

Research impact: making a difference

Managing and sustaining growth in African economies

The Enterprise Maps project led by LSE Professor John Sutton identified the key factors supporting industrial development in five fast-growing African economies

What was the problem?

Over the past decade Ghana, Ethiopia, Mozambique, Tanzania and Zambia have experienced strong and sustained economic growth, often in stark contrast to countries elsewhere on the African continent.

In 2015 the International Monetary Fund predicted that each of these five countries would have GDP growth exceeding six percent, ranking them among the fastest growing economies in the world.

While it has been understood that continuing this pace of development would require a ramping-up of industrial capacity and investment, governments and potential investors have been hindered by a lack of knowledge about current domestic capabilities and the potential barriers to further growth.

The consistently strong economic performance of these countries has also created the potential to demonstrate 'best practice' for other African economies, but this has been hampered by a lack of clear analysis of how they have been able to manage and sustain this performance over such a significant period of time.

What did we do?

Beginning in 2009, LSE Professor of Economics John Sutton, under the auspices of the International Growth Centre, embarked upon a detailed analysis of key industrial sectors in Ghana, Ethiopia, Mozambique, Tanzania and Zambia. Sutton examined 50 leading firms which, taken together, represented the frontier of industrial capability in these countries. The industries covered in this analysis varied widely, from coffee and cut flowers to chemicals and engineering.

The findings in all five countries showed well developed capabilities across a broad range of basic manufacturing activities. However, Sutton's research revealed that continued growth will require a broadening in the range of activity into middle manufacturing. This in turn will require improving the effectiveness of manufacturing multinationals, and this in turn requires a strengthening of national investment agencies to bring them into line with international best practice.

What happened?

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Sutton's research resulted in the Enterprise Map Series, the first comprehensive accounts of the industrial sectors in these five countries, published as separate country volumes by the International Growth Centre. Each volume began with a general overview and then devoted a chapter to each major industry in the country, profiling key businesses in each industry.

The first volume in the Enterprise Map Series, focusing on Ethiopia and co-authored with Nebil Kellow, was published in 2010. The launch event in that country was led by the Ethiopian State Minister for Industry, and was attended by the Chief Economic Advisor to the Prime Minister and senior members of government departments.

As a direct response to the report, Sutton was asked by the Ethiopian government to convene a team of experts to advise on the reorganisation of the country's Investment Authority, a key recommendation of the report. Sutton's team spent a week working with officials at all levels in the Investment Authority, and their report set out a detailed step-by-step plan for reform of the agency. This plan was commenced, with Sutton continuing to be involved as a formal advisor on the reform process.

Following publication of the *Enterprise Map of Tanzania* (2012), co-authored with Donath Olomi, the Minister of Industry set up a new Domestic Content Unit to manage the integration of local industrial companies into the supply chains of multinationals in the domestic oil and gas sector, a priority identified in the report. Sutton presented the report at the Uongozi Institute, an independent government agency, and in 2014 was invited by the Bank of Tanzania to be the guest lecturer for the seventh Gilman Rutihinda Memorial Lecture, where he discussed the report's findings.

More than 1,500 copies of the *Enterprise Map of Ghana* (2012), co-authored with Bennet Kpentey, were distributed to government and industry in that country. The Ministry of Trade and Industry ordered 300 copies and used the report to help in identifying Ghana's specific competitive advantages as a nation.

Tullow Oil PLC used the report to identify Ghanaian enterprises that the company could integrate into its supply chain. The company set up an Enterprise Development Centre to help local small and medium sized businesses develop their skills and get involved in the oil and gas supply chain, providing targeted support services such as business training, advisory services and access to information and markets.

In 2012, Sutton published a companion volume to the Enterprise Map Series titled *Competing in Capabilities*, providing an analytical framework for the entire project. This publication and others in the Enterprise Map Series were made publicly available for download at the International Growth Centre website (www.theigc.org) and for purchase on Amazon.com.

The Enterprise Maps for Ethiopia and Ghana were also translated into Chinese and the Enterprise Map for Mozambique into Portuguese. The respective volumes were also circulated by



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the commercial attaches at each country's embassies around the world. In Zambia, the Zambian Development Authority used a CD version to reach larger audiences.

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