
<td>150</td>
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<td>Guinea</td>
<td>127</td>
<td>97</td>
<td>153</td>
<td>167</td>
<td>381</td>
<td>365</td>
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<td>650</td>
<td>700</td>
<td>656</td>
<td>591</td>
<td>740</td>
<td>632</td>
<td>715</td>
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<td>15</td>
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<td>75</td>
<td>302</td>
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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

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<td>Sierra Leone</td>
<td>331</td>
<td>534</td>
<td>831</td>
<td>344</td>
<td>526</td>
<td>455</td>
<td>566</td>
<td>803</td>
<td>770</td>
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<td>658</td>
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<td>5,006</td>
<td>3,268</td>
<td>10,677</td>
<td>12,320</td>
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<td>2,558</td>
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<td>374</td>
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<td>1021</td>
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<td>780</td>
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<tr>
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<td>946</td>
<td>868</td>
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<td>605</td>
<td>1614</td>
<td>2214</td>
<td>885</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Source: Complete Report, Sierra Leone, Diamond and Human Security: January 2000, page 35
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
All the President’s Wealth: The Kabila Family Business (2017) Pulitzer Center on Crisis Reporting
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?