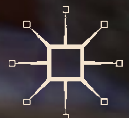
Challenges to African Entrepreneurship *in the 21st Century*

Edited by Darko Opoku and Eve Sandberg



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Darko Opoku • Eve Sandberg
Editors

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CHAPTER 1

Introduction to Analyzing African Entrepreneurs

Eve Sandberg

This chapter traces the scholarly literature on black African entrepreneurship from the colonial period through the first fifteen years of the twenty-first century. Sandberg explores the alternative debates about why no substantial capitalist class developed in Africa during the colonial period and in the decades following independence. She then explores the puzzle that the "varieties of capitalism" literature and methodological research that have been so popular in analyzing business' challenges in Europe have not been widely applied to the African context. African scholarly literature and debates focus mainly on state developmentalism (both import substitution and the East Asian models) and neo-liberal approaches to African political economic development (especially globalization, austerity programs with their curtailing of inputs, undermining transport and other infrastructure, and problematic access to credit). She highlights the related topics of entrepreneurs forming business organizations, seeking mentors, attempting to maintain practices of social responsibility, and the particular challenges for women that inform the chapters of the volume. She underscores that many chapters argue that those entrepreneurs who cope best with the challenges they face seem to have the closest relations with African state officials.

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Entrepreneurs play critical roles in the development of any country's political economy. In this study, we are concerned with small- and medium-sized (SME) black African business actors as they are influenced by African political officials, foreign business representatives, expatriate business owners living in African states (increasingly from India and China), non-governmental organizations, and foreign donors. The European Union, World Bank, and World Trade Organization define SMEs as having less than fifty employees.[1] The chapters in this volume offer rich explorations of the challenges these African businesspeople face in the first decades of the twenty-first century.

In this volume, *Challenges to African Entrepreneurship in the 21st Century*, we ask why have SME black African businesses been so difficult to establish and sustain? SME African entrepreneurs could be playing critical roles in the development of the political economies of African states. In the advanced Western industrial countries, we recognize the role played by such businesses. In the United States, for example, Peter F. Drucker, the prominent author and teacher of management, reminded us that "it is no longer news that small and new businesses provided most of the twenty-odd million new jobs generated from 1970 to 1980 by the American economy."[2] With regards to Africa, Goran Hyden has noted, "Africa's primary challenge is how to break out of its pre-capitalist cocoon. History suggests the most probable strategy is to strengthen the bourgeoisie by encouraging the establishment of indigenous manufacturers and merchants."[3] After carefully studying Asia's state developmental model, Joseph E. Stiglitz argues that there even was an important place for entrepreneurs within the programs of state-directed planning and industrial policy-making that led to the accelerated growth of East Asian states.[4]

But the ability of black Africans to found new businesses and create new jobs has been undermined by many factors. Black African business people are constrained by domestic markets often dominated by state actors and state-allied actors, by large foreign companies accustomed to operating in a globalizing world, and by expatriates who have launched businesses that previously were reserved mainly for small-scale African entrepreneurs in their own states. Black African entrepreneurs have also been constrained by neoliberal austerity policies imposed by Western capitalist donors and International Financial Institutions (IFIs) whose promises had given hope to local African entrepreneurs, but whose practices had dashed those hopes for many.

The effects of African austerity programs of the late twentieth century continue into the twenty-first century for many in the private sector

because the "stickiness" of the institutional changes that were implemented continues to contribute to a country's business environment. As some authors in this volume note, the austerity programs of the 1980s and 1990s had unintended consequences that influenced the domestic relations of African business owners and state officials. These programs simply did not introduce technical changes for business and state sectors as generally was suggested when the austerity programs were first introduced.

In this volume we argue that, in the early decades of the twenty-first century, African states' domestic political networks, not their economic markets, are the primary variables that determine the success of African businesses. This volume also argues that SME black African businesses in the twenty-first century are facing an array of extraordinary challenges and we identify the nature of those challenges. Thus, African business leaders have had to adopt creative strategies for coping with their states in order to ensure the survival of their enterprises; they have had to assume responsibilities that previously were undertaken by their states' public institutions, and in some cases, by non-governmental organizations.

To illustrate the dilemma of today's African entrepreneurs as analyzed in this volume, consider a few of this volume's findings. African states' ruling officials often demand political contributions for their campaigns or payoffs after their campaigns from African company officials. African company officials, in turn, seek out bureaucrats and political officials in order to secure the proper licenses to operate, and hope not to be hounded unfairly by tax collectors. African state austerity programs and state budget cuts in service delivery areas have required some African businesses to dig and maintain their own transport roads and water wells. Some African entrepreneurs must produce their own electricity due to the lack of resources and gross mismanagement by state-run energy enterprises. Our chapters also demonstrate that black African firms confront these challenges in the face of competition from foreign firms that often are able to secure advantages that domestic African businesses cannot secure.

It should be noted that the challenges for African entrepreneurs today that the authors of the chapters of this volume identify are not analyzed within some contrived "Afro-pessimism" framework. Rather, the volume's analysis offers a dispassionate investigation of the present-day environment that African business entrepreneurs must navigate.

Moreover, it is important to evaluate the past as well as the present constraints on black African entrepreneurs in order to understand both business and personal expectations among African entrepreneurs. Thus, this introductory chapter offers an historical context through which we

can understand the evolving status of Africa's entrepreneurs. It also reviews the evolving scholarly literature on black African entrepreneurship to which this volume hopes to contribute.

The Scholarly Literature

African capitalist entrepreneurship has received relatively little attention compared to other subfields of African studies. Three or four academic publications might emerge in a decade. Additionally, in previous decades, a focus on African capitalism was often a vehicle to discuss African labor struggles.[5] Other publications that focused on African capitalism investigated international trade and multinational corporations operating within African states.[6] These works made important contributions to African studies, but clearly black African entrepreneurship requires its own undertaking as a subfield related to the more general studies of capitalism in Africa.

Previously, authors debated the context for African entrepreneurs and whether or not an African capitalist sector operating in a market economy was necessary in order for African countries to develop. In 1994, Berman and Leys produced an edited volume, *African Capitalists in African Development*, that offered a range of views on this topic.[7] Such studies also demonstrated that, in some cases, African capitalists could compete against foreign firms by courting African state leaders for protection against foreign firms. But other studies revealed that in other cases African entrepreneurs often were constrained by African state officials and the predation of such officials.

During the late 1980s and 1990s, scholars and practitioners also argued whether or not a significant African capitalist sector was a necessary precondition for African state transitions to democracy, and, additionally, whether such a sector was needed to sustain democracies. These debates drew on the more general work from the 1950s and 1960s from authors such as Seymour Lipset and Barrington Moore.[8] Lipset argued that economically affluent countries would more likely sustain democratic practices. Moore succinctly noted, "no bourgeoisie, no democracy." Moore wrote about an independent urban class of producers and merchants who were interested in their own accumulation, which could best be achieved through guaranteeing property rights, avoidance of unfair taxation, defending due process in the courts, and sustaining a democratic parliament to defend urban merchant and production interests against tyrannical monarchs. Moore further argued that when the bourgeoisie was the "senior partner" in any struggle against a monarch, a democracy was likely to result. When the bourgeoisie

was a junior partner in alliance with the military or peasant and laboring classes, another form of authoritarianism (such as fascism or communism) would likely replace the monarchical system of authoritarian governance.

Then, during the 1980s and 1990s, those writing in the Lipset and Moore traditions were countered by others who warned of overemphasizing the role that capitalists' economic activities in the economy play in sustaining democracy. For example, Charles Edward Lindblom warned of the "privileged position of business" by capitalists in liberal democracies and the dangers that they posed.[9] Lindblom noted the advantages held by business owners as opposed to ordinary citizens. Two such advantages illustrated Lindblom's point. Businesses already had organized their citizens/employees who were interested in the success of the business and could function as an interest group. Additionally, businesses generally possessed greater resources to use to support allies who engaged in political contestation than did an individual citizen. An individual citizen who sought to advocate politically or influence policy started from a less privileged position than did a business owner.

David Apter also warned that too many democratic demands (including those of capitalist business owners) on state leaders of newly industrializing and democratizing states (most of which lacked adequate resources) contributed to an overload of expectations. When the state could not fulfil those expectations, a newly democratic state and its officials would become illegitimate in the eyes of its citizens. In the short term, the project of creating democratic processes likely would be undermined.[10] Apter also noted that, beyond the material factors that influenced a state's legitimacy, the bounded discourse of development practitioners within the popular mytho-logics of their time limited officials' abilities to craft effective development policies as they publicly reproduced the constraining mytho-logics in their own documents and policies. And, with rare exceptions, African state leaders emphasized a discourse that privileged recalling the fight for independence over a discourse that offered a clear plan for development or articulated any role for black African capitalists.

Other analysts of economic development and democratic institutions argued that capitalist industrialization and Western political institutions could be attained quickly by newly independent African states, depending on the choices made by African leaders. During the 1960s when most African countries secured their independence, modernization theorists argued that late-industrializing countries needed to shed their traditional practices and adopt Western institutions, especially capitalist and liberal democratic institutions, as well as the West's norms, so that late-industrializing

states could quickly move through the steps that had been taken in the West's industrialization path.[11] In its day, this was considered a politically progressive intellectual position because modernization theorists argued that white Westerners had not accomplished anything that other peoples around the world could not accomplish if they applied the learned practices of industrialization.[12] Modernization theorists had come of age during World War II, a time when German and other eugenics theorists had argued for the merits of white supremacy and also made race claims that the West had superior gifts that other races and ethnicities in other parts of the globe lacked. Modernization theorists argued that this was not the case; rather, all peoples would increase their technology, their cosmopolitanism, and increase their countries' industrial development and likely would pass through the same steps to achieve modernization.

Dependency theorists opposed modernization theorists, with dependency analyses becoming more complex throughout the 1970s and early 1980s. Initially, dependency theorists warned that multinational capitalists were stealing the resources needed for development in late-industrializing states, including those of Africa, through international trading structures that produced and reproduced inequalities of trade.[13] Multinational capitalism was an obstacle preventing the development of African states.

Later, more complex dependency theories argued that multinational capitalists often "bought" local capitalists or state officials through class alliances across states, ignoring the needs of the public in late-industrializing countries and shipping valuable resources to the North.[14] Dependency theorists often drew upon the work of Alexander Gerschenkron's concerns with uneven development paths. Gerschenkron argued that an "economically backward" state (Russia was his example) that engaged in industrialization likely would not follow a British model because when Britain had undertaken industrialization, it was not "economically backward" compared to other states in its world. Additionally, Immanuel Wallerstein's insights on the dynamics of our evolving capitalist world system and the roles that different countries and regions fulfill as that world system evolves also provided important supports for dependency theorists.[15] Both Gerschenkron's and Wallerstein's work suggested that what the modernization theorists proposed, a process of states passing through similar paths to development, was not accurate.

Debates from the late 1980s that continue today address the contributions of African capitalists to national development. They mainly are conducted within the overarching debates concerning whether or not African

states should pursue market-based democracies or adopt the state developmentalism models championed at various times by Japan, South Korea, and China.

Scholars like Adams, Collier, Gondwe, et alia, argue that despite promises of accountability to their citizens by younger African post-independence leaders who took the reins of power in the 1990s, efforts to reform African business-state relations and replace its widely recognized patronage systems have largely failed.[16] They argue that African state planning has merely prolonged African states' habits of preventing resources from benefiting the many in favor of lining the pockets of a largely political minority. The majority of Africans still experience little economic development or benefits from any development.

But Tim Kelsall, together with David Booth, Diana Cammack, Brian Cooksey, Mesfin Gebremichael, Fred Golooba-Mutebi, and Sarah Vaughan, have countered that, despite notorious evidence of neo-patrimonialism across Africa that undercuts development through cronyism and inefficiencies by state actors, African state leaders need to create and pursue ambitious state industrial policies. They acknowledge, however that this can be done only *after* African state leaders have established and are prepared to adhere to certain regulatory contexts and frameworks that promote technology development, correct for possible market failures, and stimulate growth.[17]

After investigating the causes of the East Asian states' economic development, Joseph E. Stiglitz, the Nobel laureate, noted there had been an important place for entrepreneurs within programs of state-directed planning and industrial policy-making.[18] *The East Asian Miracle Economic Growth and Public Policy* was a 1993 World Bank policy research report in which Stiglitz and the other authors concluded that the Asian "miracle" was made possible because the East Asian states had promoted "savings, education, technology, and entrepreneurship" as well as regulated the financial sector to "ensure markets served the needs of society."[19]

Another cluster of studies on African capitalism and entrepreneurs consists of biographies of highly successful African business people and their rise to prominence. Often these accounts focus on the personal stories and journeys of the entrepreneurs with only a few of these volumes giving attention to any candid discussion of an entrepreneur's strategies for success, especially those with regard to the state.[20] Moky Makura's work offers a range of such accounts and identifies some of the political work that entrepreneurs must undertake with regards to their relations with state leaders. Thus, she quotes Wale Tinubu, a Nigerian luminary

entrepreneur with a commercial reach in billions of dollars across West Africa: “You have to win politically to get included on the bidding list and then you have to win convincingly on the bid to get the contract.”[21]

It is interesting to note that studies largely are lacking with regard to Africa’s private sector as seen through the lens of the “varieties of capitalism” literatures that are so important to scholars of the political economies of European states. The “varieties of capitalism” debates in Europe followed the perceived failures of the classical liberal economy models that were imposed by International Financial Institutions during the 1980s and later the 1990s as well as imposed by right-of-center political leaders such as Reagan, Thatcher, and Kohl. These policies were widely known as International Monetary Fund (IMF) and World Bank Structural Adjustment Programs (SAPs) or austerity programs.

As has been widely recounted by now, in the early 1990s, following the fall of the Soviet Union, pristine classical liberal economic policies were imposed on Eastern European and African countries as well as any other state that borrowed from the IMF and/or World Bank to pay down its debts, pay its civil servants, and provide state services. Africa’s debt largely was created by OPEC’s spikes in oil prices, the inequalities of trade with advanced industrial countries, the theft of public monies by corrupt African officials, corporations and individual citizens that found ways to avoid their assessed taxation, general mismanagement of African public business enterprises, and the inability of African officials to properly regulate their domestic financial sectors. The SAPs or austerity policies became known as the “Washington Consensus” policies because the meetings and talks concerning austerity policies largely took place in Washington, DC where the main officials that supported the SAPs were based.[22] The SAPs major proponents worked at the IMF, the World Bank, and, for the United States, in the US Treasury Department and the United States Agency for International Development (USAID), especially during President Ronald Reagan’s administration.

As Francis Fukayama famously argued, this period was to be the “end of history,” because neoclassical economic policies operating without any state interference in a free capitalist market, as well as the adoption of multiparty political institutions would now guide the development of nation states globally, since the Soviet Union’s state-led alternative had been discredited and eliminated. For Fukayama, the evolution of, and experimentation with, state and market forms that rivalled or challenged free market capitalist and liberal political institutions was at an end.

The International Financial Institutions' (IFIs) policies accomplished some important changes in the political economies of states, especially in those African states that had enacted few modern economic practices previously.[23] But the SAP austerity measures designed to save the states produced a backlash among a state's citizenry, eventually including its local business sector. Ordinary citizens and business people suffered greatly from the withdrawal of state activities that SAP loan agreements had required as cost-cutting measures. Especially in the areas of health care, education, transport, jobs, and the availability of credit, SAP austerity policies produced tremendous hardship. Opoku and Sandberg, as well as dozens of other authors, have written on some of the disturbing effects of the IFIs' austerity programs in Africa, as well as on some of the achievements of those programs.[24]

With regard to African entrepreneurs, austerity programs presented a number of challenges. Austerity programs undermined the possibilities for local consumer demand, because jobs in the public sectors were cut and many large companies laid off workers due to lack of local demand from citizens who no longer had discretionary income because they were out of work. Additionally, foreign competition entered the country when austerity programs mandated that protective tariffs for local producers should be eliminated. In Zambia, for example, nineteen milling companies shut down as cheap clothing imports and second-hand clothes from the United States and Europe ended Zambian demand for locally milled garments. Though citizens were urged to start their own enterprises, with the discretionary income of former wage earners drastically reduced or eliminated, there was little demand structure for new products or services offered by aspiring entrepreneurs.

Additionally, most of the austerity programs in the 1990s included requirements for the devaluation of local currencies. That meant that the cost of imported goods for local populations increased dramatically because the local African currency no longer purchased as much foreign currency as previously was the case. To counter this inflation, officials overseeing the austerity programs urged central bankers in Africa to maintain high interest rates so there would be less money circulating, and presumably less inflation. That made bank loans prohibitively expensive for aspiring entrepreneurs just as free-market forces were being introduced into their national economies. It also meant that should an entrepreneur need an imported input to start his or her business, the cost of such imports had just skyrocketed due to the devaluation of the national currency.

Rural citizens, not just urban workers who lost their jobs in state and commercial enterprises, were also hit hard. In what have been called "land grabs," foreign companies came into African states and displaced peasants who had worked the land, often with permission of national government officials and often by paying off local chiefs. Generally, these foreign companies produced goods for export to Western countries where workers with jobs had discretionary income and could afford to purchase imported goods. They exported coffee or flowers, for example. The rural producers, who were forced off the land that they had traditionally worked, then had no food for their families to eat, nor food to sell at market. In turn, they could not make purchases from those entrepreneurs who offered goods and services such as brick making, cooking oil, and hand hoes, to name a few examples of goods that previously had been designed for rural markets. As a result of such foreign investment under neo-liberal capitalist principles, many rural Africans suddenly lacked food and could not earn money either to purchase food or to buy the goods of any entrepreneur offering products rural residents might desire.

Critics believed the austerity programs were not even designed to save the states, but rather to save the Western banks, Western corporations, and Western governments who had failed in their fiduciary investment obligations and extended huge loans to governments that could not repay those loans. These critics have been even more censorious in arguing that the poor in late-industrializing *and* medium-sized industrial countries should not have paid for the errors of elite Western investors.[25] So in the 1990s and 2000s, when Marxism no longer posed a credible alternative to capitalism, not all citizens around the globe were supportive of the neoliberal austerity SAPs.

By the late 1990s and into the twenty-first century, those who studied political economies in Europe began to challenge the image of an evolving single model of a Western-inspired political economy, arguing instead, that even among Western European states many variations in the forms of capitalism could be found. A variety of entrepreneurs and corporations were important actors and institutions in those studies. As analyses of the varieties of capitalism increased, according to Bob Hancké, the business firm remained the central unit of analysis.[26] Scholars analyzed the firms' relations with labor, the state, those in the market who purchased the firms' goods and services, the banks and other sources of capital from whom the firms borrowed, the suppliers of goods (mainly tools and technology) to firms, and the markets for purchasing those goods which firms needed in order to produce their own products.[27]

Western "varieties of capitalism" theorists investigated the markets and state institutions that structured relations and markets for firms, in order to determine which forms among the existing varieties of capitalism led to the best outcomes for a firm's success in the modern globalizing economy, or for innovations that enabled a firm to continue to compete. But ultimately, what was at stake in these investigations, as David Coates has noted, is "why some … capitalist economies have performed better than others."[28]

Colin Crouch, however, observed that while the varieties of capitalism debates may have evolved with an emphasis on the firm, "theories of capitalist diversity… usually originated in studies of the labour market and social policy" as well as studies of "institutionalism."[29] Further, Crouch noted, based in part on the varieties of capitalism research, the World Bank and the Organisation for Economic Co-operation and Development (OECD) argued that only those countries with business, state, and labor institutions that remained "close to the market" provided the dynamism needed for a country's economic development.[30] This further reinforced the IFIs' commitment to structural adjustment and austerity programs as a condition of lending.

Soon, investigations of the varieties of capitalism were occurring alongside the work of other theorists who redirected the unit of analysis away from the success of the firm. Some varieties of capitalism theorists were concerned with the lives of workers and trade unions within various states, while others began to ask how the varieties of capitalism in a globalizing world were now affecting middle-management individuals in large firms and the human resources practices in those firms.[31]

Soon another research agenda emerged in the subfield of the study of capitalism and entrepreneurship. Scholars like Jeffrey Hart grappled with globalization's impact for both the "regulated state," proposed and practiced by those who rejected neoclassical structures of the IFIs' capitalist state, as well as globalization's impact on the "developmental states," for those who believed the regulated state did not intervene far enough to spur national manufacturing and industrialization. In 2015, Paul Dragos Aligica and Vlad Tarko set out to evaluate much of the empirical data about alternatives to capitalism, especially alternatives to entrepreneurial capitalism, and also to identify the varieties of capitalism debates within the scope of its historical place and epistemological parameters.[32] Aligica and Tarko analyzed four forms of states (state capitalism, crony capitalism, regulatory capitalism, and entrepreneurial capitalism), as well as examined the older debates concerning strong left parties and generous

welfare states and strong labor unions and generous welfare states and also strong left parties without strong labor unions and generous (or not) welfare states.[33]

In one of their most illuminating chapters, Aligica and Tarko analyzed the evolving "entrepreneurship capitalist" economy within a globalizing world with "oligopolistic market structures." They argue that even large firms such as Walmart and Amazon adopted decentralized management structures and changing communications practices that employed lessons learned from those who promoted small-scale entrepreneurship.[34] Thus it seems that the practices of capitalist entrepreneurs for spurring national development and economic success remain an important concern for many in the twenty-first century.[35]

In today's world, however, the capitalist entrepreneur faces some unique challenges, as well as some that are seen to be inherently part of any capitalist formation during any period. In Africa, where state actions still dominate national political economies despite decades of the IFIs' structural adjustment policies, many indigenous, independent, African entrepreneurs, as well as African workers, remain marginalized compared to the foreign entrepreneurs and Africa's political and military leaders.

This volume then gathers together a group of authors who have researched African entrepreneurs and businesses within the contemporary, evolving political economy of Africa. In fact, some of our authors are scholars who have already published full-length manuscripts in the newly growing subfield of black African entrepreneurs. In light of the (chapter) contributions of our authors, we argue that African independent businesspeople face extraordinary domestic and foreign pressures, and that the role of businesses within the African state formation is diversifying, with some African businesses assuming unusual responsibilities previously undertaken by the state, public institutions, and in some cases, by non-governmental organizations.[36] We also argue that African states' domestic political networks largely determine the success or failure of its entrepreneurs.

This introductory chapter begins our volume's exploration of black African business actors and their strategies by contextualizing the evolving roles of African-owned businesses. We begin by exploring the past in order to offer context to the circumstances of African entrepreneurs today. Therefore, this chapter first asks why were there so few indigenous African entrepreneurs during the colonial period? Next, it investigates the conditions that African entrepreneurs faced in the post-independence decades of

the 1960s, 1970s, and during the 1980s. Then, in the following chapters, the contributing authors to this volume identify some of the major challenges faced by African entrepreneurs, and the strategies they have employed in order to cope with African state leaders and the African state political formations that have evolved within the globalization of the late twentieth and early twenty-first centuries. The final chapter of this volume summarizes the challenges facing black African entrepreneurs today.

Why Was an Indigenous African Capitalist Class Slow to Develop During the Colonial Period?

The political economies of the fifty-two African states differ in the specificity of their endowments and needs, as well as by the evolution of the structural frames that constrain or assist their political and private sector leaders. One of the most striking similarities across states, however, can be found in the legacy of colonization, as a result of which every African country produced only a small black capitalist cohort. This fact derives from the differential laws and rules for black Africans and foreigners, especially where colonial populations settled—whether the settlers migrated from Europe, South Asia, or the Middle East. Additionally, colonial restrictions on the property rights, education majors, and entry into professional sectors by black Africans were based not simply on the laws of the colonial power, but also on the particular administrator who happened to be the official in charge for a colonial power during the final years of colonization. Moreover, as John Iliffe, an important scholar on the development of capitalism in Africa, has argued, the political and economic protections that white missionaries and colonial officials provided to white settler capitalists largely excluded aspiring black Africans (although there were exceptions such as in the West African planter economies of Côte d'Ivoire, Senegal, and Togo) and so indigenous African business practices were constrained.[37] Iliffe also argued that during the colonial period the component of wage labor, one of the major prerequisites for capitalism, was hindered from emerging because slaves, family labor, and political clientelism precluded it.

Other scholars have emphasized associated, independent variables in their explanations of why few capitalist sectors evolved in African states. Samir Amin, drawing on the work of Fernand Braudel, Boubacar Barry, and others, argued that the switch from trade in gold and gum and other such commodities to slaves altered both the state building and the path to

capitalism that African societies might have followed. Ultimately, those Africans with whom the foreigners could trade for slaves were armed through their external trades and they then claimed both political and economic benefits vis à vis their African rivals.[38]

Amin argues that up until the seventeenth century, black Africa was not "on the whole more backward than the rest of the world," and that the "process of disintegration of the primitive village community" was in evidence.[39] In what Amin identifies as Africa's pre-mercantilist trade with Europe that was centered largely around the Italian city states, African gold and other exports were traded among equals (Europeans and Africans) and so strengthened African elites and contributed to state building.[40] Later, the growing slave trade was dominated by the Atlantic European states. The changes in what was being traded changed the impact of trade in Africa and promoted the emergence of two important aspects of capitalist production: 1) the accumulation of wealth in the form of money and 2) a decline of feudal relationships, which gave way to the rise of those engaged in crafts, whose labor was later commoditized, and which enabled the rise of a proletariat.[41]

Islamic leaders of the time sought to stop the external slave trade while maintaining internal slavery, but largely failed. After decades of rivalry among African traders and militaries, the French tipped the balance of power by supporting allies who engaged in external slave trades.[42] Amin argues that it was the expansion of the slave trade across most of Africa that undermined African central authorities and state building.[43]

Amin builds on Iliffe's research in identifying the indigenous forms of pre-capitalism that included African craftspeople who originally crafted pieces directly for clients. Early on, merchants purchased a craft person's products, not their labor.[44] Then, over time, those merchants (who had purchased cloth made by individuals) created new processes to produce textiles so that multiple paid laborers could perform routinized tasks and skilled craftspeople were no longer needed.[45] Amin argues that it is this paid labor that characterizes the rise of African capitalism. Commercial activity around both the textile merchants and craftspeople included some merchants, who were outsiders and so able to make purchases drawing from pools of wealth outside of any producing community. Bruce Berman and Colin Leys also argued that during the colonial period, those who had outsider status were the ones who could accrue the personal accumulation necessary to engage in capitalist activities.[46]

Thus far, the arguments as to why an African capitalist class was slow to develop across the continent during the pre-colonial and colonial period

focus on the undermining roles of slavery, the limited role of wage labor, and the lack of access to capital accumulation by Africans at a time when foreigners could secure access to capital outside the continent. An additional variable concerning why African capitalism and an African business class able to play a strong role vis à vis the state did not arise prior to independence has to do with the white settler population. White settlers across Africa crowded out most aspiring black entrepreneurs and also helped to achieve the conditions for state-led, capitalist enterprises in post-independent states.

Basically, there is agreement among scholars that a colonial settler community in a given colonial territory facilitated a colonial power's investment in the infrastructure necessary for production and trade in that territory. After independence was attained, those countries with large settler populations often had more advanced capitalist enterprises than countries with fewer white settlers. The major exception of course can be found in the mining sector where outside investors did not require a settler population to encourage their investment. An additional impact of a white settler population was that it provided a target market for commercial trade from capitalists in foreign countries.

US corporations, for example, changed the nature of their exports to Southern Africa according to the needs of the white colonizers and also according to the pace of industrialization in the United States. Whereas in the first half of the 1800s US exports to Africa (especially Southern Africa) were comprised largely of agriculture, by end of the 1800s and after its industrialization revolution, the United States exported mass-produced, cheap products to Southern Africa.[47] Singer sewing machines, American firearms, agricultural tools such as the reaper/harvester, barbed wire and kerosene were leading US exports to Africa, especially South Africa, in the late 1800s and were purchased largely by white Boer farmers and British officials and colonists.[48] This provided Boer and British South Africans with the proper equipment to engage in medium- and large-scale production with which black Africans could not compete.

Colonial settlers demanded that colonial powers develop infrastructure in their colonies because infrastructure was necessary to accelerate capitalist production and distribution. The settlers maintained access to distribution networks for themselves and largely precluded the development of black African-led businesses. But even where black Africans might have been able to avail themselves of the transport routes within an African country for distribution of goods, the lack of a banking structure prevented Africans from accessing capital as foreigners could do. Without

capital, black Africans could not purchase land, equipment, or employ others. Colonial banks tended to support their own colonial nationals. Lacking local capital, both indigenous Africans and competing foreigners from countries other than the colonial power had difficulty doing business in an African country. Hull notes that, after 1889, even US companies could not thrive in their South African dealings if they did not achieve working relations with British imperial banks on the continent. The boom and bust of credit during South Africa's gold rush saw three imperial banks purchase smaller banks and then direct credit toward British nationals, largely to the exclusion of US companies, non-British white settlers, and black South Africans.[49]

Paul Kennedy reminds us that when looking back at the colonial period, dependency theorists argued that inequalities of trade and the export of capital were largely to blame for the lack of an African capitalist cohort that could jump start African development.[50] Kennedy also reminds us that some theorists argued that the colonial powers' deliberately allowed local chiefs and clan lineage societies, particularly those in the rural areas, to maintain pre-capitalist relations within their areas of control. These theorists argued that Africa's rural areas were prevented from being incorporated into evolving international capitalist structures, in order to provide a place for the relocation of those laborers who worked in the mines and plantations when they became ill, old, or were no longer needed by the mine or plantation owners.[51]

Black African women played a dual role in supporting the maintenance of pre-capitalist conditions in rural areas in Africa. First, they remained in the rural areas ready to take in returning miners. Second, African men extended their control of women and women's labor in the rural areas. The men retained that control even when they moved to urban areas to work in the mines. The evolving African sexual division of labor allowed the mine owners to hire black African male workers because the women in the rural areas carried the burdens of readying them for the mines, and caring for their lands, children, elders, and possessions in their absence.[52] African women's unpaid labor, like other female labor around the world, made male African workers available to Africa's mining capitalist enterprises. Yet most black African miners accumulated little capital. The mining towns either required or tempted many miners to spend their earnings there.

Whether through the resistance of African communities or by colonial design, many rural areas did not develop a currency-based economy. For most theorists, the development of a currency-based economy is a precondition for the development of capitalism, because, it is argued, merchant

capitalism cannot break up pre-capitalist formations in the way that industrial capitalism can.[53] With Africa being incorporated into the world economy for its commodity and other trading, not for its industrial production, those living and working in pre-capitalist formations were strong enough to block any aspiring African capitalists from fighting for and winning political authority.[54]

Kennedy, however, notes that in the years just prior to independence, there was a late switch from merchant capital to industrial capitalism that opened up possibilities for the development of black African capitalists. And here we find one of Paul Kennedy's arguments that counters other authors. Kennedy maintains that while the above economic-based interpretations of obstacles to the development of African capitalism may be true, they are not sufficient to explain the lack of an African capitalist sector. Kennedy also rejects many cultural arguments as unconvincing—that somehow African culture is not suited to capitalism due to indigenous moral preferences for economic equality, or that Africans disdain great differences in wealth, or that Africans do not make good entrepreneurs by nature. Kennedy also rejects the liberal economic argument that a free market is the major precondition for the development of entrepreneurialism and national capitalists. According to Kennedy, a major variable that has been neglected in our understanding of the lack of the development of African capitalism is the institutional legacy of the colonial state.

Kennedy argues that the actions of the colonial institutions that fostered monopolies, as well as bureaucracies that regulated those not allied with state officials and their goals, were structures and practices that were continued by independence governments. The new states with their inherited institutions and practices thus undermined many aspiring African capitalists, not only by regulating them in ways that precluded their success, but also by keeping production as a monopoly of the state and its allies.[55]

In sum, a common colonial legacy for all African territories, a legacy that carried over into Africa's newly independent states, was that only a small black African group had the resources and technical abilities to become private sector leaders. It is little wonder, then, that Africa's early state leaders embraced a state-centered economy. Clearly, the white and other colonists had engineered structures and procedures to allow the settlers to continue to dominate the private sectors of African states even after independence, and to continue to exclude aspiring black African entrepreneurs. Black Africans in newly independent states worried about "flag independence" in which black leaders led the political institutions

of the country, but former colonists and foreign investors continued to dictate the economic character of, and the economic practices within, Africa states.

There were a few exceptions, however. African capitalism managed to surface and thrive in certain areas of the continent. John Rapley's study of the Ivoirian, Senegalese, and Upper Volta laborers on Côte d'Ivoire's cocoa, palm oil, and coffee plantations is a case in point. African laborers learned their French owners' techniques of plantation farming and then founded their own African-managed and -operated plantations.[56] The numbers of black African plantation owners grew throughout the 1920s and when commodity prices rose, especially during the 1950s and 1960s, this occupation greatly expanded.[57] Many of the laborers on the French plantations had been fishermen, subsistent peasants, or urban laborers. Others had been educated, and some had been in the civil service but preferred to be self-employed as planters. Some plantation owners were chiefs who hired others and occasionally worked themselves.[58] In Côte d'Ivoire, successful African plantation owners diversified into other arenas of production. Rapley reports that some purchased machines (for example, shelling machines to process the nuts) that soon earned more revenues than their plantations had, while others expanded into real estate, constructing buildings and then renting or selling them to French or Ivory Coast government officials.[59] In the 1960s, following independence, these black African Ivory Coast entrepreneurs would become partners in industrial ventures, establishing themselves as true capitalists.[60]

In Senegal, peanut growers also benefited from import—export structures established by French colonial traders. Catherine Boone identifies how these Senegalese growers became a domestic commercial class through their clientelist structures and/or through their religious networks.[61] But she notes that they did not diversify into new areas of production. Instead, they sought expanded consumer markets, benefited from state-controlled markets, and became rentiers rather than captains of industry.[62] In Senegal, many of these same Muslim religious networks also played an important role in establishing aspiring religious leaders with property to bequeath and networks to maintain.

Other pockets of indigenous capitalism also existed across the African continent but these were the exception to the rule. When independence came, black African leaders were receptive to ideologies that promoted the organization of African populations under state decision-making because they, black Africans, would be the decision-makers and because, with the

exception of a few pockets of capitalists across the continent, there were almost no strong black African private sectors with whom state leaders could partner.

African State-Business Relations in Black African-Led Independent States

The USSR offered a communist model of production that was centrally controlled and which, it was believed, had achieved remarkable success in moving the USSR from what was thought to be an agricultural society under the czar to an industrial superpower with nuclear weapons and space technology. Political economy models of Keynesianism, mercantilism, and social democratic practices were adopted in Europe following World War II when the Western states rebuilt their economies quickly with state administrators intervening in their countries' economies and often favoring production champions. European states invested in sectors to assist their capitalists in gaining a competitive niche in the emerging post–World War II international market. Also, to varying degrees, the European states ran and operated core businesses within their countries and competed in world markets. Thus, across Europe (East and West) as well as in African capitals, energetic state intervention was considered a model that could be utilized successfully by new African state leaders.

Free-market capitalist models of political economy based on individual initiative offered little to Africans. Such models would keep a newly independent state's economy in the hands of those that had excluded black Africans during the colonial period. To distribute scarce state resources to the many aspiring black Africans, most of whom lacked national-level business experience, was to risk squandering scarce resources that state leaders could otherwise use to invest in state-led producing institutions. Many African states thus introduced a parastatal sector in which government appointees (black Africans) were identified to run large state-owned production enterprises drawing upon the resources of the new state. This kept new states independent of settler investors, and also did not publicly promote a few citizens at the expense of the many.

Additionally, with black African state officials in control of economic affairs, state officials could choose which new foreign investors could enter the country, keeping at bay apartheid capitalists (South African, Portuguese, Southern Rhodesian) and nationals of those who sided with the apartheid states in world politics. In the 1960s, this was an important concern to many, though not all, African leaders.

After independence, many large productive units such as mines, plantations, and some medium-sized manufacturing plants of small plastic housewares, batteries, and so on, remained in the hands of the foreigners and colonial settlers (white Europeans, South Asian, or Lebanese settlers) that had owned and operated these enterprises during the colonial period. Likewise, many expatriate shopkeepers initially retained their shops after independence.

Soon, however, independent African states sought to exert some control over those firms so as not to lose proper payment for the value of the firm's earnings. In the early years after independence, many African governments tried to bargain with foreign firms about: 1) their taxes, 2) their policies of hiring black Africans, 3) their policies of promoting black Africans, and 4) their practices of taking their profits overseas rather than investing their profits in the newly established state.[63]

A number of common practices allowed foreign companies to avoid paying their tax obligations to African states. First, most foreign companies were vertically integrated. By undercharging their own company back home for importing goods from Africa, the African-based operation recorded lower profits and had to pay fewer taxes to African states. Second, companies could keep double sets of books and report lower earnings to the host African government and so pay lower taxes. Third, companies could over-invoice. If a foreign supplier or transport agent wanted to maintain a contract, they were often asked to provide bogus invoicing. They "charged" a higher cost to a business operating in Africa, and took payment for what products they delivered, while placing the overcharge in a foreign bank account for the African-based business. On its books, the African firm had greater business expenses and so paid fewer taxes than it should have, and also managed to move profits overseas and invest less in its host African country. Fourth, foreign companies and exporters arranged for selected African government customs officials to examine their exports and report to the government the volume and quality of their exports.[64] The African customs officials who received paltry salaries were easily paid off to understate the value of a company's exports and so fewer taxes were imposed.

African states were not only losing important tax revenues that they needed to invest in development, but they also lost the ability to earn important foreign currency from the foreign firms. Because exports from African states were purchased with foreign, internationally traded currency, such as *the* dollar, *yen*, pound sterling, and so on, such practices meant that

less foreign exchange came into an African state's central bank. Then, African states did not have enough foreign currency to make the purchases that they needed on international markets where no one wanted to accept their states' local currencies (such as the Zambian *kwacha* or Tanzania shilling, for example). Nor did African central banks then have enough foreign currency to loan to aspiring African entrepreneurs who might need to purchase machinery abroad in order to start a new business.

In the early years after independence, therefore, African state officials began to think about the possibilities of imposing official foreign exchange controls as hostility to those operating in African private business sectors increased. African states soon moved to control their country's currency and its exchange rate. Soon most African state leaders instituted artificially high exchange rates so that when foreigners did need to exchange their internationally traded currencies for local African currencies to make domestic purchases, African states could demand more foreign currency than their own currency would be worth if the two currencies were traded in an open market. Setting the exchange rate for currencies and overvaluing the African currencies helped African states to gain back some of the revenues they lost through the practices cited previously. Unfortunately, it also distorted market pricing thereby making it more difficult for African businesses to plan and become efficient producers. Being a capitalist in Africa was difficult for black Africans, and it was becoming more and more complicated for foreign investors and expatriate settlers.

Government participation and ownership in both foreign-owned and domestic firms held appeal in Africa. Economic models in both Western and Eastern Europe validated this practice in the eyes of many Africans. African state participation in business was also supported by international civil servants, such as those working in the UN Economic Commission on Africa.[65] Left-leaning foreign advisers also supported government participation in domestic- and foreign- owned enterprises.

Newly independent African governments began investigating ways to regulate and discipline foreign firms. Ndulo and Turok observe that in the Zambian case, for example, the independence government's participation as an owner of mines and as a business partner came only after other forms of oversight and regulation had been viewed as failing to produce sufficient benefits for Zambia. Thus, official government participation through a 51 percent ownership rule with regard to Zambia's (mostly copper) mines was widely supported for numerous reasons.

First, government participation in mine ownership reduced the suspicions of black Africans concerning foreign domination, an extraordinarily sensitive subject following independence struggles and in light of perceived business practices. Second, government ownership in Zambia's major foreign companies was thought to produce "responsible" capitalism that would hire local talent and reinvest in the country where the company operated. Third, government ownership was thought to be of help in attracting new investors who would not fear government hostility to a large commercial enterprise. Four, government participation in the enterprise was thought to contribute to a decision-making principle concerning the speed of extraction from Zambia's mines, in accordance with what was beneficial to Zambia's development, not according to the needs of a foreign-owned corporation. This was especially true for some who feared Zambian exports were dependent, to some degree, on a mining company's relations with its other host countries, such as Peru or the Congo.

Five, with government as a participant-owner it was believed that the company would pay its fair taxes because its books would be available to its business partners who were government officials. Six, dividend outflows would be reduced due to local considerations and obligations that could be voiced by government business partners. Seven, Zambian miners wanted the government's association with their commercial enterprise, because the government was less likely to close a mine because of concerns about the rate of profit as long as the mine remained profitable. Finally, as Ndulu has argued, government officials more likely would promote company policies to offer education, sports, and community services to their miners.[66]

Some of those who opposed state activism in the capitalist sector argued that state intervention would bring inefficiencies that would frighten investors and that government could not be both a regulator and a partner. Others argued from an ideological position that only capitalism with its individual ownership would allow African states to develop. Additionally, some company representatives claimed that because they were forced to pay bribes to state officials, often 10 percent or more of the value of their exports, they had to report lower earnings for official tax purposes or they would not make sufficient profits to continue their operations in countries like Zambia.[67]

For many, government participation as partners in a capitalist enterprise offered a third option to the alternatives of communist planning or free-market capitalism. Because African officials sought to escape the confines of being in the camp of one or another superpower, government intervention without resorting to total planning had widespread appeal.

But state activism in the business sector was a major concern of many who argued that the power of state officials to engage in business and/or offer monopolies would inevitably lead to corruption, both economically and politically. Instead, some believed that the state should do more to expand its efforts to attract more foreign investment and foreign businesses, which in turn, would provide jobs for citizens and revenues for the state. The key was in negotiating the contracts to bring in these enterprises.

By the 1970s, African states were competing to bring foreign investors to their states even as they sought to regulate and discipline those that already had invested in "sunken capital costs," such as mines and manufacturing plants. State officials offered carrots to new investors and passed legislation to limit established investors. Additionally, these practices also affected black African capitalists.

Krishna Ahooja of the UN Economic Commission for Africa, writing in 1964, noted that while there was a widespread perception that African states' new investment codes were designed for foreigners, in fact, they also targeted domestic investors.[68] Investment codes for new investors offered depreciation allowances, duty-free importation of equipment and machinery, as well as a five-year tax holiday on income and profits.[69] In his investigation of the development of a private sector in Africa, Ahooja also noted that one of the greatest distinctions between state and private businesses was derived, not from colonial practices, but rather from the legal codes adopted by ex-French territories and ex-British colonies that reflected codes in their home countries. The French civil law regulated both procedures and provisions for "mutual rights and obligations of the government and enterprise."[70] But English common law was often silent on such practices and left it to national statutes to clarify the relationship. Thus, from Ahooja's perspective, investors in former French territories had more confidence that their enterprises had rights from, as well as obligations to, the state.[71]

Through much of the literature it becomes clear that where pockets of African businesses and capitalism arose, the state continued to play a major role. Patterns of business operations in Africa, however, differed from those found in other regions. As Iliffe observed, in Latin America, the indigenous business community began import substitution industries. In Africa, foreign firms continued to found new industries without facing replacement by local African producers, except for the businesses operated by parastatals under government control.[72] There were, however, some notable exceptions in Nigeria, Senegal, and a few other countries.

It was mainly in Nigeria that African industrialists began to emerge, but they did so under the shadow of a state sector that demanded benefits for allowing Nigerian capitalism to function. And in post-independence Kenya, Gavin Kitching's work on the Kenyan state and its operations through its purchasing boards dispelled earlier claims by some Kenyan officials of the many free-market opportunities for capitalists in Kenya.[73]

Kitching also problematized the idea of capitalism in a Kenyan (and other African countries') setting, where owners of capital and laborers were not as easily identifiable as a class as they were in the West. He asked us to consider the peasant, who gives his labor for cash on a capitalist farm, but retains his own field, which he works together with his wife and children. When he is working for cash, the wife and children use a portion of the husband's wages to pay casual laborers in cash to assist with farm labor. Thus, this Kenyan peasant was a peasant, a laborer, and a capitalist.

In some African (and also other) contexts, those identified as private capitalists operating at the import-export level were thought to encompass a group that would act for itself and not for the public good. For example, scholars writing about comprador classes ("go betweens" or business elites in late-industrializing states who ally with foreign firms, and whose actions undermine development in their own country while they attain personal riches) identified some capitalists as individuals who produced little, but allowed foreigners to succeed in local economies at the expense of local citizens.[74]

The example of post-independence Tanzania offers another insight about how the state created obstacles for aspiring African capitalists in the decades following independence. Issa Shivji argues that neither private entrepreneurs, the state executive/president, nor the country's political parties controlled Tanzania after independence. Rather state officials, which Shivji labels the "Bureaucratic Bourgeoisie," skimmed off the wealth of the state and the taxes of those who produced outside the realm of the state. Members of this Bureaucratic Bourgeoisie traded their perquisites amongst each other, and also reproduced themselves as a class by ensuring that their children attended the right schools and entered the ranks of the civil service.[75] They also prevented the rise of a real capitalist African class so that there could be no challenge to their own position of allocating national wealth.

In the first decades of independence during the 1960s and 1970s, the African state, as partial owner in foreign firms, sought also to discipline groups that would affect production by the state. Efforts to discipline labor

met with varying success across the continent. Additionally, certain ethnic groups, who were seen as opposing the ethnic groups leading the government, were denied resources. Ethnic groups that supported the ruling party during its independence struggle or shortly after independence and prior to the banning of opposition political parties were rewarded by state investments and subsidies. This reinforced the favored ethnic groups' support for state-led, not private, capitalist-owned development.

The real African capitalists, many have claimed, were to be found not among industrial producers, where the state would have interfered with their operations, but rather in the informal or secondary economy. These black African artisans and merchants operated on a small scale and tried desperately to stay hidden from government officials. In Tanzania, for example, mid-level entrepreneurs often did not paint the outsides of their building but allowed them to appear as deteriorating in order not to attract attention to their businesses. Tanzania's state officials had warned that any commercial entity that grew too large would be nationalized. This put a lid on growth (and development) and made certain that aspiring Tanzanian capitalists self-censored their own possible expansion.[76]

One of the economic reasons often offered by African state officials for the lack of medium- and large-scale business activities owned by Africans was that there was only a small demand structure for manufactured products in Africa. Due to colonial practices, Africa lacked a middle class with the purchasing power that could be found elsewhere in the world, even elsewhere in the late-industrializing world. With a small middle class and a small demand structure in any given state, some development theorists argued that the solution to successful African-owned production lay in the development of regional trading blocs in which African producers could achieve economies of scale by producing for markets across African state boundaries. Proposals for regional blocs grew in the 1960s and 1970s, paralleled by calls for pan-Africanism.

Some African policy-makers (and their external advisers) argued that African states should create a continent-wide trading bloc, such as Europe was in the process of doing. Others argued for small clustered blocs of five or ten states that later could be knit together across the continent.[77] The results of African regionalism are difficult to assess, however, because most governmental regional efforts during the late 1960s and the 1970s endured for only a limited number of years and such groupings accomplished little for most African entrepreneurs.

From independence until the mid-1980s, when highly conditional structural adjustment/austerity programs were introduced, many analysts see African state officials as a major obstacle to the development of effective black African–owned manufacturing businesses. For example, in 1991, Robert Bates published his widely regarded study of African rural producers and identified the state as the major obstacle to increased African rural production.[78] Bates argued that African governments should have lifted government restrictions that politically favored urban interest groups over rural agriculture producers and let the market's rationality work its magic. Then, African peasants rationally would have pursued activities to produce surpluses and become wealthy. This accumulation of wealth could have served as the pool of money needed for investment by aspiring black African capitalists. For Bates, what undermined the development of capitalism among rural African producers was that the state had made political choices in response to urban interest groups to regulate and maintain low prices for food grown in rural areas but distributed to and eaten in urban areas at low cost.

Two years after Bates published his analysis of how rational peasants chose not to produce to their capacity due to the interference of state officials and their politicized pricing policies, Sara Berry offered yet another explanation of why capitalism in Africa was slow to expand and develop. Drawing on her research on African agrarian practices, Berry argued that it was not over-regulation of agricultural prices by the state that precluded the development of black African capitalists and prevented increased production. Rather, it was the ambiguity of colonial and independence governments' policies that promoted strategies among African farmers that undermined capitalist behaviors.

Berry argued that African rural producers were, and continue to be, caught in changing economic and political power structures. Thus, African rural producers were alert to the fact that negotiations to achieve good social relations were necessary in order to mobilize followers and allies in the event of having to defend the producers' existing property and other rights. Thus, producers invested much time and activity "in the means of negotiation as well as the means of production."[79] Berry argues that this approach may not have produced more or expanded the capitalist sector, but it protected an African producer's rights to produce in the long term.

Moreover, any new rules or incentives to reform such situations would simply affirm perceptions by African rural producers that as their environment changes, their access to land, labor, and resources continues to rest largely with their social networks. A rural producer, therefore, will likely

conclude that it is more important to maintain the wage laborer who is inefficient but whose cousin is a government official, than to hire a more efficient worker. The rural producer will determine that it is more important to spend time networking and negotiating, than merely producing in his fields. According to Berry, the rational, African rural producer is not the one imagined by Robert Bates or Western economists, but rather one who understands that social, political, and economic factors converge to fashion his world. Cost-benefit analyses are not limited to the economic realm alone.[80]

From the mid-1980s through the end of the twentieth century, with the advent of SAPs and liberalization, came hope for many aspiring African businesspeople that a pro-West, free-market approach to their country's political economy, one that was enforced by the International Financial Institutions and Western donors, would open space for independent African business entrepreneurs to flourish. The impact of the IFIs' SAPs, however, had mixed results for many African entrepreneurs. Even today, African entrepreneurs are living with the results of these programs and several of the chapters in this book reveal the kinds of supports, and also the many obstacles, that such austerity and liberalization programs presented to aspiring black African businesspeople.

The chapters in this volume offer rich explorations of the challenges facing African business entrepreneurs in the last decades of the twentieth century and the early years of the twenty-first century. The authors also highlight the coping mechanisms of indigenous African entrepreneurs as they negotiate the challenges facing them. The next section contains a brief overview of each author's work. In the final chapter of this volume we draw upon these chapters to argue that African states' domestic political networks, not their economic markets, are the primary variables that determine the success of indigenous African businesses. We also argue that African businesses in the twenty-first century are facing extraordinary challenges and we identify the nature of those challenges and a range of responses by entrepreneurs to those challenges.

Challenges to African Entrepreneurship in the Twenty-First Century

In Chap. 2, titled "Government-Business Relations and the Business Environment in Ghana," Darko Opoku examines the changes that have occurred in Ghanaian business-state relations from the 1960s until the

present. Ghana had established a reputation as one of the least friendly nations towards the business sector in Africa during its first decade of independence. A new, pro-business government emerged in the late 1960s, but it was overthrown within three years, giving way to a period in which business-state relations were marked by personal ties.

Momentous changes occurred in 1982, when Flight Lieutenant Jerry Rawlings launched his anti-capitalist revolution. Although he initiated neo-liberal reforms, he had fraught relations with private business owners and again state-business relations were tenuous. Since the reintroduction of democracy, however, business-state relations have stabilized, in some cases becoming very cordial.

Darko Opoku's case study therefore examines these historic periods as a backdrop to his analysis of how economic liberalization and democratization in the 1990s modified the relations between the state and Ghanaian businesses and the impact that such liberalization had on the opportunities and constraints of Ghanaian entrepreneurs. While liberalization and democratization offered black African business owners far more space than in the past, multiparty competition also created new sources of tension between the state and Ghana's business owners. These tensions have eased over time because new constitutional constraints curtailed the state's arbitrary actions. Thus, Opoku's chapter explores this recent past to discover how the Ghanaian state's business practices have evolved and how Ghana's entrepreneurs have responded.

In Chap. 3, "Ambivalent Union: State-Business Relations and Economic Development in Post-Independent Nigeria," Samuel O. Oloruntoba's research reveals how Nigerian state-business relations have evolved largely as a reflection of prevailing international economic orientations and practices. In contrast to Ghana, during the first decade of independence, Nigeria adopted import-substitution industrialization strategies (ISI) to drive Nigerian-controlled industrialization and economic development. This helped to establish a black business community in Nigeria that few other African countries enjoyed. After the end of Nigeria's civil war in 1970, however, the military government became involved in businesses through the promulgation of an indigenization decree which specified the level of participation of Nigerians and foreigners in businesses. Then the commodity crisis of the 1970s and the early 1980s led to some structural disarticulations in Nigeria's economy, which necessitated the intervention of the IFIs and the implementation of some of their austerity SAPs.

With the Nigerian state forced to retreat, most remaining state-owned enterprises were privatized. Oloruntoba analyzes the past sixteen years, which have seen a mixture of state participation and withdrawal from direct engagement in businesses. Oloruntoba explores how Chief Olusegun Obasanjo, as president of Nigeria, simultaneously acquiesced to the neo-liberal orthodoxy and yet also undertook some efforts to promote Nigerian capitalists in the country by granting various concessions and incentives to local black capitalists. Although these efforts recorded some successes, with the Dangote Group emerging as one of the biggest companies in Africa, the overall emphasis was on attracting foreign direct investment.

Oloruntoba argues that the role of the Nigerian state in its business sectors has been defined by both exogenous and endogenous factors. This forces Nigerian business entrepreneurs continuously to have to adjust to an ambivalent state whose economic and business policies largely shift in a reflection of the prevailing international economic orientations.

In Mmapula Brendah Sekatane's Chap. 4, titled "South African Women Entrepreneurs: Challenges and Coping Strategies," the author analyzes the challenges to, and the coping strategies of, South African women entrepreneurs. Sekatane traces how, during the years of apartheid from 1949 to 1994, the assets of millions of South Africans, mainly black, were directly and indirectly destroyed. Additionally, access to skills and access to employment, including self-employment, was racially restricted. The accumulation process under apartheid confined the creation of wealth to a racial minority and imposed underdevelopment on black communities.

With regard to South African women, prior to 1994, black women were unprotected by laws and additionally disadvantaged by the country's legal codes that categorized human beings as African, Coloured, Indian, or White. In the post-apartheid period, the new South African government introduced a number of initiatives as well as legislation specifically to support women and improve their legal, independent status. This affected the aspirations of black South African women entrepreneurs.

Since 1994, however, the South African economy has been undergoing profound restructuring. At the macro level, macroeconomic stabilization has largely been achieved, providing a platform for accelerating the growth rate. The economy has become increasingly integrated into global markets and has become a successful exporter of manufactured goods and value-added services. South Africa is now able to position itself as an advanced manufacturing economy.

At the local level, South Africa leaders have come to recognize the need to support entrepreneurship to boost domestic and community economic growth and job creation, and the need to include South African women within its support policies. This is in keeping with South Africa's constitutional and legislative frameworks, which are progressive and highlight the importance of gender equality. The Broad-Based Black Economic Empowerment Act, for example, continues to promote "increasing the extent to which Black women own and manage existing and new enterprises, and . . . their access to economic activities, infrastructure and skills training."

Despite such legislation and recognition, however, black women entrepreneurs in South Africa still face many challenges which Sekatane analyzes in some detail. Against the problems that she has identified, Sekatane investigates the coping strategies of black South African women entrepreneurs and their responses to South Africa's evolving legislative frameworks, government supports, and women-to-women business networks that are slowly being created. Sekatane is especially insightful in considering how gender plays a role for female entrepreneurs. For example, Sekatane reminds us that when female entrepreneurs are faced with community shortages of electricity, materials, and so on, they first must take care of their households before turning to their businesses. Male entrepreneurs generally can focus squarely on their businesses, leaving their wives to cope with surmounting shortages at home.

In Chap. 5, "Nigerian Entrepreneurship in the Twenty-First Century: Corporate Social Responsibility Challenges and Coping Strategies of Nigerian Male and Female Entrepreneurs," Adebimpe Lincoln explores a particular concern for young entrepreneurs world-wide: Corporate Social Responsibility (CSR). Using Nigeria as a case study, Lincoln analyzes Nigerian male and female entrepreneurs' approach to CSR and the coping strategies that they adopted to overcome CSR-related challenges. She first offers a literature review that draws on the CSR and entrepreneurship literature to create a working analytical construct for the study. The chapter then presents findings obtained from qualitative semi-structured interviews with sixty-four male and female entrepreneurs in Nigeria. The study makes an empirical contribution to the literature in entrepreneurship by filling in the gap regarding Nigerian entrepreneurs' CSR practices. Furthermore, the study provides an analytical framework on which future research and policy initiatives can be developed.

In Chap. 6, "Small-Scale Ghanaian Miners and the Textiles and Garment Industry in the Age of Chinese Economic Onslaught," Darko Opoku details the challenges to Ghanaian entrepreneurs posed by the presence of foreign capitalists, most notably Chinese businesspeople whom he calls "new competitors." The new competitors, unlike the earlier capitalists from Europe and America, include fairly small-scale capitalists who have invested in sectors such as import trade, wholesale-retail trade, small-scale mining, road and building contracts, and textiles, and so on, businesses that were previously in the domain of Ghana's local entrepreneurs.

Opoku argues that a number of strategies are being employed to cope with the increasingly precarious existence of Ghana's local capitalists. Foremost among these is a demand by Ghana's entrepreneurs for government to reserve certain sectors for them. This is a strategy that was employed during the 1950s and 1960s following independence. At that time, Ghanaian entrepreneurs promoted nationalistic appeals and sometimes xenophobia.

Opoku also demonstrates the divergent interests of Ghanaian capitalists. He largely focuses on small-scale Ghanaian gold miners. Some Ghanaians have employed (illegally) hundreds of Chinese miners because the Chinese miners have superior mining equipment, technology, and more resources than do many Ghanaians. This makes these Ghanaians owners more competitive with respect to mines that hire only Ghanaian miners. Chinese and Indian contracting firms, however, provide a second strategy whereby Ghanaians entrepreneurs form alliances with foreign interests. Thus, there is a mixture of conflict and cooperation among local and foreign businesses.

Opoku argues that important changes are occurring as Ghana's businesspeople cope with a rapidly changing world. First, Ghana's, and other African, capitalists are not protected from international competition in the same way that they were in the period before the 1980s. Second, in keeping with the major change towards outward-oriented development strategies, the state does not feel obligated to shield local businesses. Third, the state's shift away from protecting fledgling local businesses has forced the latter to look for new ways to survive. Opoku's chapter, captures the changes that are occurring in the strategies of African business owners in the first two decades of the twenty-first century.

In Chap. 7, "Challenges to African Entrepreneurship in the Twenty-First Century," Eve Sandberg summarizes the volume's findings concerning

the challenges facing African entrepreneurs today as black African business owners strive to survive and thrive. Drawing on the authors' contributions, Sandberg summarizes the historic challenges and opportunities for black African entrepreneurs. Sandberg then summarizes the cross-cutting impact of austerity programs and foreign competition for African entrepreneurs, the role of contending models of business associations and leading business actors with regard to securing benefits for indigenous African producers, and the entrepreneur's dilemma with respect to multiparty politics. She reviews the findings on how today's African entrepreneurs respond to the challenges of working within a framework of corporate responsibility. And she examines the legislative initiatives to encourage (though often not to protect) today's emerging African entrepreneurs. Sandberg concludes with a summary of the coping practices and strategies that are being adopted by Africa's aspiring entrepreneurs in their efforts to meet the many challenges they face in the second decade of the twenty-first century.

Notes

1. The European Union measurement of SMEs can found at http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/index_en.htm. It is a similar measurement to those used by the World Bank and the World Trade Organization.
2. Peter F. Drucker, "Our Entrepreneurial Economy," *Harvard Business Review* (January 1984).
3. Goren Hyden, "African Social Structure and Economic Development," in Robert J. Berg and Jennifer Seymour Whitaker, eds. *Strategies for African Development* (Berkeley, CA: University of California Press, 1986), 67–68.
4. Joseph E. Stiglitz, *The East Asian Miracle*: *Economic Growth and Public Policy,* World Bank Policy Research Report (Oxford, UK: Oxford University Press, 1993).
5. See for example, Richard Sandbrook, *Proletarians and African Capitalism: The Kenya Case, 1960 to 1972* (Cambridge, UK: Cambridge University Press, 1975).
6. Thomas J. Bierstecker*, Distortion or Development? Contending Perspectives on the Multinational Corporatation* (Cambridge, MA, MIT Press, 1978).
7. Bruce J. Berman and Colin Leys, eds., *African Capitalists in African Development* (Boulder, CO and London, UK: Lynne Rienner Publishers, 1994).

8. See Seymour Martin Lipset, "Some Social Requisites for Legitimacy," *American Political Science Review* 53, no. 1 (1959); Barrington Moore, Jr., *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston, MA: Beacon Press, 1966).
9. Charles Edward Lindblom, *Politics and Markets* (New York: Basic Books, 1977).
10. David Apter, *Rethinking Development: Modernization, Dependency, and Post Modern Politics* (Beverly Hills: Sage, 1987). In fact, Apter moves the development debate forward to include postmodern discourse analyses and to consider the impact of ideas on the development policies that are adopted in late-industrializing states.
11. J. Samuel Valenzuela and Arturo Valenzuela, "Modernization and Dependency: Alternative Perspectives in the Study of Latin American Underdevelopment," *Comparative Politics* 10, no. 4 (July 1978).
12. Discussions with David E. Apter, April 12, 1984.
13. See, for example, the works of Hans Singer, Raύl Prebish, and Andre Gunder Frank: Hans Singer, "Post-war Price Relations Between Underdeveloped and Industrialized Countries," United Nations Department of Economic Affairs, 1949; Raύl Prebish, "1948 First Economic Survey of Latin America," Economic Commission for Latin America and the Caribbean (CEPAL); and Andre Gunder Frank, *The Development of Underdevelopment* (New York: Monthly Review Press, 1966).
14. Peter Evans, *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil* (Princeton, NJ: Princeton University Press, 1979).
15. Immanuel Wallerstein, *The Modern World-System, I: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century* (San Francisco, CA: University of California Press, 1974) was the first of four volumes that rejected a state-to-state analysis of international relations and instead developed an alternative view of the world in which different countries and regions fulfilled differentiated roles in the evolving capitalist world system from the sixteenth through the twentieth century, particularly those of core states, periphery, and semi-periphery states.
16. Christopher S. Adams, Paul Collier, and Michael Gondwe, eds., *Zambia Building Prosperty from Resource Wealth* (Oxford, UK: Oxford Universtity Press, 2014), 1.
17. Tim Kelsall (with David Booth, Ciana Cammack, Brian Cooksey, Mesfin Gebremichael, Fred Golooba-Mutebi, and Sarah Vaughan), *Business Politics and the State in Africa* (London, UK: Zed Books, 2013), 145.
18. Joseph E. Stiglitz, *The East Asian Miracle: Economic Growth and Public Policy* World Bank Policy Research Report (Oxford, UK: Oxford University Press, 1993).

19. Joseph E. Stiglitz, *The East Asian Miracle*: *Economic Growth and Public Policy,* quoted in Akbar Norman and Joseph E. Stiglitz, "Strategies for African Development," in Akbar Norman, Kwesi Botchwey, Howard Stein, and Joseph E. Stiglitz, eds., *Good Growth and Governance in Africa* (Oxford, UK: Oxford University Press, 2012).
20. Moky Makura, *Africa's Greatest Entrepreneurs* (Johannesburg, South Africa: Penguin Books, 2008).
21. Ibid., 13.
22. The term "Washington Consensus" was coined by John Williamson, a British economist and scholar of the IFI institutions. The term provided a shorthand for the officials and their major policy reforms associated with most structural adjustment programs.
23. See, for example, Eve Sandberg, *The Impact of the International Monetary Fund's Structural Adjustment Program on the Agricultural Sector in Zambia 1985.* Case Study #213, Pew Charitable Trusts, November 1995 (60 pages) Institute for the Study of Diplomacy, Georgetown University for a discussion of the IFI policies that helped to bring transparency to state practices and guard against corruption even while those same policies undermined the educational and health systems of a country as well as destroyed the demand structure for local businesses. Structural adjustment programs were useful, for example, in that they eliminated foreign currency boards that were rife with corruption when allocating foreign exchange to those who needed to purchase and import goods. But the same package of policies undermined local farmers and entrepreneurs with high interest rates and by creating a vacuum in the transport system so that farmers were challenged in their attempts to transport their goods to urban food markets. Obviously, this also contributed to a food shortage in urban areas across the country.
24. Sandberg, *The Impact of the International Monetary Fund's Structural Adjustment Program*; Darko Opoku, "From a 'Success' Story to a Highly Indebted Poor Country: Ghana and Neoliberal Reforms," *Journal of Contemporary African Studies* 28, no. 2 (2010): 155–175.
25. Joseph E. Stiglitz, *Freefall* (New York and London, UK: W. W. Norton & Company, 2010).
26. Bob Hanckè, ed., *Debating Varieties of Capitalism* (Oxford, UK: Oxford University Press, 2009).
27. Ibid.
28. David Coates, *Varieties of Capitalism, Varieties of Approaches* (Basingstoke, UK and New York: Palgrave Macmillan, 2005).
29. Colin Crouch, "National Varieties of Labour in Market Exposure," in Glenn Morgan and Richard Whitley, eds., *Capitalisms and Capitalism in the Twenty-First Century* (Oxford, UK: Oxford University Press, 2012), 90.

30. Ibid.
31. See for example, David Lewin, ed., *Contemporary Issues in Employment Relations* (Champaign, IL: Labor and Employment Relations Association, 2006), especially the chapters Joel Cutcher-Gershenfeld, Stephen R. Sleigh, and Frits K. Pil, "Collective Bargaining: Keeping Score on a Great American Institution," and David I. Levine and David Lewin, "The New 'Managerial Misclassification' Challenge to Old Wage and Hour Law; or, What is Managerial Work?" See also Harry C. Katz and Owen Darbishire, *Converging Divergences Worldwide Changes in Employment Systems* (Ithaca, NY: International Labor Relations Press/Cornell University Press, 2000).
32. Paul Dragos Aligica and Vlad Tarko, *Capitalist Alternatives Models, Taxonomies, and Scenarios* (London, UK: Routledge, 2015).
33. Ibid.
34. Ibid., Chapter 4.
35. Publishing in 1911, Schumpeter offered a frequently quoted argument linking entrepreneurship and national development that endures today.
36. We do not argue that the pressures facing African business people are unique. In other parts of the late-industrializing world, entrepreneurs also face enormous challenges. But we maintain that the challenges facing African entrepreneurs are distinctive from those challenges faced by entrepreneurs in the advanced industrial countries.
37. John Iliffe, *The Emergence of African Capitalism* (Minneapolis: University of Minneapolis Press, 1983).
38. Samir Amin, "Underdevelopment and Dependence in Black Africa—Origins and Contemporary Forms," *The Journal of Modern African Studies* 10, no. 4 (December 1972): 506.
39. Ibid.
40. Ibid., 512.
41. Ibid.
42. Ibid.
43. Ibid., 513.
44. Iliffe, *The Emergence of African Capitalism*.
45. Ibid., 11.
46. Colin Leys and Bruce J. Berman, "Introduction," in *African Capitalists in African Development*, eds. Bruce J. Berman and Colin Leys (Boulder, CO and London, UK: Lynne Rienner Publishers Inc, 1993). This argument is based largely on the work of David Himbara, Sheila Nicholas, and Tom Ostergaard who are contributors to Berman and Leys' edited volume.
47. Richard W. Hull, *American Enterprise in South Africa* (New York: New York University Press, 1990), 38–39.
48. Ibid.
49. Ibid., 81–82.

50. Paul Kennedy, *African Capitalism* (Cambridge, UK: Cambridge University Press,1988), 10–11.
51. Ibid., 17.
52. Ibid., fn. 26, discussion of C.D. Deere, "Rural Women's Subsistence Production in the Capitalist Periphery" in R. Cohen, P. C. W. Gutkind and P. Brazier, eds., *Peasants and Proletarians* (London, UK: Hutchinson University Library, 1979).
53. Kennedy, *African Capitalism*, 15–17.
54. Ibid. To understand the Marxist analysis, Kennedy draws largely upon the works of: J.G. Taylor, *From Modernization to Modes of Production* (London, UK: Macmillan, 1979); G. Kay, *Development and Underdevelopment: a Marxian Analysis* (London, UK: Macmillan, 1975); H. Bernstein, "Notes on Capital and Peasantry" *Review of African Political Economy* 10 (1977): 60–73.
55. Kennedy, *African* Capitalism, 24.
56. John Rapley, "The Ivoirien Bourgeoisie," in Berman and Leys, eds., *African Capitalists in African Development*, 39–68.
57. Ibid., 41.
58. Ibid., 39–40. This chapter's discussion of Rapley is based on a reading of this work.
59. Ibid., 41–42.
60. Ibid., 42.
61. Catherine Boone, "Rentierism in Senegal," in Berman and Leys, eds., *African Capitalists in African Development*, 163–187.
62. Ibid.
63. Eve Sandberg interview with Leonard Chivuno, Central Bank Governor, Lusaka Zambia November 1985. See also, for example, Sandberg, *The Impact of the International Monetary Fund's Structural Adjustment Program*.
64. Eve Sandberg interview with customs and dock workers' trainer, April 28, 2015, Lusaka, Zambia.
65. Muna Ndulo, "*Domestic Participation in Mining in Zambia*," in Ben Turok, ed., *Development in Zambia* (London, UK: Zed Press, 1979), 49, 70.
66. Ibid.; Ben Turok, "The Penalities of Zambia's Mixed Economy," in Turok, ed., *Development in Zambia*, 72–86. Both Turok and Ndulo provide many of the points made in this list.
67. This author heard such arguments from several businessmen and farmers during field work in Zambia in 1985 and 1986.
68. Krishna Ahooja, "Investment Laws and Regulations in Africa," *The Journal of Modern African Studies* 2, no. 2 (July 1964): 302.
69. Ibid.
70. Ibid., 303.

71. Ibid.
72. Iliffe, *The Emergence of African Capitalism*, 65.
73. Gavin Kitching's *Class and Economic Change in Kenya: The Making of an African Petite-Bourgeoisie* (New Haven, CT: Yale University Press, 1980).
74. Peter Evans, *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil* (Princeton, NJ: Princeton University Press, 1979).
75. Issa Shivji, *Class Struggles in Tanzania* (New York: Monthly Review Press, 1987).
76. Ibid.
77. President Kwame Nkrumah of Ghana led calls for a pan-African, continent-wide market, while President Julius Nyerere of Tanzania believed that smaller clusters of cross-border trading that could be knit together at a later stage was more practical given the negotiations among rival state leaders that would be needed for a successful continental market.
78. Robert H. Bates, *Markets and States in Tropical Africa* (Berkeley, CA: University of California Press, 1991).
79. Sara Berry, *No Condition is Permanent* (Madison, WI: University of Wisconsin Press, 1993), 15.
80. The above discussion is based on Sara Berry, *No Condition is Permanent*.

CHAPTER 2

Government-Business Relations and the Business Environment in Ghana

Darko Opoku

The basic argument presented in this chapter is that, although there have been improvements in government-business relations and the business climate in Ghana, some challenges exist. The improvements are attributable to major politico-institutional changes that began in the 1980s and have continued to the present. In addition, there is a much broader acceptance of capitalism in Ghana today than at any other historical moment in the post-colonial period. Furthermore, there have been considerable improvements in physical infrastructure, helping facilitate business operations in Ghana. But challenges remain. While some are as old as the post-colonial state and entrenched, others are relatively recent, at least in their scope and intensity. Foremost among the former is the persistence of patronage politics. There is also a lingering resentment toward indigenous capitalists. Neo-liberal policies—free trade, devaluation, high interest rates, and so on—have created fairly new challenges. Lastly, although infrastructure has improved over the last twenty years or so, it is still inadequate.

But as this chapter reveals, the fortunes of entrepreneurs in Ghana have depended largely on incestuous relations between government and business. Many government administrations ruined the enterprises of those who had not supported their election. In turn, new entrepreneurs

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(including family members related to top politicians), with few resources but favored by new governments, skyrocketed in their success, holdings and wealth.

I begin with an overview of the state of capitalism in Africa, before mapping government-business relations in Ghana from independence to the present by analyzing the economic policies and attitudes of successive regimes. This provides a comparative context to fully grasp Ghana's story. The history of capitalism in Ghana and governments' and citizens' attitudes toward it are central to an appreciation of capitalism in Ghana in the twenty-first century. There is an anti-capitalist streak that runs deep in Ghana, although there is also a pro-capitalist element that seeks to supplant it. It seems to me that the anti-capitalist tradition has lost impetus. Next, I examine the continuing role of politics in influencing capitalists' fortunes despite the politico-institutional changes that have occurred in Ghana. These changes, though important and groundbreaking, have only partly undermined patronage. This is followed by a discussion of the challenges spawned by structural adjustment programs (SAPs) that confront Ghanaian entrepreneurs in the twenty-first century.

The State of Capitalism in Africa

Recent literature on capitalism in Africa shows that major positive changes have occurred nearly everywhere. The state is no longer as economically dominant as it previously was, creating increased space for capital both physically and metaphorically. Second, democratization has curtailed the arbitrary power of government leaders, helping create conditions that are conducive to business. Third, improvements in physical infrastructure across Africa have facilitated business operations. Fourth, and most crucially, major attitudinal changes toward capitalism have occurred so that the basic aversion many Africans harbored toward capitalism is yielding to its embrace. The profit motive, previously regarded as un-African, shameful or illegitimate, is dissipating. And, the view that "typically in Africa, 'good economics' has not proved to be politically feasible"—a view most eloquently articulated by Robert Bates' (1981) influential work, detailing how political concerns often took precedence over economic rationality in Africa—is waning.[1] As one scholar notes, whereas the paramount concern of the first generation of African leaders was "the *politics* of nation building," a new crop of leaders prioritizes "the *economics* of nation building." The latter:

> swear by economic growth and seem to view good growth indicators as the main source of their legitimacy. In addition, if the earlier nationalist leaders associated capitalism with foreign control, the new leadership seems much less preoccupied with that. They have embraced privatization and attraction of foreign capital as centerpieces of their policy initiatives.[2]

While the evidence suggests that economic concerns have received far more attention in recent years, Mkandawire's assessment is somewhat sanguine. I elaborate on this issue later. Overall, however, the prospects for capitalist expansion have vastly improved.

But no keen observer of capitalism in Africa can fail to notice important distinctions in attitudes towards foreign and indigenous African capital. Even as the new leaders wooed foreign capital, they continued to "have a jaundiced view of domestic capitalists, whom they hold in spite and incessantly vilify for parasitism, failure jointly to set up modern enterprises able to compete internationally, etc."[3] It is difficult to pinpoint when a turnaround occurred but it clearly had by the mid- to late 2000s. This was an important milestone in the troubled development of African capitalism. It bears emphasizing that during the heyday of African socialism, non-black capital had not been subjected to the same level of constraints and haranguing that Africans had endured. Furthermore, even Africa's most ardent socialists and economic nationalists, for pragmatic reasons, wooed foreign capital with concessions unavailable to Africans. The deal that Ghana's first president, Kwame Nkrumah, struck with Kaiser Aluminum, the British government, the United States and the World Bank to fund the construction of a hydroelectric dam to power industrial projects and cities is just an illustrative example, not an exception.[4] It is worth noting that the "bringing in" of African capitalists has not occurred with the same degree of enthusiasm as foreign capitalists.

This invites the question: why did African government leaders favor foreign over indigenous capital? Personal rule, the main mode of governance that emerged in post-colonial Africa is central to the explanation. It evolved as part of the efforts of Africa's new, insecure and fragile regimes to co-opt potentially hostile elements and build up followings. Incumbents' ability to control economic resources, to disburse patronage and foster clientelism to key allies was paramount to the efficacy of personal rule. Government leaders saw a capitalist class that was capable of accumulating capital on a significant scale independent of the state as a potential political threat. "In the interest of his domination," Weber noted, "the patrimonial

ruler must oppose . . . the economic independence of the bourgeoisie."[5] Thus, political leaders kept a keen eye on the indigenous capitalist class. Because the African state has been the prime locus of resources and benefits and therefore accumulation and upward social mobility, it has been very successful in influencing the fortunes of capitalists. Indeed, the most successful capitalists have almost always been regime allies. By contrast, autonomy seekers and perceived foes rarely do well, if they survive.

The indigenization programs that began in Africa in the 1960s and exploded in the 1970s can be understood largely in this light. To give just one example, MacGaffey's *Entrepreneurs and Parasites* (1987) details how indigenization, ostensibly meant to boost Zairean entrepreneurs, became a potent tool of political control to advance the interests of Mobutu and his lieutenants. Nearly all the beneficiaries, MacGaffey's "parasites," lacking business experience, failed, despite the huge resources that were put at their disposal; bona fide entrepreneurs lost out. The privatization of previously public enterprises in Africa under SAPs followed a similar pattern, favoring political allies. As I elaborate later, Ghana became a prime example of this.

None of this negates the significance of the embrace of African capitalists. It is particularly significant because the political class and ordinary citizens alike now embrace local capitalists. This has consequential advantages.

> Without local and indigenous capacity for or engagement with business and capitalism, Africa's current economic renaissance is merely a replay of the neocolonialism and compradorism that long plagued the continent, rather than genuinely developmental. Capitalism itself, if borne, as it was in the past, on the shoulders of foreign firms and foreign-dominated interests, will face a backlash that undermines the private sector.[6]

The notion that African entrepreneurs were compradors or mere appendages of foreign capital warrants two brief comments. First, it was part of the theoretical debates that clouded empirical analyses of African capitalists until the 1970s.[7] Though popular, it was a specious argument that ignored the fact that African capitalists not only competed against foreign capital, but also sought to replace it.[8] As analysts were to conclude in the 1980s and beyond, the key hindrance to African capitalists in most countries was state predation, not foreign capital.[9] Second, the term "comprador" was used to convey scorn and contempt for African capitalists viewed as collaborators in cahoots with an evil and exploitative system. The image of capitalism in Africa was, needless to say, bad.

The profit motive and capitalism enjoy a much-improved image in Africa today. There is also broad acceptance of capitalism, and entrepreneurs are well regarded. In fact, the 2016/17 Global Entrepreneurship Monitor Report found that "Africa is the region reporting the most positive attitudes towards entrepreneurship, with three quarters of working-age adults considering entrepreneurship a good career choice while 77 percent believe that entrepreneurs are admired in their societies." The survey also notes that Africans display the highest levels of entrepreneurial intention in the world.[10] These findings represent seismic shifts in African attitudes and thinking, and are celebrated as auguring well for the future of capitalism on the continent by pro-capitalist forces. The percentage of young African business aspirants has risen steadily, adding grist to the allure of capitalism. The rise of a new generation of successful, highly educated African entrepreneurs, including MBAs and PhDs with a global outlook, transnational networks, and a nose for sensing business opportunities has brought a much-needed dynamism and respect for African capitalists.[11] It is hard to overstate their contributions to Africa's economic revival of the last decade and a half, as well as to changing the image of capitalism.

International Financial Institutions (IFIs) and donors, who have funded programs aimed at bolstering African entrepreneurs by providing, among others, training and organizing business plan competitions, will derive satisfaction and vindication from these changes. After its initial excessive emphasis on "get the prices right," the World Bank urged African leaders to "get the politics right," by developing better relations with African capitalists, stressing the primacy of local capital to economic development. In its famous report, *Sub-Saharan Africa: From Crisis to Sustainable Growth,* for example, the World Bank declared: "Africa needs its entrepreneurs . . . . Only their initiative can ensure that the long-term demand for low-cost products and services will be met."[12] Common sense and the historical evidence convey a clear message: that local capital will have to be a critical part in economic prosperity. This long-ignored advice has finally begun to be appreciated. As Sen and te Velde (2012) note, state-business relations have improved in nearly every African country.[13]

Notwithstanding the changes outlined here, it is important to stress that the basic patterns of state-business relations have stayed the same in some fundamental ways. Of particular note is the fact that while business acumen remains important, the most successful capitalists tend to be those who have access to the corridors of power. In other words, patronage politics continues to unduly impact business fortunes. The political imperatives

that initially impelled and sustained patronage politics remain strong, though the advent of democratic governance and its institutional constraints have forced important adaptations. Given how deeply entrenched this system has been, root and branch changes would have been extraordinary, especially over such a short period of time. So, while the changes are real enough, there are also limitations. In sum, the changes that have occurred should not be understated. The limitations should not be ignored either, however. In order to empirically ground the analysis, I turn to the Ghana case study.

Historical Context and Continuities

A discussion of state-business relations in Ghana cannot be fully understood without considering Ghana's political history beginning in the period leading up to independence in 1957. The struggle to oust colonialism was begun by the United Gold Coast Convention (UGCC), Ghana's first nationalist party, which was founded in 1947. Although conservatives dominated its upper echelons, it also had a radical wing made up of wage workers, junior civil servants, ex-servicemen and an army of mostly unemployed youths. In 1949, the UGCC's increasingly impatient radical wing, led by Dr. Kwame Nkrumah, split to form the Convention People's Party (CPP). Thus began Ghana's two-party system and the political traditions it has spawned, traditions that have survived to the present and influenced regimes of all hues, including military ones. While the names of parties changed during periods of electoral politics, they mostly represented one or the other of two main political traditions. The UGCC, led by Dr. J. B. Danquah, was dominated by the educated elite and businesspeople. It was succeeded by the National Liberation Movement (NLM), headed by Dr. K. A. Busia, in 1954. The NLM was primarily a movement of the Ashanti, combining cocoa farmers' grievances with a significant element of Ashanti nationalism. Though the UGCC and the NLM failed to win any of the three general elections that preceded independence, they provided the basis for the Progress Party, which came to power in 1969 with Busia as prime minister. The Danquah–Busia tradition has historically been associated with advocacy of liberal democracy and liberal economic policies, including an unreserved support for capitalism. It has also tended to draw its strongest support from educated Ghanaians, entrepreneurs and the Ashanti ethnic group.

The second political tradition was established by Nkrumah, Ghana's first post-colonial leader, and his CPP. Nkrumah built a populist tradition that emphasized socialism, or perhaps more accurately state capitalism, in the interest of the "common man." Nkrumah developed a "one-party state," and the Nkrumahist tradition was henceforth associated with a relatively uncommitted attitude towards liberal democracy. The CPP succeeded in the 1950s in winning electoral support from a majority of Ghanaians in most regions except the Ashanti Region; though, in the 1969 elections, its successor, the somewhat misleadingly named National Alliance of Liberals, won a majority of seats only in the Volta Region, as Ghanaians elsewhere expressed their discontent with Nkrumah's dictatorship. The enduring force of Nkrumah's legacy was indicated, however, by the fact that, in the elections of 1979, the People's National Party, led by Dr. Hilla Limann, rode to power mainly by claiming Nkrumah's mantle and invoking his era, which many by then recalled nostalgically. The Danquah–Busiaists regrouped as the Popular Front Party. Ghanaians have historically commonly self-identified as either Nkrumahist or Danquah–Busiaist. All Ghanaian regimes have, to varying degrees, claimed or at least drawn inspiration and guidance from one of the two political traditions.

These two political traditions have tended to have rather different associations with, and for, businesspeople. In simple terms, while the Danquah–Busiaist tradition is often associated with "big" Ghanaian business, the Nkrumahist tradition is associated with "small-scale" Ghanaian business. Nkrumah rejected forceful calls to provide certain privileges to Ghanaian entrepreneurs by declaring a "no color bar policy" in business, but faced with unrelenting economic nationalist clamor, he promised assistance.[14] He soon reneged, however.[15] After formally proclaiming a socialist ideology in 1960, he frequently denounced capitalism for promoting greed and for being an obstacle to his socialist goals. He opposed privatization, for example, saying that it would "betray the trust . . . of our people for the greedy interest of a small coterie of individuals . . . . Production for private profit deprives a large section of the people of the goods and services produced."[16] Nkrumah's "socialism" centered on the creation of numerous public enterprises and extensive welfare services. By 1965, 53 percent of all companies were either public or joint public-private enterprises.[17] By 1983, Ghana owned more than 300 parastatals. To put this into some perspective, Tanzania was the only African nation that ended up with more parastatals than Ghana. The main beneficiaries were the rapidly growing number of public employees. Ghanaian capitalism, to the extent

that it was tolerated, had to be congruent with socialism, that is, it must operate mainly in minor activities unfit for state involvement. Such opportunities, largely suitable for aspiring entrepreneurs, were monopolized by CPP acolytes. Thus, by the time Nkrumah was overthrown in 1966, the most successful entrepreneurs of the pre-independence era had been severely weakened.[18]

The breadth of Nkrumah's legacy spans an incredible array of areas, both locally and globally, so what follows is merely illustrative, not exhaustive. Nkrumah "created the political symbols and political psychology of patriotism and sovereignty in Ghana against which all others are still measured, and which, to the left, are still the touchstone of truth."[19] His political, economic, social, educational, foreign policy and pan-African stances, among others, captivated Africans on and outside the continent; many deified him. The body of ideas, policies and principles he espoused and practiced, generally known as Nkrumahism, caught on in Ghana and beyond.[20] Having led the first black African colony to nationhood, he was a pan-Africanist who came to symbolize Africa's hope and rebirth, but also its subsequent decay. Nkrumah's writings became handbooks for leftist intellectuals and aspiring revolutionaries, influencing generations in Ghana, Africa and the African diaspora. His accomplishments, including his pioneering role in creating public enterprises, his push for industrialization and his espousal of African socialism served as templates for emergent African nations. Ghana's most consequential leader, christened "savior" and "redeemer," among other titles, and arguably the most influential African, Nkrumah's legacy endures.

But Nkrumah encountered a determined opposition led by Ghana's professionals and "big" business, initiators of the struggle for decolonization. They had employed Nkrumah before he broke away to form the CPP and supplanted them. They viewed Nkrumah as an upstart who had robbed them of power. Moreover, his socialist policies not only frightened them, but also gravely threatened their economic interests. His imposition of a one-party state and the resultant repression, including detention without trial, stiffened their resolve to rid Ghana of him. Conservative elements within the military and police, acting in concert with Nkrumah's political rivals, toppled the CPP government in February 1966. Their overarching goal was to undo what they regarded as the harm Nkrumah had done.

They set out to dismantle Nkrumah's socialist state while building capitalism. Thus, whereas Nkrumah had suppressed capitalism, the new regime, the National Liberation Council (NLC), sought to elevate it,

making it clear that one of the chief reasons for ousting Nkrumah was to revive indigenous business.[21] Almost overnight, several relatively articulate business groups, including the Association of Ghanaian Businessmen, the Crusade for the Protection of Ghanaian Enterprises and the Indigenous Ghanaian Manufacturers' Association (which splintered from the multinational Ghana Manufacturers' Association) shot to prominence. Ghanaian entrepreneurs became much better organized and their meetings received wide publicity.[22] Ghanaian business activism began in earnest at this time.

This centered on three main issues: access to import licenses, access to credit and calls for reserving economic activities that required little capital and no specialized knowledge for Ghanaians. The last demand targeted Levantines and Indians who had dominated commerce dating back to the colonial era and were resented for two reasons. First, they were Ghanaians' most immediate competitors. Second, it was believed that, with government assistance, Ghanaians could carve out a niche in those sectors. In an opinion piece reflecting feelings of the day, one prominent businessman called for legislation to ban Levantines and Indians from certain economic sectors "before these commercial bloodsuckers establish themselves also as the industrial vampires of . . . Ghana. This must be prevented at all costs."[23]

The NLC took significant measures to assist Ghanaian business. By the end of 1968, bank credit to state institutions had dropped by 33 percent but increased 31 percent for the private sector. Also, whereas the CPP regime had planned to allocate to the public sector about 70 percent of 1966 imports, the NLC planned to allocate 61 percent to private business. By August 1970, 97 percent of the Public Works Department contracts had been awarded to Ghanaians. Moreover, a new import-licensing regime favored local business. In marked contrast to the CPP, entrepreneurs were consulted and appointed to public boards and commissions and to head major public ventures such as the Black Star Line and the State Gold Mining Corporation.[24] A proposed divestiture program, however, faced public opposition, especially from intellectuals, and was abandoned after a handful of mainly small enterprises had been sold.[25]

Much more significant, the NLC launched economic Ghanaianization under the Ghanaian Enterprises Decree (GED) in 1968. It reserved five categories of enterprises for Ghanaians: (1) retail businesses with an annual sales volume of less than 500,000 *cedis* [C]; (2) wholesale businesses with an annual sales volume of C1 million or less; (3) taxi businesses of any size or kind; (4) all agencies representing overseas manufacturers; and (5) any small-scale enterprise in basic extractive, processing or manufacturing industry or transportation employing thirty people or less, or the value of whose

assets was C100,000 or less. All existing foreign-owned businesses in the affected categories had to be transferred to Ghanaians within two to five years.[26] The GED achieved partial success because, even with state assistance, Ghanaian entrepreneurs had difficulty raising capital. In addition, many lacked vital skills. But the significance of the efforts to assist local capital is clear. Eager to placate those whose interests Nkrumah had neglected, the NLC granted business associations unprecedented influence.[27]

Kofi Busia's Progress Party (PP), which won the 1969 elections, proved even more responsive to Ghanaian entrepreneurs. The Aliens Compliance Order, issued within a few weeks of the PP's accession, was the first of a series of measures designed to assist local business. It led to the expulsion of more than 150,000 aliens, among whom were hundreds of entrepreneurs. Issued basically at the behest of Ghanaian capitalists, its main target was West Africans, more specifically, Nigerians, who had proved to be formidable rivals in small-to-medium-scale business.[28] The PP also funded special loan programs for small- and medium-scale firms that guaranteed commercial bank credits to local business, as well as state-funded business training programs.[29] Ghanaian capitalists gained ready access to government leaders, including Busia himself. As further evidence of growing business influence, S. C. Appenteng became the first Ghanaian entrepreneur to join the board of directors of the National Investment Bank in 1971.[30]

Perhaps the most significant pro-local business measure Busia's government took was the Ghanaian Business Promotion Act. It fast tracked and widened the scope of Ghanaianization initiated by the NLC, which had set a five-year deadline for foreign participation to end in sectors reserved for Ghanaians. The PP regime moved all the dates forward, in some cases to as little as one month. Moreover, it expanded the scope of the sectors reserved for Ghanaians.[31] The PP government's promotion of local business was unprecedented, as it sought to accentuate the differences between its capitalist bent and Nkrumah's socialism. It must be noted, however, that the PP was closely aligned with business. In fact, many of the PP government's leaders, including Victor Owusu, the attorney general, and J. H. Mensah, the minister of finance, were in business. This blurred the distinction between politicians and entrepreneurs, prompting references to the PP as the "party of businessmen." In short, Busia's victory enabled Danquah–Busiaist entrepreneurs to recover lost ground after their failure to accede to power at independence caused a further setback to their business interests.

It is relevant to highlight three points before proceeding. First, Ghana's two-party system, pitting a leftist/socialist tradition and a center-right/capitalist tradition, had been firmly established by the early 1970s. Second, all subsequent administrations, including military regimes, would hew to one or the other of these traditions. Thus, the traditions transcend party politics to include a struggle for ideological hegemony. The NLC's efforts to dismantle Nkrumah's socialist state bear this out. Third, while ideologies are important, it would be a mistake to assume that the battle is simply animated by ideological differences; class distinctions are also critical. Nkrumahist rhetoric, as noted earlier, privileges the "common man." In practice, the picture is more complicated.

Busia's government was ousted in a January 1972 coup. The National Redemption Council, (renamed Supreme Military Council in 1975), led by Colonel (later General) I. K. Acheampong, revived the left-right battle in Ghana. Acheampong initially favored the Nkrumahist path, objecting to Busia's liberal economic policies, which he saw as a capitulation to capitalism. Acheampong's "aim," he said, was "to use state power to capture the commanding heights of the economy and to control it in such a way that its development will not go to benefit only a few handful of well-placed Ghanaians."[32] Accordingly, he reintroduced comprehensive administrative rationing of import licences and foreign exchange, and widened the scope of price controls, reinstating distributionist policies.

Acheampong's restoration of statism and extensive controls narrowed the scope of the private sector, but it was not, as is often suggested, unambiguously ruinous to business. His socialist bark proved to be worse than his bite. Not only did he improve the provisions of the Ghanaian Business Promotion Act, but he also indigenized small-scale industries.[33] Besides, Acheampong often met business leaders and attended the inauguration of private firms. Indeed, he and several other key officials developed close ties with some top entrepreneurs, thereby disappointing those who had expected a more radical agenda.

What proved decisively harmful to business was the adoption of misconceived macro-economic policies, such as the insistence on maintaining a vastly overvalued *cedi*, together with the mishandling of import license allocation. It led, over time, to the rise of "contractors," officials, their wives and girlfriends, who obtained the coveted licenses and resold them for huge profits.[34] Government-business relations became increasingly personalized, as officials cemented patronage ties that damaged business cohesion. Appeals to Acheampong and his officials for assistance fell largely

on deaf ears. In 1976, one business association, for instance, feared that the license allocation system threatened its very existence, noting that certain expatriate firms tended to be more successful in winning the favor of the allocation officials than Ghanaian firms.[35] It is noteworthy that, while officials justified the import license system on the grounds that it protected the public interest, it actually served a select and diminishing number of individuals, particularly cronies of the regime. In addition, the beneficiaries were not, in most cases genuine, experienced entrepreneurs, but racketeers who salted most of their profits into overseas bank accounts.

This increasingly closed system of rent-seeking occurred amidst a collapsing economy and the rise of kleptocracy. Members of Acheampong's regime became blatantly and massively corrupt. In one extreme case, a whole shipload of cocoa, Ghana's most valuable export commodity, was supposed to have disappeared at sea. Amid intensifying pressure to restore constitutional rule, members of Acheampong's government forced him to step down in July 1978, ushering in the Supreme Military Council II. Ahead of a planned return to multiparty democracy and growing expectation that the SMC II would give a blanket indemnity to its members and those of the SMC I, the Armed Forces Revolutionary Council (AFRC) seized power in June 1979. Flight Lieutenant J. J. Rawlings, who had led a failed coup the previous month and was in jail, was made leader of the AFRC. The AFRC executed all three ex-military heads of state and five other senior military officers.

The AFRC was exceptionally hostile to capitalists. It blamed Ghana's economic woes on "some businessmen who . . . dupe the country through trade malpractices and other anti-social activities."[36] It had no coherent economic policy other than energetically enforcing price controls and launching a brutal campaign against corruption. It dramatically and symbolically razed Accra's Makola Market, which it regarded as the bastion of corruption. The AFRC also created special courts to try many prominent entrepreneurs on charges of "crimes against the state," which consisted primarily of fraudulent acquisition of import licenses, tax evasion and alleged "profiteering." Among the notable cases of business seizures was the multi-million dollar TATA Brewery. Scores of capitalists fled Ghana.[37]

After overseeing the planned return to constitutional rule, the AFRC handed over power to Limann and the People's National Party (PNP), victors of the 1979 elections. The PNP, having won by claiming the Nkrumahist tradition, displayed quite astonishing inertia and ineptitude in its handling of the economy.[38] Seizing on damaging scandals and allegations of corruption involving senior officials, Rawlings, who had threatened

to overthrow Limann if he failed to combat corruption, made good his threat on 31 December 1981, ushering in the Provisional National Defense Council (PNDC).

In hindsight, Limann's government was doomed. The mutineers of June 1979 had initiated what, in Bayart's (1993) parlance, one might term a revolution of the "social juniors."[39] It is notable, for example, that no officer above the rank of major participated in the coup or served on the AFRC—a marked departure from past coups that reflected the level of disenchantment with the military establishment and with the old political elite more generally. The 1979 coup birthed several radical left-wing organizations that transformed Ghana's puny left into a formidable political force.[40] While their ideological leanings ranged from dependency to neo-Marxism, all claimed links to Nkrumah. Having lacerated Limann, they now extended their critique beyond corruption to the nature of prevailing state-society relations more broadly, and sought radical change.[41] The revitalized left, together with Rawlings' personal popularity with wide sections of Ghanaian society, put Limann in a no-win position.

Rawlings' return to power strengthened the radical leftist groups. Some gained considerable influence in the PNDC. The inevitable result was a cacophony of views on how to revitalize an economy that was by then in a full-blown crisis. Riven by factional disagreements, the PNDC was crippled for about fifteen months. The factions agreed, however, that Ghana's woes stemmed from exploitation by foreign capitalist interests with the connivance of local "compradors." Any deal with the International Monetary Fund (IMF) or World Bank was not only an anathema, they also called for severing Ghana's ties with global capitalism. Distrustful of the profit motive, they espoused socialism and the destruction of the position of the "propertied classes."[42]

Rawlings initially shared the view of extricating Ghana from global capitalism. However, he became increasingly critical of that position, especially as the radical leftists failed to provide a viable alternative to an IMF deal. He increasingly sided with a group of technocrats who had concluded that, given the gravity of the crisis and the scale of assistance required, an IMF deal was the only practical solution. It bears emphasizing, however, that Rawlings did share with the leftists an aversion to capitalism, as well as a belief that the hardship experienced by most Ghanaians over the last decade or so was partly the fault of unscrupulous, corrupt entrepreneurs in collusion with government officials. He may not have believed in pursuing a "socialist" path, but he certainly wanted to make an example of entrepreneurs in order to rid Ghana of corruption.

Aversion to capitalism and a desire to scapegoat capitalists being the common denominators, the PNDC and allied populist groups and quasi-judicial bodies or "counter institutions of state power" circumvented and weakened middle class domination, hounding capitalists.[43] With the regime's tacit approval, defense committees routinely decried capitalists as "saboteurs," and subjected them to searches, detentions, intimidation, and interrogation, thus challenging their legal right to private property.[44] Indeed, they rarely distinguished between public and private property, calling for nationalization of private businesses and other assets. Some defense committees unilaterally seized private firms and turned them into "people's property."[45] Such acts and fiery anti-capitalist government rhetoric stigmatized the ownership of private property and wealth and gravely threatened capitalist entrepreneurship.

Talks with the IMF prompted neo-Marxists within the PNDC to join forces with radical groups to launch a failed attempt to block them. The failure of the radical leftists paved the way for the PNDC to launch market reforms in April 1983. Rawlings described the change in direction in a nationwide radio and television broadcast:

> We can no longer postpone the time for halting the populist nonsense …. Production and efficiency must be our watchwords. Populist nonsense must give way to popular or unpopular sense . . . to scientific sense, whether it is popular or not. Many of us have spent too much time worrying about who owns what. But there can be no ownership without production first. The only resources which do not have to be produced are those given to us by nature . . . Everything else has to be produced, and until we all fully recognize and act upon this fact, we shall be deceiving ourselves with empty theories.[46]

This speech supposedly marked the dividing line between the Marxist-dominated PNDC and a more pragmatic PNDC that emerged thereafter. It proceeded to implement what is generally recognized as the most comprehensive SAP in Africa, while being antipathetic to capitalists.

The PNDC therefore seemed schizophrenic. It moved Ghana farther and faster than any other African country in regard to liberalization, bucking the trend toward phased liberalization. In Nigeria, for instance, economic liberalization proceeded slowly and, as regards tariffs, there was actually partial de-liberalization.[47] Ghana, as the Bank itself noted, went farthest in Africa in "reaching low tariff-based protection and free trade."[48] The PNDC devalued the *cedi*, which, after Busia's overthrow, presumably

for devaluing the cedi, was considered a kiss of death. Over the period of eighteen months after March 1983, the *cedi* was devalued by a massive 1818 percent making it worth 5.5 percent of its prior nominal value. Also, unlike its predecessors, the PNDC ignored calls to intervene by, for example, imposing quotas on imports to protect "local industries from extinction."[49] By 1992, 1,200 local industries—mostly garment, leather, metal and pharmaceutical—had failed.[50] Between 1995 and 1999, an average of over 470 firms collapsed each year.[51] Repeated devaluations, credit ceilings and high interest rates caused further complications for manufacturers because, as the cost of production rose, imports became cheaper. Limited access to loans to import upgrading equipment and the ever-rising cost of locally manufactured goods made such goods increasingly uncompetitive.

Despite its commitment to market reforms, the PNDC resented business, refusing to consult with business for years. Rawlings reputedly rebuffed World Bank pressure to meet personally with business leaders, saying "they are the people we made our revolution against." Besides, the PNDC continued to confiscate businesses and other assets, and Rawlings personally led soldiers to forcibly shut down business. Many of Ghana's top entrepreneurs were hit with crippling fines and prison terms ranging from five to sixty years. As the most decisive voice in matters of government-business relations, Rawlings insisted that Ghanaian capitalists were unequivocally and irredeemably corrupt. Some were certainly corrupt, but the evidence shows the principal motivation for the persecutions was that the affected individuals were almost always political opponents. It is worth noting that prosecutors could convict nearly anyone who did business during the Acheampong era, when entrepreneurs really had little choice but to engage, to some extent, in corruption and other technically illegal practices. The prime responsibility, arguably, lay not with capitalists themselves as much as with the array of government regulations and their abuse by parasitic government officials.

Transition to Democracy and the Fourth Republic

Ghana's rancorous transition to democracy in the early 1990s involving opposition accusations that Rawlings' National Democratic Congress (NDC) enjoyed unfair advantages exposed Rawlings' claim of fighting corruption in the business community as dubious. When he won the presidential election of 1992, the opposition parties, citing electoral fraud, disputed it and boycotted the subsequent parliamentary elections. Sporadic

riots erupted in several major cities, most notably Kumasi, the political nerve center of the New Patriotic Party (NPP), the main opposition party, where a dusk-to-dawn curfew was imposed. Bombs were detonated in Accra, Ghana's capital. The rancorous political milieu that preceded and followed the elections stoked the mutual loathing between Rawlings and leading capitalists. The latter had been longing to be rid of Rawlings owing to the punitive actions that both his AFRC and PNDC regimes took against them. Leading capitalists formed part of the nucleus of the group which formed the Danquah-Busia Memorial Club in the late 1980s, from which the NPP emerged in 1992. Several leading capitalists who were opposition politicians deployed their wealth to see off Rawlings. Of the six candidates who vied for the NPP presidential nomination in 1992, three—K. Safo-Adu, J. A. Addison and J. A. Kufour—were businessmen. Thus, the latest reincarnation of the Danquah–Busia tradition featured the usual cast of characters, that is, entrepreneurs-cum-politicians, in the leadership and again with staunch "big" business backing.

Rawlings' main reason for disliking wealthy entrepreneurs originally lay in the fact that they had been able to thrive during the Acheampong era by compromising with corruption. On the eve of democratization, however, his main concern was their association with the opposition and their possession of the wherewithal to mount a serious challenge to his retention of power. Consequently, the PNDC banned foreigners and private firms from making financial contributions to parties and limited individual contributions to a maximum of C200,000 ($200). The latter measure was later revised, in response to both domestic and external pressure, to allow founding members to donate as much as they wished and ordinary members up to C1 million.[52] Rawlings saw the restrictions as crucial to prevent parties from becoming the "vehicles of cliques of financial moguls."[53] Given events such as the Chiavalli scandal, Rawlings' concerns were, to some extent, probably genuine.[54] But the main motive was to hobble the NPP, which in addition to enjoying the backing of most of Ghana's wealthiest entrepreneurs, also enjoyed the support of the bulk of its professionals. Thus, Rawlings said he hoped "to keep those punks out" of power "by stipulating restrictions on the financing, leadership and *modus operandi* of political parties in a new constitution."[55] While the curbs were probably breached, violators courted potential danger because the law required political parties to declare the sources of their revenues and to publish their audited accounts annually. Boahen, the NPP's presidential candidate in 1992, told this author in an interview in 2000 that the potential risks

deterred many probable donors from contributing. He recalled instances of secretive night donations and donations on condition of anonymity—wise precautions as some top entrepreneurs were soon to discover.

The NDC did not associate itself explicitly with either of the two political traditions. However, given that squabbling among Nkrumahist leaders was causing the alienation of their own potential supporters, NDC leaders opportunistically cultivated the support of such people by exploiting Nkrumah's legacy whenever it suited their purposes. In that mode of operation, they exhumed and reburied Nkrumah's remains in Accra and built a mausoleum in his name. Rawlings had preceded this with a well-orchestrated visit to Nkrumah's birthplace. Moreover, NDC leaders, including avowed Nkrumahists such as Kojo Tsikata, Ebow Tawiah and Kwamena Ahwoi, frequently asserted that they saw the NDC as the natural "home" for Nkrumahists. There was a certain plausibility to such claims insofar as Rawlings' energy, populist style and avowed "concern for the common man" clearly echoed important political characteristics of Nkrumah.

Despite the major difference in their economic policies, Rawlings, like Nkrumah, tended to see small entrepreneurs far more favorably than large entrepreneurs. This was partly because they viewed the former as part of the "masses," and thus part of their political base. It also aligned with their shared populist resentment of wealthy entrepreneurs and their political allies. Consequently, Rawlings organized pro-NDC associations of small entrepreneurs. In January 1993, for example, he created a Council of Indigenous Business Associations (CIBA)—an umbrella body comprised mainly of small- and medium-scale indigenous business groups.

Rawlings had other motives for courting such entrepreneurs. Businesspeople provide vital resources for mobilizing supporters and a client base that parties can tap into. In Ghana, Rathbone writes "the man with money is a powerful figure . . . . He is significant not just because of his probable moral influence, but because the socio-economic context of low employment and a family-based social system make him a patron who can command considerable personal support."[56] For both historical reasons and in response to Rawlings' fraught relations with big capitalists, they were largely aligned with the NPP. CIBA was created partly to offset this; its members proved to be vital in providing both political and financial support to the NDC.

For rich entrepreneurs hoping, through their political wing, the NPP, to defeat Rawlings and thus pave the way for their economic ascent, Rawlings' victory left them exposed to the full weight of government disfavor, and swiftly too. A day before the Fourth Republic was instituted on

January 7, 1993, Rawlings signed twenty-three new decrees to confiscate the assets of several entrepreneurs retroactive to 1982.[57] This closed the chapter on confiscations. Henceforth, sabotage, both covert and overt, would be deployed against opposition-aligned capitalists.

The new government quickly attempted to pass a bill to establish a Serious Fraud Office (SFO) with broad powers to monitor, investigate and prosecute an unspecified number of frauds and economic crimes. As originally conceived, the executive director of the SFO was to be empowered to "freeze assets and bank accounts of a person being or about to be investigated," and apply to the high court or regional tribunal for confirmation.[58] The unions, the private sector, the private media and the opposition were all quick to note the striking parallels between the proposed SFO and the PNDC's quasi-judicial bodies. The bill was decried as a cynical attempt to resurrect these bodies and to deploy them against opponents, especially entrepreneurs. The SFO bill caused such a storm that a watered-down version of the original was eventually passed. This major coup signaled that civil society took democracy seriously. The judiciary, too, quickly asserted itself.[59] The almost instantaneous impact of democracy became clear.

Opposition-aligned entrepreneurs, now under closer scrutiny, experienced harassment and sabotage, as the government began to make a clear-cut distinction between *friends* and *foes* in business. The immediate post-election period also witnessed a surge in the use of intimidatory rhetoric. The most infamous case occurred on June 4, 1993, when, in a speech marking his 1979 coup, Rawlings denounced several of the most important capitalists—A. Appiah-Menkah, K. Darko, S. C. Appenteng, J. Frimpong-Ansah and J. A. Addison. He sought to delegitimize their businesses and urged a boycott of their goods, provoking an outcry.[60] This was not just overtly partisan and divisive, it also jarred with Rawlings' proclamation of the private sector as the engine of growth in his parliamentary address in April 1993, during which he said: "If in the past any impression was given that my government was against the private sector, I would like to take this opportunity to dispel that notion as totally wrong and misconceived."[61]

In reply to the intense criticisms, Rawlings gave an interview, which the *Daily Graphic* (June 19, 1993) described as a "reaction to attempts by a section of the tabloids to give the impression that President Rawlings does not like Ghanaians who have been successful in private business."[62] The ostensible purpose of this interview, then, was to clarify his position. In reality, he sought to delegitimize opposition capitalists even further and, in the event, simply succeeded in heightening fears and confirming what

entrepreneurs already knew. Rawlings covered several relevant issues in his fraught relationship with the business community. Explaining why he had made the original speech, Rawlings argued that while the "have-nots" had won the "political field" under his rule, the "economic field" was still controlled by their enemies. The next phase of the struggle, he said, was therefore in the economic arena. Hence, it was detrimental to the interests of the poor to patronize the goods of political opponents. "Your money is similar to your vote. If you buy soap from the Appiah-Menkahs, salt from the Appentengs, cloth from the Frimpong-Ansahs . . . you must know that you are enriching them to finance their own party."[63] This telling inadvertent slip of truth implied that partisan politics had motivated some of his heavy-handed actions against certain capitalists.

Rawlings also acknowledged the common belief that he was "anti-rich," and sought to dispel this "myth." He explained that he fully supported honest business; the "big men" he had mentioned were guilty of fraudulently obtaining loans to fund the NPP. He disingenuously claimed that his party boasted "successful and industrious men and women of integrity." When asked whether his revelations (including information regarding bank debtors) did not breach the confidentiality of banks, he insisted that the public had a right to know debtors. He therefore considered it legitimate to reveal the identities of debtors. This could hardly have reassured a skeptical public, especially as his PNDC government had forced banks to provide details of wealthy citizens' bank accounts. Later in the same interview, Rawlings accused his opponents of selling "state enterprises cheaply to themselves and (using) state funds to purchase them," implying criminal acts. More explicitly, he "told his . . . audience to be wary of rich businessmen who had amassed wealth . . . some of them through stealing, and lamented that the businesses that would have belonged to those in the audience in Nkrumah's time are now in private hands, which use the money for . . . financing political parties."[64] By implying that these "thieves" had robbed Ghanaians of their national heritage, Rawlings incited hatred toward capitalists and also revived the controversy that had surrounded past privatizations.

This episode marked a new low in Rawlings' relations with business. Indeed, as Jonah astutely observes, state-civil society relations saw their most remarkable failure in government-business relations. And, despite having pursued the most liberal economic policies, the regime's continuity was unappealing to the business community. Its "history," Jonah writes, "is punctuated with punitive confiscation of businesses, slander and

blackmail of businessmen. Even under the Fourth Republic verbal attacks on Ghanaian businessmen" persisted.[65] The denunciation of capitalists for distinctly partisan aims was telling, as even during the PNDC era such attacks had been veiled in anti-corruption terms.

The criticisms forced a chastened Rawlings to rethink. The regime appointed Appiah-Menkah, one of the capitalists whom Rawlings had accused of fraud and a known opponent, to head a new private sector group.[66] Although the group soon unravelled amid rancor and allegations that the regime was not genuinely committed to improving relations with business, its creation and Appiah-Menkah's appointment were significant gestures that would have been inconceivable during the PNDC era when Rawlings demonstrated remarkable tone deafness. Under democratic governance, he could not so easily get away with harassing businesspeople.

But democracy had limitations. As the 1990s progressed, the NDC continued to sabotage political foes and serve as the vehicle for the advance of a new set of business interests closely linked to its own leaders. So effective was this two-pronged tactic that by the time the Rawlings era ended on January 7, 2001, the face of Ghanaian business had changed significantly. Much of the old business elite was ruined, almost totally supplanted by a new crop of PNDC-aligned capitalists. Having said enough about opposition-aligned capitalists, it is relevant to look at how the P/NDC, that is, the PNDC and the NDC, dealt with allies who fell into disfavor as well as the rise of loyalists. In addition to illuminating the continuing risks faced by those who dared to align with the opposition, this also serves as a contrast to the dividends earned by loyalty to the P/NDC. The illustrative cases that follow highlighted continuing threats to private property.

In April 1999, soldiers demolished a four-star, two-story, sixty-five-room hotel in Accra. The Accra Municipal Assembly claimed responsibility for razing Piers Hotel, valued at $5 million along with all the movable property in it, insisting that the hotel had been built on a waterway and that it would compound Accra's poor drainage system and put lives and property at risk.[67] The hotel's owner, Yusuf Ibrahim, once a "top financier and an inner core member of the NDC,"[68] had dared to join the Reformers—a faction within the NDC. Another equally dramatic case that illustrated the continuity of personal rule and of the risks in falling out with Rawlings occurred in January 2000, when the parents of a young man who had broken off his relationship with one of Rawlings' daughters watched as soldiers razed thirty-five houses built by their real estate firm. It was claimed that the land was not legally theirs. A third case combined drama and political theater in the closing

months of the Rawlings era. In August 2000, the Reformers formally founded the National Reform Party. Its presidential candidate, Augustus Tanoh, had been a close associate of Rawlings and had a long career serving under him. Once he fell out with the NDC, however, not only was his business sabotaged, the NDC also alleged that Tanoh had criminally misused state-guaranteed loans for his political ambition and called for the SFO to investigate him.[69] Rawlings publicly called Tanoh a "traitor," claiming: "Not a single member of this Government has been assisted with so many billions as this man."[70] He also publicly rebuked his ministers: "You people without my permission gave him additional loan," unwittingly exposing cronyism within the P/NDC as well as the price of disloyalty.[71] This case also rekindled the politicization of banking and credit policy—an issue of great concern in the business community. Not only did officials appear to have been aware of who had borrowed money, they also appeared to have had a say in to whom banks could give loans. Further, it evoked Rawlings' June 19, 1993 *Daily Graphic* interview, in which he all but named opposition capitalists who had taken bank loans. In that interview, he accused the then managing director of the National Investment Bank of being an NPP sympathizer and of fraudulently granting loans to NPP "big men," and fired him.

In sharp contrast, NDC stalwarts benefitted from loans (some guaranteed by the state), grants, lucrative contracts, implicit exemption from payment of taxes, acquisition of public enterprises and other incentives. These avenues catapulted NDC insiders to the top echelons of business. Owing to space constraints, only two cases are presented here.[72] The Ahwoi brothers (Kwamena, Kwesi and Ato), had been key players in both the PNDC and the NDC.[73] Prior to entering politics, they had all been civil servants with no business background. With a state-guaranteed loan rumored to be $30 million as starting capital, they steadily built a business empire that included a waste disposal firm that enjoyed a profitable contract with the city of Accra, hotels and a haulage company. But their flagship business was Cashew and Spices Products, or Cashpro, the leading private cocoa and cashew buying company in Ghana.[74] A confidential interviewee revealed that they had also acquired large tracts of prime land. Former First Lady Nana Rawlings also to came to own numerous business interests. She was widely believed to be co-owner of the soft drink manufacturer D&C, which declined my requests for an interview. She used the 31st December Women's Movement (DWM), her personal vehicle, and its subsidiary, Caridem Corporation, to acquire several privatized assets—the GIHOC Cannery, GNTC Bakeries, GIHOC Brick and Tile, GNTC

Supermarket and the former State Transport Corporation, and so on. Nana Rawlings was rumored to own a number of petrol stations and supermarkets in Accra and other cities. She also allegedly owned shares in several hotels, including Accra's La Palm Pleasure Beach Hotel. Using the DWM, she allegedly accessed state-guaranteed loans in the millions of dollars.[75]

The meteoric rise of the new accumulators, many of whom lacked their own capital, was constructed upon the dissolution of the existing capitalist class. The NDC, initially the party of a quasi-revolutionary campaign against corruption, ended up in the same vices. This implies that the earlier characterization of the PNDC as anti-business is something of an oversimplification. The quasi-revolutionaries proved to be as acquisitive as any previous generation of aspiring entrepreneurs before them. The similarities between Rawlings' NDC governments of the 1990s and Nkrumah's CPP government are striking.

The 21st Century

By the turn of the twenty-first century, then, business remained as politicized as it had ever been in Ghana. Democratic institutions—a relatively autonomous judiciary, greater opposition influence, a critical private media and a generally alert civil society—constrained the political leadership and widened the political space. Under the successor government of J. A. Kufuor of the liberal Danquah–Busia tradition, the pendulum swung the other way. Even more than its genealogical relative, the Busia regime, Kufuor proclaimed a "golden age of business" during his inaugural speech, becoming the first leader in Ghana to do so. Busia's government had been pro-business, but the anti-capitalist undercurrent that prevailed at the time probably dissuaded Busia from making such an open declaration. Rawlings' pursuit of neo-liberal policies had prepared the ground for Kufuor and it may well be one of the former's most important legacies, although, as argued here, he was conflicted about it. The irony of a populist leftist helping to make capitalism more palatable in Ghana is striking.

Kufuor acted on his golden age of business pledge by creating a ministry of private sector development, also a first in the history of Ghana. In its manifesto for the 2000 election that brought Kufuor to power, the NPP promised assistance to Ghanaian entrepreneurs. It had accused the NDC of neglecting industrialization, of having pursued a "policy of passive inaction" and of failing to support the local private sector. Consequently, "much of Ghana's nascent industrial capability has been allowed to crumble through an indiscriminate liberalization of imports."[76] It promised

a robust industrial policy involving close collaboration between the state and local business, claiming that this was its forte. The P/NDC, by contrast, had "frustrated many entrepreneurs who could have led Ghana into its emancipation from poverty as has been done elsewhere."[77] The NPP promised to establish an investment fund to assist private firms. Allocations would be based on profit rather than political expediency.[78] In short, an NPP government would be very different from the P/NDC. Where the former had done little to assist local industry, the latter would provide assistance. Also, where the P/NDC had been motivated by political calculations in whatever assistance it provided to business, NPP assistance would be merit-based. The NPP's suggestion that it would protect local manufacturing industries would obviously have put it at odds with the World Bank and the IMF.

In practice, the promise of a total departure from the Rawlings era never materialized; the IFIs had not abandoned their longstanding objection to state intervention in the economy. Ghana's enrollment in the heavily indebted poor countries (HIPC) program under the Kufuor administration meant that even more restrictions were imposed on it, limiting its policy options and ability to defy the IFIs. The NPP government, in any case, subscribed to a liberal economic philosophy, and followed neo-liberal policies even more faithfully than Rawlings' NDC governments. Consequently, the descent of Ghanaian industry continued. Kufuor did devise a solution, or perhaps more accurately a mitigating strategy, the high-profile President's Special Initiative (PSI). It sought to identify and develop potential business opportunities in Ghana and settled on four areas as deserving of special support and promotion: textiles and garments, salt mining, oil palm, and cassava starch production. These sectors were regarded as potential drivers that could propel economic growth and create wealth. As well, they were believed to have vast export potential. Lastly, they were unlikely to cause friction between the government and the IFIs because, of the four sectors selected for promotion, only textiles and garments had traditionally been imported to Ghana in significant quantities. Despite being the president's pet project and being "accorded maximum political, financial and technical support" that enabled it to avoid the delays typically associated with regular government programs in Ghana, the PSI failed.[79]

Having interviewed entrepreneurs in the textiles and garment industry in 2000, this author did follow-up interviews in 2010 to ascertain what impact Kufuor's effort to boost the sector had had. I came away with several conclusions. First, a sizeable number of the businesses where I had conducted interviews in 2000 were no longer in business. Second, of

those that were still operational, many were on the verge of collapse. Third, none of the firms at which I had conducted interviews in 2000 was particularly hopeful about the prospects of turning the corner. Fourth, and perhaps most interestingly, the PSI program had, as one interviewee put it, “not been intended for us.” He went on to explain that instead of assisting existing firms that already knew the terrain and understood the challenges that the textiles and garment sector faced, the PSI had sought to create new companies owned by people with political ties to Kufuor’s administration. This was symptomatic of a broader sense that despite its enthusiastic support of the private sector, the Kufuor government had directed assistance to political insiders and their families and friends. Kufuor himself, it was frequently suggested, had led the way. In other words, the Kufuor government was a replay of past governments tendency to privilege political concerns over and above economic rationality.

In my 2010 interview with Kwamena Bartels, who had been minister of private sector development, he was at pains to point out that the Kufuor administration had done better for the indigenous private sector than any previous government. He was especially proud that Kufuor’s government was starkly different from Rawlings’ governments. He pointed out the fact that it had reduced corporate tax, that Kufuor held biannual meetings with business leaders to solicit their opinions and feedback, and created a more congenial environment for business, which had been duly recognized by, among others, the World Bank’s Doing Business in Africa reports. He argued, moreover, that unlike the Rawlings era, no entrepreneur had been threatened or intimidated and no business had been confiscated. He stressed the importance of “protecting the sanctity of private property,” maintaining that loan and grant programs provided by various countries in the global North had been used to assist entrepreneurs without regard to their political affiliation and that all this distinguished Kufuor’s government’s record from that of Rawlings’ governments.

While the Kufuor government was certainly more pro-business, comparing it to the P/NDC was not particularly useful; any government would look better than the P/NDC. What seems useful, in the end, is whether the Kufuor government broke the mold of the long pattern of the fortunes of business ebbing or flowing, often depending not on their entrepreneurial skills but on their political affiliation. True, P/NDC aligned entrepreneurs were not actively targeted for destruction, but they were certainly not given a fair shake in the award of contracts, in accessing government-sponsored or controlled credit programs, and so on, that are

vital to business success. Moreover, the NPP government did prosecute some of the most egregious cases of corruption such as Nana Rawlings' acquisition of numerous privatized assets at giveaway prices that were never paid. Predictably, the NDC and its sympathizers described this as a political witch-hunt. But it was "political" only in the sense that it occurred under an NPP government. Ghanaian regimes usually shield their own corrupt figures. Kufuor's prosecution of NDC figures under a "zero tolerance for corruption" policy proved farcical as corruption touched the highest levels of his government. One can only conclude that Kufuor's government promoted political insiders and their allies. Remarkably, many NPP-aligned businesses that "died" during the long night of the Rawlings era had sprung to life during the Kufour years. To give just one illustrative example, Appiah-Menkah, a very successful entrepreneur whose business totally collapsed during the Rawlings years, made an extraordinary comeback. In 2000, when this author first met him, Apino Soap, his soap-manufacturing firm, was guarded by a lone watchman. When I visited the site in 2010, it was fully functional, having benefitted from a state assistance program. There were other parallels that, together, showed the reemergence of many of the capitalists the P/NDC had decimated over nearly two decades of business confiscations and attrition.

In stark contrast to the beneficiaries of state assistance, NDC-aligned entrepreneurs declined. Two examples will suffice here. During the NDC years, Eddie Annan, an NDC stalwart, gained some of the most coveted procurement contracts. He enjoyed a near-monopoly on the supply of computers, computer hardware and software to state institutions. Also, the state-run Golden Beach Hotels and the national pension and insurance fund, reportedly bought no other vehicles except Seat models for which Annan was the agent. Further, he was contracted to rehabilitate Ghana's main harbor at Tema.[80] During the Kufuor era, Annan was knocked off his perch by NPP-aligned businesses, leading to a sharp decline in his business fortune. A similar fate befell the Ahwoi brothers. Their business interests and activities came under intense scrutiny during the Kufuor years when it was discovered that Cashpro, their most successful business, owed huge sums of money to the state-owned Agricultural Development Bank (ADB). The ADB had grave liquidity problems that threatened its viability partly because it had allegedly granted excessively large loans to Cashpro.[81] This prompted investigations into the activities of the Ahwois. In the end, they were not charged with any crimes, but the intense, mostly negative scrutiny cast Cashpro in a bad light. Meanwhile, others were encouraged to enter the cocoa and cashew buying business, as

a result of which Cashpro lost its preeminence. All told, Kufuor's golden age of business meant an improved environment for business, but capitalists did not benefit equally. Nepotism and self-dealing served as major avenues for the ascent of NPP allies; political opponents, denied of such privileges, declined.

The NDC swept back to power in January 2009 under the leadership of Dr. J. E. A. Mills who had been Rawlings' vice-president from 1997 to 2000. Rawlings orchestrated Mills' rise to power, so it was not entirely surprising that he sought to exert what was generally regarded as undue influence over Mills. In particular, Rawlings sought to inject his particularly polarizing partisan politics into Mills government, calling for Mills to swiftly prosecute some NPP associates, including a number of entrepreneurs, for corruption. Mills, eager to chart his own path, rebuffed Rawlings, insisting that any prosecution would have to be congruent with the law. Thus, Mills kept an arms-length relationship with prosecutors and the courts, deepening democracy. Like Kufuor, he eschewed overtly partisan harassment or sabotage of opposition-aligned entrepreneurs to become the first leader of the nominally left-leaning and populist NDC to break with the party's history of harassing capitalists. This was especially significant because he was not only an avowed Nkrumahist, but had also studied at the Nkrumahist training center, the Kwame Nkrumah Ideological Institute. It was indicative of the broader embrace of the capitalist ethos in Ghana.

Mills' victory tipped the scales back in favor of NDC-aligned entrepreneurs, however. The ascension of insiders featured some familiar figures as well as fairly new ones. These included the Ahwoi brothers who had staunchly backed Mills during his long run for president. The setbacks of the Kufuor years were soon overcome, as they combined political, business and technocratic savvy to expand their business empire. With Ato Ahwoi's accession as Chairman of the Ghana National Petroleum Company (GNPC), a milch cow after Ghana became an oil-exporter in 2010, the brothers struck gold. NPP-aligned figures who had dominated GNPC during Kufuor's presidency were purged.[82] Two Ghanaian minority partners in Jubilee oil and known NPP allies, were forced to sell their interest in July 2011 on suspicion that Kufuor's government had improperly granted them "sweetheart deals."[83] One suspects that NDC insiders availed themselves of similar deals.

Mills passed away in July 2012 and was succeeded by vice-president John D. Mahama, who was elected president later that year. Over the course of the Mills–Mahama administrations, Mahama's brother, Ibrahim

Mahama, a hitherto relatively unknown entrepreneur, made one of the most spectacular ascents in the history of business in Ghana. Ibrahim's businesses include what is reputed to be one of the largest poultry farms in Ghana, a real estate company, and Engineers and Planners (E & P), which deals in the management and rental of heavy duty plants, equipment and machinery, haulage, oil and gas, land reclamation and restoration, and dam construction. Favored in the award of contracts (allegedly through negotiation instead of open and competitive bidding), E & P came to dominate in its areas of operations. Ibrahim's swift rise amplified criticisms of the incestuous relations between government and business. Revelations after Mahama's defeat in the presidential election of 2016 show that Ibrahim owed some C12 million (about $4 million) in import taxes to the state. He failed to pay another C1 million in mandatory contributions towards employees' pension. Thus, Ibrahim had enjoyed implicit non-payment of taxes, using money owed to the state as capital. Denunciations and the threat of prosecution have since forced him to pay up.

Does all this mean that to be successful, Ghanaian capitalists must align with politicians? There is no simple, clear-cut answer to this question. There are certainly very successful capitalists who are not dependent on political ties. One thinks of figures like Dr. Kwesi Nduom, but they are few and far between.[84] Party politics makes it hard for entrepreneurs to be autonomous of politicians who, along with their surrogates, pressure entrepreneurs to donate or risk being penalized. Entrepreneurs who submit to incessant requests for donations, must recoup their "investment." Hence, it is quite common for entrepreneurs to hold membership cards of both major parties in Ghana. Inevitably, even confident, self-assured capitalists are sucked into politics. The story of Ken Ofori-Atta, Ghana's current finance minister, provides an illustrative example. An accomplished investment banker who set up several businesses in Ghana in the 1990s, including most notably Databank, he was somewhat apolitical until politics imperiled his holdings. Then he openly aligned with the NPP. His fortunes rose during the Kufuor years, but shareholders pulled out in large numbers after the NPP lost power. The party's return to power in 2017 and his rise as minister of finance will reverse this. But in my many interviews with capitalists, they unequivocally yearn for de-politicization of business, saying that whatever benefits accrue are cancelled out later on. Entrepreneurs navigate this minefield by "double dealing," that is, they try to appease both parties, but as shown here (for example, Yusuf Ibrahim), it is fraught with risks.

Political interference is hardly the only hurdle to capitalist development in Ghana. While policy measures such as trade liberalization, devaluation, and high interest rates were considered vital to the success of SAPs, they created major problems for Ghanaian entrepreneurs. I have already shown that trade liberalization and the steady flow of imports led to the collapse of Ghanaian industry, previously shielded behind high tariffs, restrictive quotas and an overvalued *cedi* that made hard currency cheap. In this environment, businesses had little incentive to upgrade and many had been relatively inefficient, or at least, had not been able to achieve the economies of scale that would enable them to compete successfully against imports. The influx of cheap imports has ruined Ghanaian industry. In its latest report of the state of the Ghanaian economy, the Institute of Statistical, Social and Economic Research (ISSER) notes that the manufacturing sector has maintained its steady decline.[85] As has been frequently remarked, free trade has turned Ghana "into a nation of shoppers and storekeepers with very little manufacturing or industrial activity."

I have also discussed devaluation, another major adjustment measure. Intended to spur exports and limit imports and thus boost economic growth, devaluation in Ghana has tended to be drastic rather than gradual. Businesses that borrow in foreign currency struggle to repay such loans because "the value of the *cedi* was declining at a rate far higher than any profit these businesses could have made."[86] At the beginning of 1999, a dollar was worth C2400. By the end of 2000, one dollar was worth more than C7000. In the first half of 2015, Ghana's currency was the worst performer in Africa against the dollar.[87] Because devaluation fuels inflation without maintaining export incentives, even exporters, the ostensible beneficiaries of devaluation, prefer a more stable *cedi*, noting that instability makes planning extremely difficult and investment very risky.

The cost of borrowing in Ghana is exorbitant and credit is scarce. The rationale for high interest rates is that it curtails excess demand and inflation. For much of the last thirty years, interest rates in Ghana have been more than 30 percent, peaking at 51 percent in the late 1990s. Thus, banks prefer lending to the state. Paradoxically, while private sector-led economic growth is stressed, the World Bank urged strict credit ceilings with particularly severe effects in Ghana. In a comparative study of private sector credit as a percentage of GDP from 1986 to 1993, the World Bank found that "in Ghana it averaged 4.9 percent, Kenya 19.6 percent, Zambia 13.7 percent, Zimbabwe 13.5 percent, Indonesia 37.2 percent, Malaysia 69.7 percent and Thailand

55.1 percent."[88] In Africa, only in the Democratic Republic of Congo, did more firms cite access to finance as the leading impediment to business than in Ghana.[89] One survey found that "over 78 percent of the entrepreneurs [in Ghana] irrespective of size used their own savings to establish their firms."[90] The limitations that this places on business expansion are quite obvious.

Ghana has made considerable strides in infrastructure since the 1980s. Harbor expansion and upgrading have eased imports and exports and reduced business costs. The road network has seen significant expansion as well, facilitating the movement of goods and services. The Mahama government made significant investments in infrastructure, making it a central plank of its campaign in the elections of 2016. Despite the improvements, however, infrastructure remains inadequate. Of particular concern is erratic power supply. Ghana has experienced its worst energy crisis in living memory in the last three or four years, leading to the neologism *dumsor,* literally "turn off, turn on," a reference to the persistent, erratic and unpredictable power outages. Even barbers/hairdressers and tailors/seamstresses have scraped together resources to try to purchase private generators. Companies have been forced to lay off workers or shut down. According to Dr. Charles Ackah, head of the economics division of ISSER, Ghana is losing about $686.4 million annually, about 2 percent of annual GDP thanks to the energy crisis.[91] Water supply is also erratic. Some of the more successful firms secured their own sources of water and acquired fuel tankers and facilities for stocking fuel. Others owned private firefighting equipment and hired their own personnel.[92] Thus, in Ghana, as in Nigeria, capitalists "substitute for the state."[93] Capital that could be used more productively is spent on expensive infrastructure.

Conclusion

A number of conclusions can be drawn from the foregoing. First, the pattern of persecution of capitalists and seizure of private assets that came to define the P/NDC era is over. In my interviews with nearly three hundred businesspeople in Ghana in 2000, their most serious concern was the fear that they might get sucked into politics and face punitive and debilitating sanctions. In the subsequent interviews conducted between 2010 and 2017, this was a non-issue. Limited access to credit and, over the last three or four years, the energy crisis, top the concerns of business. During much of the Rawlings era, Colin Leys' observation that African capitalists "suffer from the contradiction that success on a significant scale would re-attract the fatal attention of the parasites [state officials] and lead to another round of plunder, bringing accumulation once more to a standstill" would

have fully applied to Ghana.[94] That is no longer the case. As I have shown, the imperatives that drive patronage politics exist in a weakened form, so that while political leaders are still able to influence the fortunes of entrepreneurs, its worst manifestations are a thing of the past. In Ghana, democratization and its institutional constraints have curbed the worst abuses. Businesses go through a cycle of ascent and descent depending on which party is in power and their relationship with that party.

Second, capitalism arguably enjoys greater legitimacy today than at any historical time in post-colonial Ghana. Nevertheless, the NDC, or at least some of its leading members, continues to exhibit a degree of unease with capitalism. It is notable, for example, that some NDC figures never miss an opportunity to mock the NPP's unabashed support of capitalism. One particular quotation, attributed to Dr. J. B. Danquah, the doyen of the Danquah–Busia tradition, and fully adopted by the NPP, is often cited to cast the NPP as capitalistic and elitist:

> [The party's] policy is to liberate the energies of the people for the growth of a *property-owning democracy* in this land with the right to life, freedom and justice as the principles to which the Government and laws of the land should be dedicated in order specifically to enrich life, property and liberty of each and every citizen (emphasis added)[95]

The NDC, by contrast, casts itself as a social democratic party. Its 2016 election manifesto, for example, notes "The National Democratic Congress (NDC) remains deeply committed to the principles and values of Social Democracy."[96] And so, the NDC and, indeed, some of the minor parties, hector the NPP for being enthusiastic advocates of capitalism. As I have tried to show here, the NPP is no more capitalistic than the NDC; the quasi-revolutionaries, it turned out, are every bit as acquisitive as any other Ghanaian. It is also worth noting that Nkrumah's promotion of socialism was hollow; his ministers and their allies acquired vast fortunes, disappointing many people, including scholars such as Donald Ray.[97] But the rhetoric serves valuable political purposes, not least attempts by the NDC to distinguish itself from the NPP.

Third, having presented a detailed analysis of Ghana's post-adjustment political economy, it is time to return to my contention that Mkandawire's assessment that Africa's current crop of leaders swear by economic growth is somewhat overstated. The evidence from Ghana contradicts this. It is arguable that no African leader pursued neo-liberal reforms with as much vigor as Rawlings did, at least until the restoration of democracy, when he let up.

Indeed, some (for example, Green) have argued that Rawlings derived his legitimacy from good economic performance.[98] At first glance this appears to be self-evidently true. Ghana's economy rebounded very well after adjustment. But much of this owed to generous external disbursements, which rose from less than 1 percent of GDP in 1983, to about 10 percent by 1990, prompting references to Ghana's economic recovery as "aid driven."[99] As the 1990s progressed, this critical resource dwindled. The expected surge in private sector investment of 15 percent of GDP by the second half of the 1980s never materialized.[100] By the mid-1990s, private investment—both local and foreign—amounted to a pitiful 8 percent of GDP.[101] IMF studies (for example, Pattillo) estimated private investment at an even more disappointing 4 percent of GDP. This was scarcely what had been expected.[102]

Although several factors contributed to this huge shortfall in private investment, Aryeetey (1994) suggests that the key factor may have been a response to government antagonism toward entrepreneurs.[103] Others have noted that many entrepreneurs in Ghana decided to remain fairly small-scale, at least as long as Rawlings was in power.[104] My own work found that some decided not to invest because doing so would be a tacit support of Rawlings. Thus, Rawlings' hostility toward entrepreneurs backfired. But there was little indication that this bothered him until his final months in office when, as shown previously, the economy collapsed, prompting him to memorably accuse entrepreneurs of purposeful sabotage to help the NPP. In sum, Ghana's recovery depended largely on foreign handouts; it was a sham. Its unsustainability became painfully clear when Ghana signed up for the HIPC program. Rawlings' political goals outweighed economic rationality. It is also clear that, to lesser degrees, subsequent leaders have been guilty of the same behavior. Like Rawlings, they have not been motivated primarily by economic rationality; rather their main motive in their relations with business has been political aims.

The fourth point to note is that democracy and its attendant institutions have brought much-needed stability and predictability to government-business relations in Ghana. The courts, civil society, the opposition, the independent media, and so on, have all had a positive impact on government-business relations in Ghana. In the wake of Rawlings' drift toward authoritarianism in the early months of his NDC government in 1993, the wave of the criticism that followed stunned him. He appears to have assumed that he could rule in much the same way as he had done as PNDC Chairman. Hence his remark: "If I am expected to sit here, shut my mouth and keep a fine face, fine dress and clean hands

and Nana [his wife] also sitting here and simply receiving flowers, then I am afraid the President will not be as effective as the Chairman."[105] Constitutionalism, he was reluctant to realize, had created a liberal environment in which the government could ill afford to continue behaving in the PNDC's authoritarian manner. It marked a major turning point. Similarly, Kufuor learned that despite his eagerness to have some NDC figures convicted, (for example, Nana Rawlings) prosecution had to go through the slow-moving wheels of justice. Her trial (and that of others) lasted for about seven years and was ultimately abandoned when the NPP lost power in 2009. The abuse of power of the kind seen in Ghana in the 1980s and 1990s has receded.

Fifth, the capitalist class in Ghana today is unlike the capitalists of the period up to the 1990s. Today's Ghanaian entrepreneur is likely to be better educated, a professional, well informed and more knowledgeable than earlier generations of entrepreneurs. (S)he cannot be easily cheated or intimated as many of those that I interviewed in 2000 could. Constitutionalism is an added advantage for today's Ghanaian entrepreneur. And, it is worth noting that many of them control resources in the millions of dollars. The likes of Dr. Nduom and Ken Ofori-Atta have brought dynamism to the table, are widely adored and seen by young, aspiring Ghanaians as role models. The growing legitimacy of capitalism in Ghana owes something to these highly successful and visible individuals. Public sector jobs, long coveted by Ghanaians, no longer attract Ghana's best and the brightest; they are more likely to work in the private sector and perhaps become entrepreneurs themselves.

Lastly, while acknowledging the positive changes that have occurred, it is also important to reiterate the remaining challenges that entrepreneurs face. Ghana's manufacturing sector has been declining after the initial rebound that followed adjustment. This has forced many people into the service sector, which has dominated the economy for several decades now. This chapter has emphasized and discussed the danger posed by imports, devaluation, the excessive cost of borrowing and inadequate access to loans. It has also documented how Ghana's leading politicians ruined many talented Ghanaian entrepreneurs and falsely accused them of crimes in order to steal their businesses or force them out of business. This chapter has also noted that, over time, as Ghana's political institutions have strengthened, the landscape for Ghanaian entrepreneurs has improved. I have not, however, said anything about another challenge faced by Ghanaian entrepreneurs: immigrants competing against

Ghanaians in areas that were previously reserved for the latter. Of particular interest are Chinese immigrants in Ghana. I take this issue up in Chap. 6.

Notes

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81. It is worth noting that Ghana has a history of banks liquidations owing to the provision of bad loans. In December 1996, it emerged that A-Life, a supermarket chain, with ties to the ruling NDC leadership, particularly Nana Rawlings, had accrued debts totaling a colossal C120 billion to three public banks—the Ghana Commercial Bank, the Bank for Housing and Construction (BHC) and the Ghana Co-operative Bank (GCB). SFO investigators concluded that the loss was due to collusion between management staff of the three banks and officers of A-Life. So crippling were the losses that the BHC and the GCB did not recover and were liquidated. (Serious Fraud Office (SFO), *1998 Annual Report*, 12, mimeo.)

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85. Institute of Statistical, Social and Economic Research (ISSER), *The State of the Ghanaian Economy in 2015* (Legon, Ghana: University of Ghana, 2016), 136.
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101. World Bank, 1995. *Ghana: Growth, Private Sector and Poverty Reduction: A Country Economic Memorandum*, Report No. 14111-GH. Washington, DC: World Bank; Armstrong, *Ghana Country Assistance Review*.
102. Catherine Pattillo. "Investment, Uncertainty, and Irreversibility in Ghana." IMF Working Paper 97/169, Washington, DC, International Monetary Fund, 1998.
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CHAPTER 3

Ambivalent Union: State-Business Relations and Economic Development in Post-Independent Nigeria

Samuel O. Oloruntoba

Introduction

This chapter argues that state-business relations have been defined by ambivalence. Relations have always reflected prevailing international economic orientations and practices. Thus, during the era of state-directed development in the global south, Nigeria adopted import-substitution industrialization strategy (ISI). After the end of the Nigerian civil war in 1970, the military government promulgated an indigenization decree, which sought to expand the role and scope of Nigerian entrepreneurs while decreasing the economic activities of foreigners. The collapse of commodity prices in the 1970s and the early 1980s led to economic crisis in Nigeria, prompting the intervention of the international financial institutions, most notably, the World Bank and the International Monetary Fund. One major implication of this intervention was that the state was forced to retreat, privatizing most state-owned enterprises. The past sixteen years have seen a mixture of state participation and withdrawal from direct engagement in

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business. Despite his acquiescence to the neo-liberal orthodoxy, President Olusegun Obasanjo made some efforts to promote indigenous capitalists by granting them various concessions and incentives. This proved quite successful, with the Dangote Group emerging as one of the biggest companies in Africa. But Obasanjo's paramount goal was to attract foreign direct investment. Thus, in response to the question of what are the challenges of Nigerian entrepreneurs and what has facilitated or hindered their growth, I argue that business success in Nigeria has been defined by both exogenous and endogenous factors with the Nigerian state playing an important role in mediating exogenous and endogenous factors for Nigerian entrepreneurs. Thus, in this study, I focus on the actions taken by the Nigerian state and the consequential effects of those actions for the success or failure of Nigerian entrepreneurs. Using an eclectic theoretical approach as well as an historical institutionalist analysis, I argue that the (Nigerian) state's actions have had important consequences for Nigerian entrepreneurs but that Nigerian state officials largely have been ambivalent about whether or not it is necessary to assist black Nigerian entrepreneurs. As Nigerian state officials pursue economic development in conjunction with foreign firms, second- and third-generation immigrants to Nigeria, as well as with black Nigerian entrepreneurs, the state has had an ambivalent relation with the latter group of businesspeople, which often is characterized by mistrust and tension.

The relationship that exists between the Nigerian state and business often has reflected the prevailing ideological orientations at domestic and international levels. The debates around what constitutes a healthy relationship between these two critical stakeholders have also been informed by the record of economic performance when either agent has been ascendant. Thus, using the Southeast Asian countries as reference point, scholars such as Amsden, Evans, Johnson and Wade provide empirical evidence of the roles that developmental states played in the economic miracles of countries like South Korea, Taiwan, Singapore, and Hong Kong.[1] The experiences of the Southeast Asian countries challenged the pessimistic, if ideological posturing of neoclassical economics, which sees the state as a hindrance to economic development. As Kim argues, "the success of development state theory lies in its explanatory power, which suggests a starkly opposite message to the neoclassical one."[2] The state-business relationship in Africa has been examined in various dimensions, the most prominent of which are the postcolonial state and neopartrimonialism.

Scholars like Ake argue that the neo-colonialist nature and the character of the state in Africa affect its capability to generate capital and bring about development. As a totalitarian state dominated by a small ruling elite, the post-colonial state is imbricated with full power for resource extraction, domination, and accumulation.[3] The neopatrimonial school posits that given the rampant corruption in Africa, the state only serves as a conduit pipe through which resources are siphoned. It therefore lacks the capacity or even incentive to boost economic performance.[4] The relationship between state and business in Nigeria falls between the aforementioned contending and competing ideas and theories on state-business relations. Best described as an ambivalent union, the state in Nigeria has both supported and obstructed the capacity of Nigerian businesspeople to contribute to economic development in the country.

During the first decade of independence, Nigeria adopted ISI in its quest to achieve rapid economic development. After the end of the civil war in 1970, the state, then in the hands of the military, remained the preeminent economic force. However, it enacted a decree meant to indigenize the economy by reserving certain economic activities for Nigerians and imposing restrictions on foreign-owned businesses. The commodity crisis of the 1970s and the early 1980s and the resultant economic difficulties Nigeria faced ushered in IMF/World Bank-inspired structural adjustment policies.

While the Nigerian state has privatized some state-owned enterprises (SOEs) in order to meet a basic tenet of market reforms, it continues to own and run businesses. Also, although former President Obasanjo yielded to neo-liberal orthodoxy and sought to promote indigenous capitalists by granting them various concessions and incentives leading to the rise of the Dangote Group as an African giant, his main aim was to attract foreign direct investment. Perhaps not surprisingly, state-business relations have been conflictual, characterized by tension and mistrust often due to policy reversals, cancelation of sale of SOEs and selective use of incentives to some sectors at the expense of others.[5]

This chapter proceeds as follows. First, I discuss the conceptual and theoretical nuances of state-business relations in postcolonial Africa. Section "State-Business Relations: Conceptual and Theoretical Constructs" presents an analysis of the nature of state-business relations in Nigeria from 1960, as well as how indigenous capitalists have coped with the ambivalent relationship that has existed between them and the state. In section "State-Business Relations in Nigeria Since 1999", I discuss changing relations and

their implications. For instance, the changes in state-business relations in Nigeria have been functions of the prevailing domestic and international environments as well as the disposition of key political actors. In the 1960s and early 1970s, the prevailing international environment, particularly in the global south, was the active involvement of the state in the establishment of state-owned enterprises. Adoption of ISI was also common in the 1960s. However, the emergence and eventual dominance of neoliberal economic doctrine from the late 1970s have significantly altered state-business relations in the country. The military regime of General Babangida adopted the World Bank- and IMF-inspired structural adjustment programs in the late 1980s and early 1990s. With the return of civil rule in 1999, the successive civilian administrations have been ambivalent in their relations with the business sector. While the Obasanjo administration from 1999 to 2007 engaged in massive privatization of state-owned enterprises, incentives were also provided for selected individuals and companies to expand their operations. The Goodluck Jonathan administration from 2010 to 2015 also continued in this trajectory of subjecting the economy to the influence of the market and to some forms of intervention from the state, such as waivers on imported items as well as injection of bail-out funds for certain sectors, such as textile and agriculture. I also explore the consequences of such recent activities for Nigerian entrepreneurs.

State-Business Relations: Conceptual and Theoretical Constructs

The debate over the relationship that should exist between the state and business dates back to the work of Adam Smith and other classical economists, who tried to separate the public from the private spheres. Whereas seventeenth century mercantilists believed that the state should take center stage in the formulation of domestic economic as well as foreign policies, neoclassical economists conceived of the state as too politically inclined and divided to act as an impartial agent for allocation of resources. Smith's 1774 public choice theory also presents the state as an arena of contestation where pursuit of self or group interests trumps public interest, and thus calls for separating state and business.[6] In this telling, in order to maximize public good, the state should be concerned only with the provision of security of lives, protection of property rights, and the creation of a conducive environment to enable business to thrive. Over and against this view, economic historians show the critical roles that the state in today's

developed economies played in the formulation of industrial policies, and how protection of infant industries helped to accelerate industrial development in these countries.[7]

Leftwich shows the various analytical interests that have been brought to bear in the discussions around state-business relations (SBR).[8] These include interests in the processes of *capitalist development* in which the "hand-in-hand" relations between state and business gave way to "arm's-length" relations in matured capitalism; process of *democratizing governance* in which institutional arrangements were provided to enhance participation of various groups in demanding accountability in economic affairs and management; contributions to the deepening of *civil society and democratic politics* in which business associations strengthen the participation of civil societies and deepen the linkages of accountability and participation in relations between the state and the citizens; *public-private partnerships* (a term that is particularly popular in the post-adjustment jargon of the World Bank) as a way of facilitating economic growth; and a framework to analyze the emergence of "bourgeoisie social movements" or "social movements for African capitalism."[9]

Using the historical institutionalist framework of analysis, Leftwich made a distinction between the growth coalition and the distributional collusive or predatory coalition aspects of SBRs. Actors that form growth coalitions can be found within both the private and state sectors. These actors negotiate for institutional architecture and policies that are geared towards the delivery of public goods—the end goal of which are increased investment and productivity.[10] In contradistinction to growth-enhancing coalitions are predatory coalitions in which political and business elites collude, using their position for accumulation. In other words, rather than building institutional architectures that can deliver public goods, they engage in state capture to formulate policies that are favourable to their particularistic interests. As I elaborate later, SBR in Nigeria has largely been defined by predatory coalitions, where political and business elites (mis)use their positions and connections to gain disproportionate benefits over competitors. The abuse of the import waivers under the regime of import-substitution industrialization in the 1960s, and the scandals that derived from waivers for industrialists and importers since the return to democratic governance in 1999 fall under the predatory coalitions. Growth-enhancing coalitions of business and state elites occur where there is some synergy in the goals and expectations of these classes with respect to economic policy, particularly with respect to a commitment to economic growth and redistribution.

To a great extent, this was the case in South Korea and other Southeast Asian countries from the 1960s.[11] In Africa, we also see a few cases of relatively successful growth coalitions, most notably in Botswana, Ghana, and Mauritius.[12]

The institutionalist school on SBR is based on the assumption that institutions should limit the interference of government in business activities. Institutionalist scholars like Acemoglu, Johnson, and Robinson argue that political institutions of limited governments that provide for secure property rights for producers in the economy are fundamental determinants of differences in living standards across countries.[13] Although Douglas North's seminal work on institutions and their role in economic development sheds light on the importance of formal and informal institutions as constraining factors in policy making, later works on political institutions are essentially constructed within the neoclassical economic argument that sees the state as a hindrance to economic development.[14] As Sen and Velde argue, the main thrust of the neoclassical economic literature on SBR is that "economic growth occurs in contexts where the state respects the property rights of a private producers and where it does not expropriate property rights or allow others to do so."[15]

They also note that "this view is principally informed by the neoclassical perspective on the state where its roles should be confined to providing public goods (law and order, infrastructure, macroeconomic stability etc.) and not to intervene directly in the activities of private producers."[16] In a later study, they argue that "SBRs provide a check and balance function on government policies and tax and expenditure plans . . . and may help to ensure the provision of infrastructure is appropriate and of good quality."[17] Based on the study of the effects of effective state-business relations on economic growth in nineteen sub-Saharan African countries, these authors conclude that effective state-business relations contribute significantly to economic growth through reduction in policy uncertainty and solving of information-related market and co-ordination failures in areas such as skills development or infrastructure provision. This conclusion is valid both in terms of its historical and empirical essence.

The assumption that the state is primarily a hindrance to the growth of business and by extension, economic development, is ahistorical, both in the context of the developed countries of Europe and North America, and the East Asian miracle economies. In all these cases, the state played a central role, providing incentives and disciplining business. They also used their political clout to negotiate favourable terms of trade at the national,

regional, and multilateral levels.[18] Thus, state-business relations can be mutually reinforcing, beneficial, and developmental. But this depends on the nature and the character of the state in question. The issue then is: What is the nature of the postcolonial state in Nigeria and how has that affected the success or failure of Nigerian entrepreneurs?

Scholars have written extensively about the nature and the character of the state in Africa and how these state characteristics have shaped the role that the state has played in either fostering or limiting business growth and expansion. Ake's seminal work, *The Political Economy of Africa,* provides an entry point to an understanding of how lack of autonomy on the part of the state, its neo-colonial nature, its lack of embeddedness, and the fusion of the interests of the political and business elites have affected the capacity of the state to create objective conditions for capital accumulation on the continent. The postcolonial state as an offshoot of the colonial state maintains and reproduces most of its characteristics.[19] According to Wariboko, "the primary function of the colonial state was to create and maintain the political and economic conditions under which extraction and exploitation of Nigeria's resources by the metropolitan bourgeoisie takes place."[20] The desire to exploit and expropriate for maximum benefits "resulted in the imposition on the country of a minimalist Weberian bureaucracy, a highly public administration system that emphasised control and centralised power."[21] The infrastructure, education, and political arrangements of the colonial state were geared towards the development of a capitalist-oriented economy that was dependent on the British government and its ally, foreign capital.

To facilitate compliance in the colonies, the colonial state was also deliberately statist, authoritarian, and overdeveloped. Ake elaborates on this point thus:

> Since the colonial state was for its subjects, at any rate, an arbitrary power, it could not engender any legitimacy even though it made rules and laws profusely and propagated values. Accordingly, in struggling to advance its interests, the colonial subjects did not worry about conformity to legality or legitimacy norms. Colonial politics was reduced to the crude mechanics of opposing forces driven by the calculus of power. For everyone in this arena, security lay only in the accumulation of power.[22]

There is also a class dimension to how the colonial state dealt with its subjects and business actors. Ake sees the state as an instrument of class domination—a feature that is mediated by commodity exchange and atomization.

Although these features predispose the state as an instrument of domination, it is presented as different from the ruling class, appearing as an independent, objective force (independent of social classes, even the hegemonic class), standing alongside the society, mediating the struggle for the appropriation of the society's surplus value. Ake conceives the state in terms of its expression of class relations.[23] In this regard, "the state mediates and creates the conditions for the preservation of pervasive commodification and market relations and the subsequent atomisation of the society, which compel everyone to be first and foremost a commodity bearer, producing for exchange value and falling into a web of dependence." Given the contradiction and the alienation of the state from the society, "the ruling class is obliged, because of the underdevelopment of commodity relations and low level of [productive forces] to follow a negative form of accumulation, which is made possible through authoritarianism and attendant arbitrariness in the use of state power."[24]

Although the postcolonial state manifests some characteristics of the colonial state, its reach extends even further. One of the distinctive features of the postcolonial state in Nigeria immediately after independence was its assumption of an entrepreneurial role. State-led capitalism served as a means of mobilizing capital both for personal and group consumption. As well, it gave a semblance of development for the masses. The pursuit of personal interests and the search for national development by postcolonial Nigerian elites reveal three contradictions. First, the political elites see the state as an arena of accumulation. Second, in order to accumulate capital, they must build an alliance with business. This point is important to the extent that the elites and the state that they represent neither have any base in the society nor possess autonomous capacity for entrepreneurship. Third, unlike the colonial state, which had no responsibility for development and simply engaged in exploitation and expropriation, the postcolonial state in Nigeria could not afford to ignore development. In fact, it was keen to exhibit some semblance of development.[25] Although the elites might not have properly understood what constitutes development, as Ake has argued, they enacted various plans and programs aimed at improving the living conditions of Nigerians.[26]

In the first decade and a half of independence (1960 to mid-1970s), the state was involved in a form of honeymoon with business through formulation of favorable trade and industrial policies to protect local capital. Like many developing countries, Nigeria adopted ISI. Long-term development plans were also formulated as veritable means of boosting

industrialization and development. These measures bore some fruit. The economy grew at an average of 5 percent of Gross Domestic Product per year.[27] The state invested heavily in public enterprises both at national and regional levels. According to a survey carried out by the Technical Committee on Privatization and Commercialization in 1988, there were about 1500 SOEs spanning banking, insurance, oil and gas, cement, paper, steel mills, tourism, and so on.[28]

As a further testimony to the support the state accorded businesses, the military government promulgated the Nigerian Enterprises Promotion Decrees of 1972 and 1977. These promoted indigenous ownership of business. The decrees were enacted in the context of the oil boom that arose out of the Arab–Israeli War and the oil crisis of 1973, which turned Nigeria into a major exporter of oil to the United States. Even though these decrees were favourable to local business, they added little or no value to Nigeria's overall economic performance, thanks mainly to the politicization of the policies. This led to almost complete capture by personal and special interests/rent seeking.

> Consequently, by the 1960s nearly all businessmen were necessarily in politics because the state had become the main source of finance and contracts; and nearly all politicians were in business. This relationship intensified as the state became a major source of rents—through contracts, foreign exchange allocation, direct credit at below market interest rates, tariff concessions, and a gamut of incentives directed at the private sector. Given the overarching dependence of the private sector on state patronage and rents, the dividing line between the state and the private sector has largely blurred over time.[29]

The blurring of the dividing line between state and business had implications for both trade and industrial policy. Rather than formulating these policies on the basis of added value and benefit to Nigerians, sectional, ethnic, and class considerations became the main determinants. Indeed Nigeria's industrial policies, objectives, and strategies are often subject to either modifications or neglect, or even total abandonment. In other words, industrial policies and practices are pursued on an ad hoc basis and in a most uncoordinated manner. This major shortcoming partly explains the reason for the concentration of Nigeria's few industries in major cities like Lagos, Kano, Ibadan, and Port Harcourt, *the centers of political power of the ruling elites.* This partly explains why industrial location is not solely a function of reasoned entrepreneurial planning and decisions, since *political considerations are often given undue weight.*[30]

Consequently, the performance and contributions of businesses to economic development in Nigeria have been disappointing. As a corollary:

> Export of agriculture has declined from a share of more than 80 percent at independence to less than 4 percent and that of oil approximately to 95 percent since the mid-1970s. Thus, there has been rapid de-industrialization, continuing loss of market shares in traditional export markets and increasing import dependence, especially food imports.[31]

The economic crisis of the 1980s and the resultant adoption of the Structural Adjustment Program (SAP) by the military government of General Ibrahim Babangida drove a wedge between the state and businesses. As the country turned to the Bretton Woods Institutions for economic bail out, certain conditions were set as necessary requirements for the structural reform of the economy. The World Bank's Berg Report of 1981 described the state as an impediment to successful and profitable business operations. In particular, it blamed rent seeking and corruption in the bureaucracy, the losses of SOEs and imposed radical measures, including state withdrawal from the economy.

Privatization, launched by the military regime of Babangida, continued when democracy was restored in 1999. It must be noted that Nigeria's privatization exercise and Nigeria's SAP turned out to be colossal failures.[32] Although Nigeria's economy needed drastic reforms, the sequencing was poorly executed. The privatization process was mired in corruption. With the exception of the mobile telecommunication sector, most of the privatized entities are neither profitable nor have their services improved significantly.[33]

Besides, the alliance between political and business elites in using the state apparatus for personal accumulation manifested itself in the process of privatization. Most of the people who bought SOEs were close to the government of the day and often paid much, much less than the value of the enterprises. Malam El-Rufai, the former director of the Bureau of Public Enterprises under Obasanjo's administration testified before the Senate Ad hoc Committee on Privatization that both Obasanjo and his deputy, Atiku Abubakar, put him under immense pressures to sell public enterprises to their friends.[34] These "pirate capitalists" also often lacked the capacity to turn the companies around.[35]

State-Business Relations in Nigeria Since 1999

Many expected that the return of Nigeria to democratic governance in 1999 would create a new atmosphere of state-business relations. Unlike the previous military regimes under which business associations and operators had limited latitude to influence policy, democracy provides broader opportunity for aggregation of interest, consensus building, representations, and lobbying. Indeed, old and new business associations such as Lagos Chamber of Commerce and Industry, National Association of Chambers of Industry, Mines and Agriculture, Manufacturers Association of Nigeria, and Nigeria Employers Consultative Council, among others, have become more vibrant, putting government to task over various policies.

While Obasanjo's government followed the neoliberal path of a market-led economy, it made deliberate and conscious attempts to bolster the development of Nigerian capitalists. Under the privatization exercise, for example, SOEs were sometimes sold at less than the market value. The Nigerian Economic Empowerment Development Strategy (NEEDS), the economic blueprint of Obasanjo's administration, sought to reduce poverty by unleashing the massive potential of the private sector. A further aim of NEEDS was to reduce the cost of doing business in Nigeria through (1) improvement in infrastructure, (2) putting in place an investor-friendly tax and general incentives regime, (3) provision of an enabling environment to generate investor confidence and attract greater flow of foreign direct investment with Nigerians playing a key role, (4) promotion of greater partnership between government and the private sector, and (5) privatization of public enterprises and elimination of laws that prevent entry into any sector of the economy (other than defence) by the private sector. It also called for export-led growth to replace ISI, and for the government and the private sector to seize the opportunities offered by regional economic groupings and bilateral deals as well as global trade arrangements to promote exports.[36]

Many years of wastage, neglect, and corruption by both the military and civilian regimes left behind a dilapidated and moribund infrastructure base in Nigeria. It was commonly said that whereas as a military ruler, Obasanjo left behind a functional National Carrier, the Nigerian Airways, a profitable National Shipping Line, railways and a fairly efficient National Electric Power Authority in 1979, upon his return twenty years later, these national assets and others had become liabilities. Hence, the plan to improve infrastructure was deemed by the private sector as timely and compelling.

Huge sums of money were provided in the annual budgets for construction of new roads and repair of old ones. There were also plans to either upgrade or build new railway lines. However, the ultimate scorecard of the Obasanjo administration in the provision of infrastructure was negative, as there were no visible improvements in existing roads, generation of electricity, or railway operations. Contracts awarded to foreign or domestic contractors for construction of railway lines and maintenance of existing roads were dogged by controversies and enmeshed in corruption. Some of the last-minute sales of SOEs, such as the Port-Harcourt Refinery, which was sold to the Dangote Group, were reversed by Obasanjo's successor not just because oil workers were opposed to it but because it was deemed to be too cheap at $750 million.[37]

It was the second objective of NEEDS—implementing an investor-friendly tax and general incentives regime—that earned the Obasanjo administration praise in sections of the business community. In what seems to parallel the role of the state in propping up indigenous capitalists in Southeast Asia, especially in South Korea, Obasanjo granted incentives and waivers to selected groups of industrialists, bankers, and merchants both in buying stakes in SOEs and in taking over existing companies and establishing new ones. The beneficiaries included Alhaji Aliko Dangote, the founder and chairman of the Dangote Group of companies; Mr Femi Otedola, who bought African Petroleum; and Tony Elumelu, former chairman of United Bank of Africa and current chairman of many companies, including the Transcorp Group.

Some of the incentives that were granted to these indigenous capitalists (and in some cases) also extended to foreign investors, included tax holidays, exemptions from payments of import duties, exclusive right to importation of selected products, and so on. Although granting waivers was legal, there have been concerns that the indiscriminate use of this instrument for a selected group of people negatively affects the health of the economy and undermines national competitiveness.[38] According to these authors, Nigeria lost about 380 billion naira (about $12 billion in 2007 value) to import duty waivers alone from 1999 to 2007.

The entrepreneur whose closeness to the corridor of power helped boost the profile of his multi-billion dollar business empire is Aliko Dangote. Reputed as the richest man in Africa (with about $21.5 billion in net worth), Dangote's investments span cement manufacturing, oil and gas, sugar, petrochemicals, haulage, real estate, and telecommunication.[39] The diversified conglomerate currently operates in fourteen African countries. The Dangote

Group has created thousands of jobs in Nigeria and elsewhere in Africa, but there are valid concerns that it has singularly enjoyed state-supported monopoly privileges. The company has at one time or another held exclusive import rights in sugar, cement, and rice, disadvantaging competitors that were denied such privileges. This reinforces the earlier point that growth-distorting coalition is a permanent feature of state-business relations in Nigeria.

State-business relations in the post-Obasanjo years have also been marked by ambivalence, uncertainty, and privileging of selective support to businesses whose owners are allied with political elites. For instance, even though the short-lived Musa Yarad'ua's presidency (2007–2010) reversed the sale of some SOEs, and initially suspended the granting of import duty waivers, the late president eventually restored the waivers to the grantees. The non-oil export sector has witnessed a lot of policy reversals, which have hampered its growth. The payment of an export expansion grant, an incentive that the government provided to exporters of non-oil products who repatriate their proceeds through official channels, has witnessed ebbs and flows since 1999. Whereas the Obasanjo administration ensured fairly regular payments of this incentive to exporters, resulting in non-oil exports contributing significantly to export revenue, successive governments mostly ignored it as a specific incentive to boost non-oil exports in the country.

Rather than sustain this incentive, the government of Goodluck Jonathan (2011–2015), adopted another incentive, the granting of import duty waivers to various Nigerian businesses. The Jonathan administration also injected money towards the revamping of the textile sector, the revitalization of the industrial sector, and the expansion of the Nollywood industry. In the face of the global financial crisis of 2009, the government injected trillions of naira into the banking sector in order to avoid a total collapse. What emerged from this is the practice of policy inconsistency, in which successive governments jettison the policies of their predecessors, regardless of how successful such policies were. What matters is where the pendulum of interests swings.

In the face of decrepit infrastructures, businesses in Nigeria have devised various coping strategies, such as purchasing high-voltage generators to meet their energy needs, constructing access roads, drilling their own boreholes for water supplies, and providing private security. In instances where company policy prevents paying bribes, they engage consultants of all hues to carry out third-party services ranging from filing tax returns, processing incentives, and booking appointments with relevant government officials.

In many instances, capitalists also present their grievances against government policy or seek new policies through business associations. It is important to emphasize that business associations relate with the government on the basis of the interests of their members. Consequently, their responses to government policies are not always the same. While some policies of the government may favor importers, such policies may hamstring exporters. In such instances, inter-business conflicts will ensue, and high-stake lobbying of government officials is usually undertaken to secure the most favorable outcome. At different times, businesses also engage the services of the media to register their pleasure or displeasure about government policies. Leading private sector companies in Nigeria such as MTN Mobile Communications Limited, Dangote Group, and banks, expend substantial parts of their annual revenue in providing services that the state should ordinarily provide. With the perennial failure of the state to guarantee regular supply of electricity, entrepreneurs in Nigeria purchase their own generators, hire security personnel, and even construct roads. While the various incentives that the government provides in the form of import duty waivers or the payment of export expansion grants to exporters helped big companies to cope with these challenges, smaller companies have found it difficult to manage. Before the recent challenge with the sourcing of foreign currencies, such as dollars and pounds, importers appeared to cope with the harsh operating environment rather than incur much cost, other than warehouse, advertising, and personnel. However, the manufacturing sector has been hardest hit by the challenges of infrastructure decay, weak institutions, and the high cost of borrowing.

Conclusion

This chapter has examined state-business/entrepreneur relations in Nigeria within the context of the ambivalence that has defined those relations since independence. The primacy of interests, the use of positions in government to pursue private accumulation, was put in a critical context. Whereas successive Nigerian governments have sought to boost economic development either through direct involvement in businesses or through granting waivers and incentives to business owners, this objective proved to be elusive. The postcolonial nature of the state and its overbearing influence have created a predatory coalition between state and business, which has limited the contributions of business entrepreneurs to economic development in Nigeria. Although there are a few cases (for example, the Dangote Group)

where selective provision of incentives has led to some multiplier effects such as employment generation, lack of a level playing field in granting such incentives stifles competitors.

Left with little or no support from the government, entrepreneurs in Nigeria have devised various coping mechanisms, including privately generating electricity, hiring private security, and engaging consultants to deal with the bureaucracy. The role of business member associations has also been significant in representing the interests of businesses. Although the activities of business associations vary across sectors, they are usually united in seeking the support of the government in providing infrastructures and ensuring predictable, reliable, and friendly business policy and environment.

The experiences of the developed countries of Europe, North America, and Southeast Asia have shown that developing countries like Nigeria need to build healthy state-businesses relations. Apart from the provision of infrastructure and other public goods, which are prerequisites for effective state-business relations, the bureaucracy needs to be strengthened to formulate both trade and industrial policies that can help boost manufacturing, services, and innovation. In place of the predatory coalition that has been the defining characteristic of state-business relations in Nigeria, it is necessary for both political leaders and entrepreneurs to pursue a growth coalition, one in which national development is the priority and objective. This will require building strong institutions to ensure that incentives can be accessed by all businesspeople, irrespective of their political affiliations. Given the sub-optimal result of granting selective waivers, a more equitable system needs to be instituted in order that all deserving companies get such waivers and incentives. As businesses are affected by the outcomes of negotiations for bilateral, regional, or multilateral trade and investment agreements, the government needs to strengthen its commitment to negotiating agreements that are beneficial to Nigerian entrepreneurs.

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CHAPTER 4

South African Women Entrepreneurs: Challenges and Coping Strategies

Mmapula Brendah Sekatane

Introduction

Historically, South African women entrepreneurs, like women all over the world, have often found themselves subject to various kinds of discriminatory behavior, attitudes, and policies. Whether this was intended or not, discrimination still hampered their full participation in the business economy.[1] Thus, while both male and female South African entrepreneurs face difficult obstacles in launching, sustaining, and expanding a new business, South African women entrepreneurs face especially formidable challenges.

Post-apartheid South Africa inherited a business environment based on an economic system characterized by deprivation, political instability, adversarial labor relations, cheap migrant labor, and massive income and wealth disparities. The world of work was also characterized by an appalling systematic discrimination against Blacks, women, and people with disabilities.[2]

Thus, the post-apartheid 1994 South African government introduced a number of initiatives as well as legislation to specifically support women in the new South Africa. Consequently, women entrepreneurs have made considerable strides. However, gender and race discrimination remain major obstacles and despite all the initiatives that were introduced to empower

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women, women entrepreneurs in South Africa still face many challenges. These include race, gender, geographic location, access to finance, education and training, a supportive socio-cultural environment, the absence of networks and mentors, and the lack of business management skills for starting up new ventures.

Women are an emerging force in the global business environment and programmatic support is an important means by which to raise the level of entrepreneurship in society overall. Support for South African women in business encompasses encouraging and assisting relevant business support initiatives, appropriate financial assistance to female entrepreneurs, general information and education programs, mentoring programs, and support for networking structures. Support for women's empowerment requires the involvement of the public and private sectors, non-governmental organizations, and other stakeholders.

After 1994, the government created an environment that made it possible, though not easy, for women to start businesses. Women in the country have firmly and steadily begun to extend their advantage in the economic sphere by running and managing small and medium enterprises (SMEs) and even large corporations. But for most women entrepreneurs, especially Black women, gender, access to finance, education, and lack of mentors remain major barriers to success. Yet, women's entrepreneurship is vital for the economy of the country as they have the potential to enhance socio-economic development in the country.

In the sections that follow, I analyze the state of women in the South African economy and the challenges they face as women entrepreneurs. Then, I explore the initiatives that an organization launched in 1994, Shared Interest, has promoted to support all South African entrepreneurs, and has been able to accomplish for South African women entrepreneurs.

Background to Women's Participation in the South African Economy

Apartheid systematically and purposefully restricted the majority of South Africans from meaningful participation in the economy. The assets of millions of people were directly and indirectly destroyed and access to skills and to self-employment was racially restricted. The accumulation process under apartheid confined the creation of wealth to a racial minority and imposed underdevelopment on Black communities. Prior to 1994, women were unprotected by law and the country's legal codes categorized human

beings as African, Coloured, Indian, or White. All non-white South Africans were persecuted for the color of their skin and denied job and educational opportunities. Additionally, their access to housing, health services, transport, and economic opportunities was limited.[3]

In addition to the infamous laws that governed the lives of Black and mixed-race South Africans, apartheid acted to curb the participation of women in various aspects of life. It had profound effects on what was possible both in the private and public lives of women through a patriarchal system encouraged by violence, conservatism, and the rigidity of the apartheid state.[4]

All women suffered under the apartheid system, though they suffered in different ways depending on their race, class, sexual orientation, religion, and ethnicity. Black women's participation in the workforce was indicative of the gender division of labor within the country. The most common employment of Black women was in domestic work and agriculture, whereas factory jobs for women were largely confined to so-called Coloured women.[5] White women were also excluded from most types of formal employment except clerical and secretarial work. While this exclusion was not legislated, many White women were denied access to employment by conservative ideas about women's place in the society.[6] Women's aspirations and opportunities were especially limited by the policies of banks that would not let married women take out loans or open accounts without the permission of their husbands.[7]

Since 1994, the new democratically elected multi-racial government has focused on legislative reforms to remove all forms of institutional discriminatory laws, in the quest for a free non-racial, non-sexist, peaceful, and democratic South Africa (for all), in accordance with the constitution of the country. Thus, since 1994, there has been much progress in the empowerment of women. Women are now able to work in sectors that were previously White and male-dominated, such as mining, construction, and infrastructure development. South African women of all races have also emerged as business owners and entrepreneurs.[8]

Status of Women in the South African Economy

The South African government's economic policies place a high value on entrepreneurship. Government looks to entrepreneurship as a critical driver of growth and job creation.[9]

Ensuring women's full participation within the South African economy is essential if the ideals of equity, prosperity, and shared and inclusive growth

are to be achieved. However, South African women, like women around the world, have historically faced numerous barriers to their engagement in the economy. These barriers reduced their employability, constrained their ability to participate on their own terms, restricted options available to them, and limited likelihood of their utilizing their full potentials. Despite post-apartheid reforms, many of these barriers still exist today. Some of these barriers may be legislated out of existence, but enforcement is the key to ensure that legislation is reflected in reality. Some barriers may require the intervention of the government and other actors within society. Importantly, though, some of these barriers are the manifestation of attitudes, assumptions, norms, and traditions that unfairly impact on women and girls. In many ways, traditional barriers may be more difficult to remedy than others, but they must be tackled if the South Africa envisaged in the national constitution is to be realized.[10]

To date, the South African government has introduced a number of policies and legislations in support of women's empowerment. The Constitution of the Republic of South Africa emphasizes that measures must be taken to promote the achievement of equality in all spheres of society. The right to fair employment, basic education, and civic participation are constitutional rights, while further opportunities for employment, education, and training must be made available to women and girl children. The Employment Equity Act No. 55 of 1998 strives to achieve equity in the workplace by promoting fair treatment in employment for women, Blacks, and those with disabilities.

The establishment (in May 2014) of the Ministry of Women in the Presidency, which is mandated to champion the advancement of women's socio-economic empowerment and the advancement of gender equality is of great significance to the pursuit of women's empowerment. The country's National Development Plan (NDP) makes firm recommendations that the transformation of the economy should involve active participation and empowerment of women, and that the role of women as leaders in all sectors of society should be actively supported.

Great strides have been made since 1994 to improve the status of women in South Africa's economy. On the political front, South Africa has seen a rise in the number of women holding political office in the past twenty years. Prior to 1994, the South African parliament had only 2.7 percent representation of women. Following the first democratic elections in April 1994, female representation rose to 27.7 percent. In 1999, that figure increased to 30 percent and to 32.7 percent in 2004. After the 2014 general elections,

women occupied 43 percent of cabinet posts, 46 percent of deputy minister positions, and 41 percent of parliamentary posts.[11]

In the education sector, significant strides have been made toward achieving gender equity. In 1994 there were 224,230 women and 271,118 men enrolled in the public higher education. There was a transformative increase in the representation of women in institutions of higher learning in 2004, when the number of women attending university doubled by more than 50 percent. The number of men also increased but did not exceed that of women. In 2013, there were 573,698 women and 409,988 men enrolled in the public higher education sector. In 2013, women constituted approximately 51 percent of the total population of the country, and 50 percent for the 20–24-year-old age group of the population.[12]

The imbalance in enrollments in higher education has definitely shifted to favor women, especially compared to the population statistics. The picture looks different when comparing the proportion of men and women that were enrolled in public higher education by qualification level. In 2013, there were about 59 percent of women enrolled for undergraduate and 63 percent enrolled for honors levels in public higher education. But at the masters and doctoral levels, only 49 percent and 44 percent, respectively, of women were enrolled in the same year.[13]

In the labor market, women are still disadvantaged relative to men. Women remain more likely to be unemployed, and, when they do find work, are more likely to be engaged in low-paid work or to earn less than men doing the same work. This is evidenced in the dominance of women within lower income categories. They tend to be clustered in less-skilled occupations, including domestic work. They are more concentrated in survivalist activities such as sewing co-operatives, chicken farming, candle-making, gardening, arts and crafts, hawking, personal services, and the retail sector.[14]

According to the Grant Thornton Women in Business survey (2016), women in South Africa still hold less than a quarter (23 percent) of senior management positions. Of the 200 businesses that were surveyed, 39 percent do not have any women in leadership positions. This is problematic because as Klynveld Peat Marwick Goerdeler's (KPMG) *Women's Leadership Study: Moving Women Forward into Leadership Roles* reported in 2015, "86% of women report when they see more women in leadership, they are encouraged they can get there themselves."[15]

The 2015 South African Women in Leadership Census by the Businesswomen's Association of South Africa (BWASA), however, noted an improvement in the representation of women in leadership positions in

Table 4.1 Statistical profile: women workforce representation across organizations

Organizations	*Male (%)*	*Female (%)*
State-Owned Enterprises Top Managers	59.5	40.5
Public Service Senior Managers	61.8	38.2
Executive Managers	70.7	29.3
Directorships	78.2	21.8
Chairpersons	90.8	9.2
Chief Executive Officers	97.6	2.4

Source: Based on BWA Women in Leadership Census, 2015

State-Owned Enterprises (SOEs) and in the public sector. Table 4.1 indicates a female representation of 40.5 percent versus 59.5 percent of males as top managers in SOEs. The public sector has about 38.2 percent of females in senior management positions. The improvement in the representation of women in SOEs and the public sector can be attributed to government's commitment to the development and empowerment of women with gender-transformation strategies being more effectively applied than in the private sector. Despite the progress in this sector, however, the overall picture is bleak. Table 4.1 also indicates that women are still excluded from the most important key decision-making positions within organizations. Only 9.2 percent of women hold chairperson positions and 2.4 percent are in chief executive officer (CEO) positions.

South Africa is also still without adequate representation of women in corporations that are listed in the Johannesburg Stock Exchange (JSE). Of the 293 organizations that were surveyed in the BWA Women in Leadership Census, only thirty-four companies were identified as "Top Performing," of which twenty-four are JSE-listed and ten in SOEs.[16]

Entrepreneurship and Women Entrepreneurship in South Africa

South Africa's rate of entrepreneurship ranks lower than the rest of the continent, especially for women. In 2015, the continental average for the percentage of women entrepreneurs was 17 percent, compared to South Africa's 7 percent. More vulnerable to the slowing economy, the number of women entrepreneurs has decreased by 6.2 percent in the last five years, compared to a 0.9 percent decline among men.[17]

What is Entrepreneurship?

Defining entrepreneurship is still the subject of global argument. Thus, the concept of entrepreneurship is elusive, meaning different things to different individuals.[18] According to Gedeon, entrepreneurship is a multi-dimensional concept that includes owning a small business, being innovative, acting as a leader, or starting up a new enterprise.[19] It includes spotting opportunities to drive the market. It includes doing this on your own, in a team, or inside a company. Entrepreneurship involves starting without any resources and creating new values in the realm of business, government, or academia.

Women Entrepreneurs in South Africa

The South African dream is one of a country bursting with opportunities, where all citizens have the freedom to achieve success and prosperity through active economic participation and wealth creation. The reality, however, is that high levels of unemployment, among other challenges, are preventing the people of the country from realizing this dream.[20] For many South Africans, entrepreneurship is vitally important to the economic and social development of South Africa. Through innovation, entrepreneurs create new, competitive markets and businesses, which lead to job creation and have a multiplying effect on the economy. Entrepreneurship empowers citizens and is required for any emerging market to move forward and successfully integrate into the global economy. The South African government has recognized this contribution, and has therefore set the goal of establishing South Africa as an entrepreneurial nation that rewards and recognizes entrepreneurship.[21]

Data from the SME Growth Index indicates that the differences between South Africa's male and female entrepreneurs in formal-sector SMEs are overshadowed by fundamental similarities. Both are entrepreneurs first and foremost. They are driven by fundamentally commercial imperatives. The environment in which they operate is a difficult one. It appears that many of the challenges facing South Africa's formal-sector women entrepreneurs are much the same as those facing their male counterparts, and that gender plays little if any role in this. Entering entrepreneurship is a risky and difficult commitment. Too few South Africans, men or women, do so. Yet some differences between male and female entrepreneurs can be discerned in South Africa and these deserve attention. The section that follows discusses the challenges faced by women entrepreneurs in South Africa.

Challenges Faced by Women Entrepreneurs in South Africa

Women entrepreneurs in South Africa remain on the periphery of the national economy. The activities of women in business are concentrated in the areas of crafts, hawking, personal services, and the retail sector. There are low participation levels of women entrepreneurs in value-adding business opportunities. Some of the chief barriers to promoting women in business include race, gender, geographic location, lack of access to finance, education and training, a difficult socio-cultural environment, absence of networks and mentors, lack of business management skills, and obstacles in starting up new ventures.

Race and Gender

Entrepreneurship in South Africa is affected by a number of factors including race, gender, and location. As noted previously, male and female entrepreneurs share many traits. Even though women in South Africa constitute slightly more than half of the total population, only one in every three entrepreneurs is female: 31 percent of entrepreneurs are female versus 69 percent who are male.

According to the 2011 National Census, the South African population includes the following ethnic groups: Black Africans (79 percent), Whites (8 percent), Coloureds (9 percent), and Indians (2.4 percent).[22] The Seed Academy's Second Annual Startup Survey Results (2016) indicate that Black African entrepreneurs are underrepresented (59.3 percent), while Whites (26.1 percent) and to a lesser extent Indians (6.1 percent), are overrepresented in entrepreneurship when compared to the distribution of each ethnic group in the country's population.

The Seed Academy's Second Annual Startup Survey Results further report that popular sectors (for both men and women) for starting a business were found to be in Information Technology (IT). About 22 percent of IT entrepreneurs entered the IT Creative Sector (mostly men), 9 percent entered IT Wholesale & Retail, and about 9 percent entered Community & Social Services. Women were found to have greater representation than men in the Consumer Services sector, especially in the hair and beauty businesses.[23]

Thus, even in expanding sectors such as IT, women's entrepreneurship opportunities are limited. The Department of Trade and Industry affirms this conclusion, stating that many women, Black women in particular, are obliged to work in the principally unregulated and poorly paid informal employment sector because of limited opportunities in the formal sector.[24]

Financing and Women Entrepreneurship

One of the inhibitors to becoming an entrepreneur is an inability to secure start-up capital and the high cost of start-up capital. According to Buthelezi, one of the major problems that face women who want to secure capital is the businesswomen's perception that banks discriminate against them.[25] Thus, a large proportion of small, female-owned businesses believe that they must utilize their own financial resources when starting and operating their business.

According to the Seed Academy's Second Annual Startup Survey Results, 85 percent of the surveyed entrepreneurs indicated that they self-funded their businesses to date. About 9 percent indicated that they received funding from family and friends, while 2 percent received funding from banks, another 2 percent received funding from development finance institutions and the remaining 2 percent indicated that they received funding from Angel Investors.[26] The Seed Academy notes that a similar trend was identified with their 2015 Annual Startup Survey Results. The consequence of this phenomenon is that many entrepreneurs may not be getting the amounts of money that give their businesses the required funding for growth.

Tendai's research also supports this finding, reporting that only 2 percent of new SMEs in South Africa are able to access finances. Furthermore, Tandai notes that about 75 percent of the applications for bank loans are rejected.[27] Entrepreneurs in SMEs often find it difficult to access bank finances because they lack collateral security, the required bank deposit, or a credit record. Poor presentation of business plans is also another reason why small-scale entrepreneurs fail to secure bank finances for their SMEs in South Africa.

Educational Training and Women's Entrepreneurship

According to the Global Entrepreneurship Monitor (GEM), it is crucial to the competitiveness, productivity, and growth of an economy that there be an educated, skilled workforce, capable of innovation.[28] A sound education system is, therefore, one of the key imperatives for a competitive country, as a good quality education system will have a positive influence on individuals' self-efficacy and self-confidence. This will, therefore, increase the chances of such individuals not only to start a business but also to successfully navigate competitive and changing business environments.[29]

Training is an essential component for producing an able corps of entrepreneurs who not only survive, but thrive and contribute to the local, and ultimately, the global economy. Skill-based training, technical training,

technology training, and delivery of management skills are necessary to strengthen entrepreneurs.[30] The 2015/2016 GEM results show that there is a strong correlation between perceived capabilities (skills) and total early-stage entrepreneurial activity (TEA), reinforcing the view that all forms of education (formal and non-formal) are important in developing entrepreneurial competence.

In 2015, 67 percent of early-stage entrepreneurs in South Africa were found to have achieved at least a secondary qualification, up from 60 percent in 2014. The percentage of South African entrepreneurs with tertiary level education has also shown a steady increase over the years. In 2015, almost a fifth of all early-stage entrepreneurs had a post-secondary qualification.[31]

The Seed Academy's Second Annual Startup Survey Result revealed that about two-thirds of all entrepreneurs surveyed reported having at least some secondary education, which includes a post-matric diploma, university degree, or post-graduate degree. About 70 percent of the women entrepreneurs reported completing at least a post-matric level of education or higher, compared to about 63 percent of males. This indicates an improvement on the part of women who have been found historically to be ill-equipped educationally compared to men. This demonstrates that the post-1994 governmental education initiatives for women have provided some gains for women and for South Africa's efforts to support entrepreneurship.

Socio-cultural Environment

Some of the most pervasive factors that can encourage and enable, or discourage and disable, women's enterprise development are extremely difficult to observe and measure. A prime example is women's position in society and the related issue of socio-cultural expectations. Socio-cultural environmental factors affect what societies, communities, and families perceive as acceptable or unacceptable for professional women and businesswomen to undertake and to do.[32]

O'Neill and Viljoen point out that additional limitations to women entrepreneurs are the family commitments of married women.[33] Winn argues that women entrepreneurs have to make trade-offs between their work and family responsibilities.[34] Their male counterparts do not face the same family pressures, and can make a greater time commitment to their businesses. Jalbert notes that the fact that there are trade-offs to be made between work and family responsibilities is a challenge for women in any environment.[35] It becomes a double burden, however, in a developing economy, where scarcity and lack of infrastructure such as lack of electricity, water,

roads, communication, and business sites can make the most basic tasks harder and more time-consuming. Thus, South African women, who must perform important basic tasks for their family, have less time left to devote to their businesses than do men who are unencumbered by daily family obligations.

According to Strategic Business Partnerships' (SBP) research, societal attitudes towards women's places in the economy (and certainly, the laws that regulate this) have historically limited women's entrepreneurship in South Africa.[36] This is changing profoundly as younger South Africans are increasingly accepting of women's entrepreneurship. This is affirmed by an International Labour Organization study by Kew et alia carried out in the Free State Province in 2012, which revealed that the attitudes of young people towards women's involvement in entrepreneurship were highly positive. Most of the young people did not believe that women should be constrained by their traditional roles.[37]

Network and Mentors

Efforts to promote women's entrepreneurship should ensure that women have access to support networks that afford them access to those who have influence in the same line of business.[38] In business, it is not always just a matter of what you know, but of who you know and who knows you. Valla finds that lack of formal and informal social networks results in the lack of recognition that often prevents advancement.[39]

In many advanced entrepreneurial economies, angel networks are well developed and a strong culture of getting involved in early-stage start-ups exists. There is a need to identify ways of enhancing the angel network in South Africa. The Seed Academy's Second Annual Startup Survey Results state that 30 percent of the surveyed entrepreneurs indicated that they believed that they needed to be part of a network of businesses.[40]

According to Witbooi and Ukpere, network groups and structures not only provide an opportunity for women entrepreneurs and business people to meet together, network, and support each other, but also provide powerful platforms from which to advance and represent their interests as business people and entrepreneurs.[41] Additionally, rural areas in South Africa are still under-serviced and information dissemination to women in the rural areas is often a challenge. Information on business networks should be disseminated in the same way as information about health clinics, government grants, child maintenance, immunizations, and other essential services so that it is able to reach those in the rural areas.

Agholor et alia point to the need for women entrepreneurs who are successful in business to assist other women entrepreneurs who are just coming into business. This could be done through a mentorship program or by encouraging female owners of start-ups to join business incubators.[42] According to Chiloane-Tsoka and Mello, the absence of mentorship to Black women entrepreneurs in Tshwane (capital city of South Africa) has resulted in many of those entrepreneurs being confused and misled.[43]

Lack of Business Management Skills

According to Agholor et alia, lack of managerial experience is one of the obstacles women have to overcome in the area of entrepreneurship. Women are principally found in the "traditional sectors" such as retail, service, teaching, and office administration, rather than in executive managerial or technical areas. These sectors make women less equipped for business ownership in the areas of human and financial capital. This is the reason why many women entrepreneurs consequently gain their first managerial experience in their own businesses.[44]

General business training includes basic business skills such as costing, marketing, accounting, and negotiation, and is usually a central element of an integrated service package. However, training in basic business skills is often not enough for women, and successful training programs for women entrepreneurs, therefore, also include confidence building and fostering the attitudes important to starting and managing one's own business. Since business skills are related to various stages of business development, it is argued that women face challenges for learning business skills early in the lifecycle of their business and therefore the learning of such skills is less profitable in the early stages than in later stages, when they are more competent in business skills.[45]

Just after South Africa's transition from an apartheid state, the new government recognized the challenges facing women business entrepreneurs in a 1995 White Paper of the Department of Trade and Industry. These included:

- Problems female entrepreneurs experienced in the past with regard to legal status and access to finance.[46]
- Special needs of female entrepreneurs with regard to the provision of appropriate infrastructure.[47]
- Special training needs of female entrepreneurs.[48]

- The need for tax concessions to large enterprises to support female entrepreneurs.[49]
- The need to improve the position of female entrepreneurs as an initial high-priority target area in the small-business development effort.[50]

From the 1995 white paper findings, one can see that South African women entrepreneurs had to overcome many challenges. The coping strategies that these women adopted to meet these challenges are discussed in the section that follows.

Coping Strategies of South African Women Entrepreneurs: The Shared Interest, Loan Guarantees, and System-Change

Shared Interest is a social investment fund that was launched in 1994 just after Nelson Mandela assumed the presidency of South Africa, with a mission to support South Africa's lowest income people of color. It has since expanded beyond South Africa to Mozambique, Swaziland, and Zambia.[51] Today, the majority of Shared Interest's work is focused on low-income, Black African women. Shared Interest provides a catalytic platform for international investors and Shared Interest's partners (Thembani International Guarantee Fund (TIGF) and Enclude Solutions) to provide collateral, unlock local capital, and build capacity for entrepreneurs in low-income communities.[52] Its main focus is on loans to Black people, and particularly to low-income Black women, who are triply disadvantaged by their race, class, and gender. These are women who found themselves at the top of the unwritten list of people the financial institutions consider "unbankable."

Katzin, the founding executive director of Shared Interest explains that this investment fund incorporates women and girls into systems that have previously excluded them, and changes those systems by applying values and practices that women prioritize, in order to build more just and inclusive societies. Shared Interest works as a catalyst for social and economic change in South Africa. Shared Interest, together with TIGF, provides guarantees and technical support to Black women who then have access to commercial credit for the first time, enabling them to launch new businesses, purchase and expand commercial farms, and win government contracts in ways they have not enjoyed before. This also allows Black women to challenge tenure arrangements (particularly in traditional communities) that make it difficult for them to obtain and work the land.[53]

Working with the Women's Development Bank, Shared Interest and the TIGF also helped launch and guarantee a portfolio of loans to women becoming commercial farmers for the first time, obtaining credit and contracts, and establishing new precedents and opportunities for other women and girls in their communities. This has, in turn, caused a shift in some commercial bankers' attitudes and readiness to lend to women as they repay their loans and expand their farms and enterprises. This has begun to open the doors of credit for other women to access. The women have used the guarantees to build not only their financial capital but also social capital.

According to Katzin, the Shared Investment Fund also provides mutual support by providing guarantees to microfinance institutions, rural women cooperatives, and community networks (i.e., borrowing groups and village centers). This fund benefits the women by building on the practices of collaboration and mutual support among the rural women. They share information, skills and encouragement, and purchase and sell together to enhance their bargaining power.

Since its inception, Shared Interest has helped to create more than 180,000 new small- and micro-enterprises, 1.9 million jobs, and 120,000 affordable homes—benefiting 2.3 million. It issued $103,043,630 in loans, provided $21,659,843 guarantees, and strengthened sixty-three institutions. The 2015 Annual Report indicates that since inception, 2,256,206 beneficiaries received technical support, forty-two grassroots lenders and businesses, and thirteen major financial institutions were strengthened by technical support. The reported beneficiaries were from South Africa, Mozambique, and Swaziland, with South Africa having the majority of the beneficiaries at 71 percent, followed by Mozambique and Swaziland at 27 percent and 2 percent, respectively.[54] The sectors that benefited were Agriculture (48 percent), Small, growing Businesses (32 percent), Infrastructure / Housing (16 percent) and Micro-Enterprises (4 percent).[55]

One of Shared Interest impact stories is that of a Western Cape female CEO and owner of a road-marking and civil engineering company. Despite being named "Entrepreneur and Job Creator of the Year" by Sanlam/ Business Partners in 2014, she could not obtain the loan she needed to complete infrastructure and storm water drainage projects in Hermanus, Oodshoorn, and Piketberg. The R4,000,000 overdraft she received, secured by a Shared Interest guarantee, is enabling her to complete those contracts successfully, making low-income neighbourhoods and informal settlements more livable by reducing flooding and facilitating transportation. In the last year, she has grown her employment rate by 100 percent to employ 250 skilled and 300 semi-skilled workers.[56]

Conclusion

As we can see from this study, financing, training, and mentorship/networking are key variables to entrepreneurs' successes. In South Africa, changes are slowly taking place to allow South African women entrepreneurs to cope with their challenges and to secure gains in these three critical areas.

As discussed, one important coping strategy of many of the poorest Black South African women entrepreneurs for securing funding and training has been to access the important programs of Shared Interest and its South African and international partners. Another coping strategy for women entrepreneurs has been to turn to another non-profit organization, the Business Women's Association of South Africa (BWASA). The BWASA was launched in 2000 from a collaboration of several women's professional and business organizations. It lobbies for women's business issues at the national level and conducts research on the state of women in the economy, such as the BWASA research quoted in this study. Additionally, the BWASA creates networking opportunities for South African businesswomen, has implemented a mentoring program, and also has launched a business incubation program. The BWASA also provides some funding for tertiary education classes through which South African women can improve their business skills.

Another coping strategy of South African women entrepreneurs has been to avail themselves of the legislation passed by the South African government that stipulates that if they meet the requirements for a business loan, they are permitted to secure loans and cannot be discriminated against on the basis of sex. Moreover, the South African government's effort to make education available to all South African women is also an important foundation for supporting future entrepreneurs. Entrepreneurs require skills, and since 1994, the South African government has sought to advance the educational achievement of South African women and, as noted in this study, South African women have availed themselves of the opportunities provided.

This study also demonstrates that the challenges to South Africa's aspiring women entrepreneurs remain daunting. Women, who represent 51 percent of the South African population, still suffer from historical and cultural prejudice in accessing opportunities, for a number of reasons that are outlined in this study. While access to financial services continues to be largely racially defined in South Africa, the gender gap between men and women does persist, and is likely to grow if special efforts are not undertaken to address the underlying issues. While race has historically been the primary driver of economic disparities in South Africa, other forms of

discrimination also prevent women, especially Black women, from accessing economic freedom and other opportunities.

The work of business associations like the BWASA, and financial and training organizations like Shared Interest, demonstrate, however, that South African women entrepreneurs will avail themselves of the support offered by such organizations if given the opportunity. Thus, expanding the number and scope of such non-profit organizations, as well as of government programs for South African female entrepreneurs is key if South African women working to cope with their environments are to have success.

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CHAPTER 5

Nigerian Entrepreneurship in the Twenty-First Century: Corporate Social Responsibility Challenges and Coping Strategies of Nigerian Male and Female Entrepreneurs

Adebimpe Lincoln

Introduction

The importance of Small- and Medium-Scale Enterprises (SMEs) and the appreciation of their role cannot be overemphasized. SMEs are recognized as one of the most vital contributors to people's income and to economic development, however they may be defined.[1] SMEs are seen as dominant forces for economic development and industrialization in the African region as a result of their innovative practices and the solution they provide to different economic problems, particularly in terms of employment. Consequently, SMEs have become one of the essential elements in policy initiatives devised by various governmental institutions in promoting economic regeneration, employment and growth. As a common trend, many countries have been enhancing their support to SMEs in recent

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years, being conscious of the importance of SMEs not only from the viewpoint of the dynamic growth of the economy but also job creation. There is increasing recognition in transition economies that the ability to increase global wealth is dependent to an extent on the development of successful entrepreneurship. Transition economies such as Nigeria are predicted to become substantial contributors to the global economy and Gross Domestic Product (GDP). In Nigeria, entrepreneurship is often the only option for those seeking an income to overcome poverty and unemployment. The unemployment rate in Nigeria is a staggering 23.90 percent.[2] Entrepreneurship is a dynamic field particularly as it relates to the process of change, creation and vision. The entrepreneurs' vision to recognize opportunities and willingness to take calculated risks are critical factors needed for success.[3] SMEs in Nigeria represent a large proportion of businesses contributing immensely to the mobilization of resources, employment and poverty alleviation.[4] The importance attached to the sector also rests on the belief that SMEs are perceived to be the seedbed for indigenous entrepreneurship and are known to generate many small investments. Thus, encouraging entrepreneurship is a key policy instrument for promoting economic growth and employment creation in Africa.[5] Due to their small and flexible character, SMEs are able to withstand adverse economic environments and survive where many large enterprises fail.[6]

In light of the large proportion of SMEs in national economies, their role in global Corporate Social Responsibility (CSR) effort is of increasing significance. SMEs are said to think and act locally. Furthermore, SME connections with the local communities in which they operate make them valuable players in promoting CSR and social community activities. In a bid to ensure good governance and bolster socially responsible practices, various countries have devised strategies to ensure transparency and accountability of corporate practices not only as a means of inculcating investor confidence but also as a way of further strengthening their legal systems, democratic governance and ensuring local communities are accounted for in CSR practices. There is general consensus amid academics, researchers and government agencies worldwide that such systems help to provide a degree of confidence, integrity, stability, investment and sustained economic growth, which is necessary for the proper functioning of a market economy. In spite of the increasing importance of CSR on a global scale, relatively little is known about CSR practices among SMEs on the African continent.[7] Unanswered questions remain with regards to CSR within the African milieu. Consequently, there is a need for more research in order to better

understand the concept in African countries. This chapter contributes to the growing body of literature on CSR in Africa by exploring challenges encountered by Nigerian entrepreneurs and coping strategies adopted in overcoming these challenges. In particular, the study seeks to provide answers to the following questions:

1. What CSR activities do Nigerian male and female entrepreneurs adopt?
2. What are the primary drivers of CSR among Nigerian male and female entrepreneurs?
3. What are the challenges affecting Nigerian male and female entrepreneurs' adoption of CSR?
4. What strategies do male and female entrepreneurs employ in order to cope with the challenges experienced?

The chapter begins by expanding on the corporate social responsibility concept and theoretical perspective on SMEs' approach to CSR. The chapter then proceeds with a review of entrepreneurship and corporate social responsibility regulations in Nigeria. The research methods used in carrying out the study are then outlined and the main qualitative findings obtained from the male and female entrepreneurs presented. The chapter concludes with a summary of the major findings and a discussion of the implications of the research findings and recommendations for Nigerian entrepreneurs and policy makers.

Corporate Social Responsibility and Small and Medium Enterprises

There is now growing recognition of the importance of socially and environmentally responsible enterprises. CSR as a concept has witnessed a number of redefinitions in light of the expanding nature and role of the corporate sector and its impact on the wider society.[8] Bowen in his seminal work explores what it means to conduct business in a socially responsible way, he asserts that socially responsible business practices encompass "obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society."[9] Subsequent definitions of the concept viewed CSR as decisions and actions of businessmen made partially beyond their firms' direct economic or technical interests.[10]

In addition, various organizations have contributed to the development of key standards of behaviour on an international level. For example, the United Nations Global Compact's Ten Principles sets out core values in four main areas, namely human rights, labor standards, environment and anti-corruption. In relation to human rights principles, the Global Compact states that "businesses should support and respect the protection of internationally proclaimed human rights and make sure that they are not complicit in human rights abuses." The labor standards principles state that businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining, eliminate all forms of forced and compulsory labor, abolish child labor and eliminate discriminating practices in employment and occupation. In relation to the environment principles, the Global Compact calls for businesses to support a precautionary approach to environmental challenges, undertake initiatives to promote greater environmental responsibility and encourage the development and diffusion of environmentally friendly technologies. Finally, the anti-corruption principle states that businesses should work against corruption in all its forms, including extortion and bribery.[11]

From a theoretical perspective, CSR is said to incorporate compliance with the law, philanthropy and responsibility in the marketplace to various stakeholder groups who can affect or are affected by the achievement of an organization's objectives.[12] McGuire is of the view that "corporations have economic, legal obligation and responsibilities to society at large which extends beyond these obligations."[13] Frederick contends that social responsibility concerns the ability of businessmen to oversee the operation of an economic system that fulfills public expectation and a willingness to see that society's economic and human resources are utilized for the wider society.[14] According to Johnson, a socially responsive entrepreneur or manager is interested not only in his own well-being but also that of other members of the enterprise and his fellow citizens.[15] Jones views CSR as a voluntary obligation owed by an organization to constituent groups within society other than shareholders such as customers, employees, suppliers and the wider community.[16] Carroll puts forward a model of CSR, which encompasses four essential aspects, namely economic, legal, ethical and philanthropic responsibilities. Carroll states CSR components allow managers to identify and take into consideration the interests of various stakeholders affected by the firms.[17] More recent definitions postulated for CSR include The World Business Council for Sustainable Development definition, which views CSR "as the continuing commitment by business to behave ethically and

contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large."[18] Furthermore, Hopkins defines CSR as a concept that is concerned with ethical and responsible treatment of a firm's stakeholders.[19] Stakeholders are broadly defined in this chapter to include investors, consumers, suppliers, employees, the local community and the environment.[20] Various academics and researchers have put forward divergent classifications in a bid to gain deeper insight into stakeholder identification and management. For example, Freeman posits three main stakeholder taxonomies. The first is the stakeholder enabling principle, which is that firms are managed in the interests of stakeholders, such as employees, financiers, customers and communities. The second is the principle of director responsibility. This means that firms have the legal authority and moral responsibility to use reasonable judgment to identify and distribute rights and obligations among stakeholder groups. The third is the principle of stakeholder recourse, which means that stakeholders are provided with a platform to bring actions against directors who fail to discharge the duty of care owed to the firm and stakeholders.[21] Stakeholder theory seeks to strike a balance between maintaining the economic and social goals of the firm and its stakeholders. It does this while also encouraging the efficient use of resources, as well as accountability, in the use of power and stewardship by those in control of the firm.[22] Therefore, maintaining harmonious relationships with stakeholders should be of high strategic importance to the firm as this determines its success.[23]

CSR is important to all firms, large and small, and businesses have the responsibility of aligning diverging interests of stakeholders by effectively adopting appropriate strategies. The CSR literature has traditionally focused on large firms and multinational corporations; consequently, very little empirical research is available on CSR in small firms. The SME approach to CSR differs significantly from the approach adopted by larger firms. This is due in part to the nature of the SME firm and associated characteristics, such as size, sector and the SME owner/manager's orientation towards profit. For example, Sweeney notes that in small firms, ownership and management are not separated, as such control remains in the hands of the owner.[24] Thus, it stands to reason that SMEs acceptance of CSR is largely a factor of the personal attitudes of the owner/manager. Furthermore, SME owner/managers, due to the informal hierarchical structure of the firm, are more suited to fostering effective networking, interpersonal relationships and cooperation based on trust of stakeholders and legitimacy.[25] Furthermore, Quinn asserts that the SME owner/managers' personal values, and ethical

as well as moral convictions, to an extent, impact CSR strategies adopted, in light of the lack of separation between ownership and control of the business.[26]

Murillo and Lozano and Fassin also suggest that CSR advancement among SMEs is linked to the owner/managers and their value system.[27] Accordingly, Spence posits that SMEs' entrenchment within their communities and their close nexus to their customers and local community create a situation whereby the SME owner/manager feels morally obligated to engage in a socially responsible manner.[28] Accordingly, Murillo and Lozano, and Russo and Perrini suggest that the social capital theoretical perspective closely aligns with the SMEs' approach to CSR.[29] SMEs entrenchment in their local socio-economic environment and their interaction with clients and employees in the local communities make them key contenders where CSR is concerned, since a good reputation is essential to achieving competitive advantage.[30] SMEs are also more aware of local practices, associated risks and emerging social issues within their local communities than large corporations. Consequently, SMEs are more likely to conduct their business in a socially responsible manner, respond to social and community needs and engage in activities that take into consideration key stakeholder interests.[31]

In spite of the associated benefits that can be reaped from SME engagement in CSR-related activities, evidence shows that many SMEs are unaware of CSR initiatives.[32] A review of the literature highlights that CSR and social community activities undertaken by SMEs tend to be fragmented and informal in nature.[33] Lepoutre and Heene suggest that SMEs seldom engage in formal CSR strategies.[34] SMEs are also said to encounter greater challenges in their quest to engage and are prevented from active CSR engagement due to various factors ranging from their size, lack of time and support, access to information, lack of financial resources and expertise on CSR issues.[35] For example, Hsu and Cheng state that many SMEs consider that they lack requisite skills and guidance in CSR; this is because some of the guidance developed on a global level or sector specific level are not suitable for their purpose.[36] Murillo and Lozano state that SMEs lack knowledge and know-how in relation to CSR issues, which acts as a barrier to their ability to effectively engage in CSR. Furthermore, SMEs make little or no attempt to communicate their involvement in CSR-related activities or publish annual reports that disclose their CSR engagements.[37] Fassin, however, asserts that SMEs actively engage in socially responsible practices although they do not formally publish or report their activities.[38]

Corporate Social Responsibility Framework in Nigeria

Many countries have witnessed radical change in the relationship between businesses and the society in which they operate. Consequently, countries around the globe are adopting a tougher stance on businesses in relation to governance and ensuring that they embrace socially responsible practices within their strategic framework. There is a need to ensure that CSR-adopted rules and regulations support SME development rather than undermine their efforts.[39] While there are valid arguments for legislative intervention, such as increasing compliance and enforceability, increasing public trust, promoting transparency and accountability, ensuring uniform practices across all spheres and promoting fairness and certainty, one cannot discount arguments against legislating, which include high cost and the possibility that such legislative provisions would be reactive rather than proactive.[40] Furthermore, Ihugba argues that there is possibility of drafting complexities that may arise from tokenism and ingenuous attempts to pacify lobbyists.[41] There are various legislative provisions in Nigeria that regulate business activities and social responsible practices. For example, the Nigerian National Environmental Standards and Regulations Enforcement Agency Act contains provisions that cater to CSR. Section 20 of the act grants the agency power to make regulations setting specifications and standards to protect and enhance the quality of Nigeria's air resources, so as to promote public health or welfare and the natural development and productive capacity of the nation's human, animal, marine or plant life. Furthermore, Section 25 contains powers to implement regulations for the purpose of protecting public health and promoting sound environmental sanitation. Section 27 contains provisions regarding the discharge of hazardous substances and related offenses and allows the agency to impose fines and prison terms on those who contravene the provisions. The agency is also empowered under Section 30 to enter premises, examine any article, and seize any items believed to contravene any provision of the act.[42]

Furthermore, the Nigerian Criminal Code Act contains provisions on socially responsible practices. Sections 243 deals with the sale of food or drinks, Section 245 with fouling water, and Sections 247 and 248 contain provisions regarding noxious acts, the sale of matches made with white phosphorus and the use of white phosphorous in manufacturing matches.[43] In addition, the Harmful Waste (Special Criminal Provisions) Act contains relevant provisions and powers regarding the carrying, depositing and

dumping of harmful waste on land, territorial waters and matters under Section 1. Section 7 focuses on acts committed by body corporate, and provides for negligence on the part of a director, manager, or secretary in contravening provisions. Section 10 contains enforcement powers to search, seize and arrest those found to have contravened the provisions contained under the act.[44] In spite of the provisions available, law enforcement mechanisms in Nigeria are weak and ineffective. Ineffective institutions and corrupt practices among Nigerian law enforcement agencies further compound the situation.[45]

The Nigerian government, in a bid to reform CSR practices, put forward a Corporate Social Responsibility Bill, whose purpose is to establish the Corporate Social Responsibility Commission. Part 3 of the bill states that the commission will be charged with ensuring that companies are accountable not only to employees and their trade unions but to investors, consumers, host communities and the wider environment, as well as with developing environmental guidelines that need to be met by corporations doing business in Nigeria. In addition, the commission is vested with powers to carry out a variety of functions, which include creating a standard for social responsibility of corporate organizations consistent with international standards, serving notices of social responsibility requests to organizations and implementing social and environmental regulations. The commission is also tasked with the classification of corporate organizations, ranking them according to organizational size and magnitude of investment, factors which determine the nature of corporate social responsibility expected of them, with the publishing of annual reports on social and environmental impacts of companies' direct activities on their communities, with the development of policies to encourage corporate organizations to undertake community engagement as part of corporate social responsibility, and with ensuring that companies sponsor cultural and educational activities that offer added value to Nigeria's socio-political and technological development.[46] The CSR Bill is not without its critics. For example, Mordi, while recognizing that the bill is a welcome development in helping to firmly establish corporate ethics among Nigerian firms, also highlights some of the deficiencies inherent in the bill. According to Mordi, the bill fails to provide for extensive enlightenment of the Nigerian society on the importance and benefits of CSR, as well as identify the minimum constitutional duties that are imposed on the Nigerian government.[47] Furthermore, the bill, on the face of it, has the potential to add to the high cost and complexities of doing business in Nigeria. Part 5 of the

bill grants the commission power to temporarily shut down and suspend operations of an organization, corporation or a company for a minimum of fifteen of thirty working days as a penalty for non-compliance with statutory requirements. The commission is vested with the power, should an organization fail to comply with the statutory requirements of the act, to impose a fine of 2 percent of its gross annual profit, and on subsequent violation to impose a fine of not less than 3.5 percent of its annual gross profit, in addition to compliance with statutory corporate social responsibility within the given period. Firms operating in Nigeria face many obstacles and constraints ranging from poor infrastructure, such as roads, electricity supply, to lack of security, weak enforcement of contracts and high costs of finance.[48] Consequently, the CSR contributory charge proposed by the bill could act as a disincentive to investment in Nigeria, in light of the already high cost of doing business.[49] This line of reasoning finds support in research work carried out by the United Nations Industrial Development Organization (UNIDO), which contends that if CSR demands are protectionist, culturally inappropriate or unreasonably bureaucratic, the net effect will be to undermine people's livelihoods.[50]

In addition, the Lagos State Climate Change Policy (2012–2014) recognizes the adverse effects of climate change on individuals, business and infrastructure.[51] The policy emphasizes the importance of mainstreaming sustainability initiatives into the development plans, taking a sectorial approach focusing on the key socio-economic sectors more likely to be adversely affected by climate change and/or with a greater mitigation potential. These include, but are not limited to, energy, water, agriculture and food security, biodiversity and ecosystem services (wetlands, coastal and marine ecosystems, forests and wildlife), human health, land use and soil, tourism, industry, human settlements, transport and other infrastructure. The policy recognizes the need to put in place measures geared toward adapting and enhancing resilience to the adverse impacts of climate change, as well as contributing to global mitigation efforts.[52] There is consensus that various challenges exist in preventing effective adoption of CSR and sustainability initiatives in Nigeria. For example, the Lagos State Climate Change Policy recognizes that challenges exist in developing countries. The policy states that the challenges include lack of financial resources, weak technical capacity, bureaucratic processes and high transaction costs and lack of legal and regulatory frameworks. Where the SME sector is concerned, the policy recognizes specific challenges, such as the information and synergy gap between existing research institutions and

entrepreneurs and the prohibitively high costs of low-carbon technologies for a majority of SMEs. The policy proposes various sector-specific objectives in order to stimulate and support the growth and sustainability of SMEs through research and investment in green energy, infrastructure and green technology, and access to new market and finance opportunities including carbon finance.

Methodology

The study explores Nigerian male and female entrepreneurs' approach to CSR, and coping strategies adopted to overcome CSR-related challenges. The study adopts a qualitative approach involving the use of semi-structured interviews with sixty-four entrepreneurs in Lagos, Nigeria. The rationale for adopting semi-structured interviews rests on the premise that the study, being exploratory in nature, seeks to provide a narrative of real-life occurrences and events from the entrepreneurs' own perspective.[53] As a result of a lack of established data sets and records from which meaningful random sampling could be drawn, convenience sampling was used to identify the entrepreneurs who participated in the study. Convenience sampling involves the use of readily available participants to participate in a study.[54] Malhotra notes the basic principle of sampling is that by selecting some of the elements in a population, a researcher can draw his/her own conclusions about the entire population.[55] Consequently, the test of sample design is how well the sample structure represents the characteristics of the population it purports to be a representative of; bias inevitably occurs when the number of subjects is too small.[56] Babbie states that the larger a sample, the more representative of the population it becomes, and so the more reliable and valid the results based on it will become.[57] The sample size of sixty-four entrepreneurs is of an acceptable limit for an exploratory study of this kind.[58]

The entrepreneurs selected for the semi-structured interviews were chosen for their level of awareness of CSR concept and drivers, and challenges experienced when undertaking CSR in Nigeria. The semi-structured interviews provided the researcher with ample opportunity to probe responses and investigate motives and feelings on some of the research questions.[59] Key themes covered were the same for all interviewees and included open questions about the entrepreneur's awareness of CSR initiatives. In particular, the questions were designed to assess the entrepreneur's adoption of CSR-related practices and readiness to adopt CSR initiatives. In addition,

the interview questions sought to explore drivers and CSR-related challenges among Nigerian entrepreneurs. The interviews also sought to assess their perception of coping strategies adopted in overcoming some of the challenges identified. The semi-structured interview duration was on average around fifty minutes. All interviews were recorded, and the information obtained from them was transcribed verbatim. In order to make it more presentable and bolster the results obtained from the questionnaire survey. NVIVO software was used to organize findings according to the topics detailed earlier.

Analysis and Discussion of Findings

The aim in this section is to present the findings obtained from the semi-structured interviews conducted with the entrepreneurs involved in the study. The section begins with a discussion of Nigerian entrepreneurs' awareness of CSR-related activities. The latter part of the analysis presents relevant findings in relation to the CSR drivers, challenges experienced, as well as coping strategies adopted by Nigerian entrepreneurs in overcoming some of the challenges identified.

Nigerian Entrepreneurs' Awareness of CSR-Related Activities

The findings show that the majority of the entrepreneurs stated they were aware of CSR as a concept. Our findings here do not support previous research, which posits that SMEs lack awareness of CSR.[60] This finding supports past research, which confirms that there is evidence in African countries that SMEs engage in CSR-related activity and contribute to their local community and environment. SMEs are seen to engage in philanthropic activities and often practice CSR.[61] The interviews revealed similarities among the entrepreneurs of their understanding of the term CSR. Some of the male and female entrepreneurs who took part in the interview stated:

> Corporate social responsibility involves a firm's understanding of its role within society . . . promoting local communities and ensuring your business practices are comparable on a global scale. (Male entrepreneur)[62]

> A business needs to act in a responsible way and engage in ethical business practices. (Male entrepreneur)[63]

> Corporate social responsibility involves active engagement within your community and ensuring that you carry out your business in a moral and ethical manner . . . Your business practices need to add value to Nigeria as a whole. (Female entrepreneur)[64]

> I see it as the ability as a business owner to engage in responsible ways of conducting business, ensuring that my business does not badly affect the local community and the environment . . . As a business, you should be able to give back to the community. (Female entrepreneur)[65]

> . . . It includes how I interact with my employees, customers, community and the environment. (Female entrepreneur)[66]

The majority of the entrepreneurs stated that socially responsible activities implemented within their firm were done on an informal basis. Jenkins argues that SMEs are likely to have an informal, trusting and personally engaging approach to CSR.[67] This finds support in the research of various authors who confirm that CSR activities of SMEs tend to be informal in nature and oftentimes fragmented.[68] This view is also supported by the responses obtained from the interviews with the entrepreneurs, some of whom stated:

> The concept is developing in Nigeria . . . the problem is that people do not really understand the Western perspectives behind CSR. (Male entrepreneur)[69]

> In one way or another, many businesses in Nigeria do engage in CSR-related activities through their active involvement in their local communities, for example, church outreach. (Male entrepreneur)[70]

> There is no formal approach to CSR among many Nigerian SMEs. We do what we can but many of the practices are informal . . . People need more awareness of the concept in order for it to take root . . . There are challenges in doing business in Nigeria; many entrepreneurs are faced with more dire problems . . . We try however way we can to help support our local community. (Female entrepreneur)[71]

The entrepreneurs were asked if they were aware of available CSR-related legislation in Nigeria. The majority of them stated that they were not aware of provisions contained in the Nigerian National Environmental Standards and Regulations Enforcement Agency Act, Nigerian Criminal Code Act, the Harmful Waste (Special Criminal Provisions) Act or the pending Corporate Social Responsibility Bill.[72] When asked their perception of the

content of the proposed Corporate Social Responsibility Bill, some of the entrepreneurs stated:

> Nigeria suffers from lax rules and heavy bureaucracy, which increases the cost of doing business. The approach will not work in this environment. (Male entrepreneur)[73]

> This is yet another instance of lack of coordination with the government. How can you make such imposition without promoting the concept or taking responsibility yourself? There is a need for a top-down approach to CSR not a bottom-up approach like the Bill you are referring to. (Female entrepreneur)[74]

> It will not work in Nigeria; it seems more suited to countries such as the UK and the US where there are established rules and institutions. (Female entrepreneur)[75]

> The government needs to look at issues from a Nigerian perspective with weak systems. How can you impose such penalties when the average business is struggling to stay afloat and what provisions or support is provided to help people comply. (Female entrepreneur)[76]

> This is not the best way to approach the situation. People will comply if they are aware of what is expected of them and if support is provided by the government to help them achieve the necessary outcome. Nigerian government needs to do more in order to promote socially responsible practices and also combat corrupt practices among law enforcement. (Female entrepreneur)[77]

Nigerian Entrepreneurs' CSR Practices

The responses obtained from the entrepreneurs show that the majority agree that factors such as close nexus and ties with the local community and the security, health and satisfaction of the firm's employees were primary drivers of their CSR. This finding is supported by research conducted by Murillo and Lozano, who found that SMEs are more likely to embrace programs that involve their employees and the local communities in which the SME operates.[78] An overwhelming majority of the entrepreneurs were seen to engage in charitable activities within their local communities and contribution to projects that enhance a community's quality of life. Furthermore, many of the entrepreneurs stated that they provided financial support and encouraged their employees to be involved in community activities. The majority of the entrepreneurs were aware of the importance of providing

financial assistance, as well as sponsorship programs, education and training activities, and engaging in environmental protection and sustainability.

The entrepreneurs also commented that environmental initiatives require more resources and can be challenging for SMEs. The results show that the entrepreneurs agree with the statement that their ethical, moral and personal values and their religious and cultural beliefs were primary drivers of their CSR engagement. Countries such as Nigeria have unique differences from Western countries due to their culture, religion and political economy; CSR initiatives and practices would to an extent be mirrored by socio-cultural norms. Thus, CSR practices may be quite different from their Western counterparts. Some of the entrepreneurs involved in the study stated:

> Nigerians are very charitable; one can say that Nigerians engage in some form of socially responsible practice. They also actively engage in the local community through church groups and so on. (Male entrepreneur)[79]

> CSR in Nigeria usually takes the form of informal activities in the local community through religious or cultural engagement. (Male entrepreneur)[80]

> Social responsibility deals with morality and charity. Businesses do not function in isolation . . . Businesses need to act in an ethical and moral way towards their customers and local community. (Female entrepreneur)[81]

> Social responsibility usually involves charitable contributions and also sponsorship through education or training, in order to help contribute to people's lives and the community at large. (Female entrepreneur)[82]

> There are no rules or enforcement really. Many SMEs act in a responsible manner because they want to do so; it is voluntary effort on their part. I do not think strict enforcement will work in a place like Nigeria. What we need is more awareness of what is need, and also substantial support from the government. (Female entrepreneur)[83]

> More formal approach is required, with government institutions and NGOs taking a more proactive step in setting out formal rules and educating Nigerians on the concept. (Male entrepreneur)[84]

The results find support in previous research, which suggests that SMEs actively engage in philanthropic activities, for example through religion/church.[85] Amaeshi et alia suggest that CSR as philanthropy in the Nigerian context could be connected to religious influences.[86] The finding in relation to religion as a driver of CSR is to be expected as many Nigerians openly profess some type of religion.[87] In addition, religious associations are very

dominant in many aspects of people's lives. In light of the importance attached to gifts and sacrifices within certain religions, such practice could be easily transposed into business understanding and practices. Furthermore, the responses from the entrepreneurs that ethical, moral and personal values are key drivers of CSR find support in the seminal article by Quinn.[88]

CSR Challenges Experienced by Nigerian Entrepreneurs

Many of the male and female entrepreneurs interviewed agree that primary challenges affecting their adoption of CSR include lack of efficient government and NGO institution support, high monitoring costs, lack of financial resources and complex procedures of measuring and reporting CSR-related activities. Furthermore, challenges such as lack of CSR know-how and technological resources also hinder SME progression. The Lagos State Climate Change Policy (2014) recognizes some of these challenges, and cites the following as potential challenges affecting CSR initiative among SMEs: inadequate financial resources, technical capacity, and bureaucratic processes, high transaction costs, weak institutional capacities and lack of legal and regulatory frameworks. In light of the aforementioned, it is not surprising that the Lagos State Climate Change Policy (2014) proposes SME sector-specific objectives in order to stimulate and support the growth and sustainability of SMEs through research and investment in green energy, infrastructure and green technology, and access to new market and finance opportunities.[89] Many of the entrepreneurs agreed that adopting effective CSR practices is more challenging in a country like Nigeria. They also stated that there are specific constraints in the Nigerian institutional context that affect the evolution of socially responsible practices where SMEs are concerned. Some of the entrepreneurs involved in interview stated:

> There is a need to promote awareness in Nigeria, not just SME. Some people do not know what CSR is, or the societal benefit of engaging in such practices. The government needs to do more to promote the concept, and also to put support in place. (Female entrepreneur)[90]

> You have to understand that there are challenges to doing business in Nigeria and many people struggle. More help is needed if CSR is to be embraced fully in Nigeria. (Female entrepreneur)[91]

> There is a need to ensure adequate rules in relation to corporate social responsibility. Government incentives is required in order to ensure uptake

> of such practices and compliance, and also in order to make sure that they are enforcing rules and regulations on CSR. (Female Entrepreneur)[92]

> Many of the larger businesses need to ensure that they show good examples. (Female Entrepreneur)[93]

> There are financial implications and this is a major challenge. Many SMEs are not in a position to meet some of the standards. Nigerian government needs to work towards providing incentives for businesses to act in a more responsible manner. (Female Entrepreneur)[94]

> There are numerous challenges faced in doing business in Nigeria. We suffer from various issue . . . lack of time, lack of financial resources, lack of state and government support. (Male entrepreneur)[95]

> A major problem with CSR is the lack of know-how; we need to promote the concept more in order to secure more uptake by businesses. (Male entrepreneur)[96]

> Awareness of CSR is lacking in some parts; people are not really aware of corporate social responsibility. The government can work towards promoting it by putting in place workshops and training facilities to educate entrepreneurs about CSR, and put measures in place to monitor it, and also provide financial assistance for those businesses who want to take part. (Female entrepreneur)[97]

> The cost of being socially responsible is high in an environment like Nigeria. Many businesses in the first instance have to provide their own resources, such as water, electricity and so on. Assistance is needed in order to ensure that these businesses embrace socially and environmentally friendly practices . . . Many of the businesses will not survive; the cost of compliance is too high. (Female entrepreneur)[98]

The perception echoed by the entrepreneurs is supported by past research, which asserts that SMEs lack the resources needed for CSR and are prevented from active CSR engagement due to factors ranging from their size, lack of financial resources and expertise on CSR issues. Various writers note that SMEs by their nature, experience specific challenges. Factors, such as time, and human and financial constraints, act as a barrier preventing them from undertaking CSR-related activities.[99]

In spite of the aforementioned challenges, some SMEs are found to be more environmentally responsive compared to large businesses.[100] The entrepreneurs agree that SMEs are better suited to CSR on a local level than large corporations due to their informal structure and familiarity with the local community. Some of the entrepreneurs who took part in the interview stated:

> SMEs are essential in this, as they are the ones who operate in the communities and are closer to the customers and those living within the local communities. Nigeria has many small businesses operating in these communities. It is in everyone's interest if SMEs are provided with the necessary resources and tools to be able to promote responsible practices. (Female entrepreneur)[101]

> We are more familiar with the environments and the communities. Many of us and our employees live here; we are from the local community, and so it is in our own best interest to act responsibly. (Female entrepreneur)[102]

> SMEs are powerless to do much unless they are provided with necessary resources; many of the businesses are trying to survive. They need help, otherwise it is futile. (Female entrepreneur)[103]

Coping Strategies Adopted by Nigerian Entrepreneurs in Overcoming CSR-Related Challenges

The male and female entrepreneurs were asked their perception of coping strategies adopted in order to overcome some of the challenges identified. Many of the entrepreneurs stated that the provision of financial initiatives, training and educating SMEs, networking and the need for more concerted efforts from government institutions and NGOs would help in alleviating some of the challenges. Some of the entrepreneurs agree that CSR helps improve customer loyalty and promote a positive business image. Benefits obtained from active engagement with CSR include customer satisfaction, competitive advantage over rival businesses and increased morale among their employees.

The entrepreneurs contended that CSR should be practiced as part of overall business culture and strategy. Strategies identified by the entrepreneurs in coping with the challenges identified include networking and involvement of stakeholders in CSR-related activities.

> We set CSR objectives on an annual basis and we monitor our performance . . . CSR needs to be incorporated into the business model and you actively manage it. (Male entrepreneur)[104]

> We involve our stakeholders in our CSR strategy . . . This helps us better understand the right approach to take relevant to our own business practices. (Male entrepreneur)[105]

> We network with various organizations in order to share best practice. This is very useful as it helps us identify CSR strategies which could be useful, and

> provides guidance on how to go about adopting the strategy within our firm. (Male entrepreneur)[106]

> Information is key in ensuring a sustainable CSR practice . . . Close relationship with our key stakeholders is also useful in helping us shape our strategy. (Male entrepreneur)[107]

> Networking is key to ensuring CSR principles are promoted and shared in Nigeria. Like-minded business people can use this opportunity to share best practice. Besides, those who are new to the concept can be enlightened by those who already incorporate it into their business practices. (Male entrepreneur)[108]

> Financial assistance would help ensure many of the key CSR practices are embraced by more Nigerians. The Nigerian government is weak where corporate social responsibility is concerned. There is a clear lack of initiatives, lack of understanding of the concept and a lack of resources to help in making CSR a key area within business and society. (Male entrepreneur)[109]

> The state of infrastructure in the country makes it more challenging to engage with more meaningful forms of social responsibility practice. If the state of infrastructure were better, then there would be an argument for ensuring that business practices are carried out in a socially responsible way. SMEs are left to struggle alone. The added cost of being socially responsible cripples many businesses, and this is why they do not fully engage. (Male entrepreneur)[110]

> In order to overcome the challenges, resource needs of businesses must be met. SMEs need resources in order to enable them embrace socially responsible practices; financial incentives will go a long way in aiding compliance. In addition, provisions of useful information will help in promoting knowledge and awareness of CSR. We also need institutions who know what they are talking about and can offer assistance. (Male entrepreneur)[111]

> The legal regulatory environment needs to be more effective in promoting CSR-related activities . . . The legal regulatory environment must also be effective in ensuring compliance. Nigeria has more pressing issues, which require attention . . . Unfortunately, CSR is at the bottom stage in Nigeria. (Male entrepreneur)[112]

The entrepreneurs further stated that they engaged in training and development activities within the firm and they support social activities through employee involvement in community activities. Some of the entrepreneurs involved in the interview stated:

> Providing training to our employees helps in overcoming some of the problem faced with know-how. It is capital intensive and you really need to believe in the benefits of CSR in order to promote it in your business. (Male entrepreneur)[113]

> A clear understanding of CSR and CSR-related activities is essential . . . Thorough understanding is required of the CSR activities the business wishes to embrace and implement, and also promoting CSR practices to employees through training and development. (Male entrepreneur)[114]

> Most people are not aware of the CSR concept, we need to promote CSR through education and training in Nigeria. Awareness of CSR is lacking, people are not really aware of corporate social responsibility. The government can work towards promoting it by putting in place workshops and training facilities to educate entrepreneurs about CSR, and put measures in place to monitor it, and also provide financial assistance for those businesses who want to take part. (Female entrepreneur)[115]

> There is more to CSR, and public awareness through more education and training will go a long way in ensuring people and businesses are more informed. (Male entrepreneur)[116]

> Clearer understanding of CSR and training facilities are needed to educate people and promote widespread understanding among Nigerians. SMEs cannot be left to do this alone. The cost of doing business in Nigeria is astronomical. This will only add to the already high cost. If some form of incentive is provided to help reduce cost, then this must be considered by the government and NGOs. (Male entrepreneur)[117]

> Corporate social responsibility needs to be introduced in schools and universities so that it is ingrained in young Nigerians, and they can easily identify what practices are socially responsible and which are not. (Female entrepreneur)[118]

The entrepreneurs who took part in the interviews were asked their perception on how SMEs in Nigeria could contribute to the promotion of CSR in their own business practices, regardless of some of the challenges experienced. The entrepreneurs felt that more needs to be done to ensure that a higher percentage of businesses adopt CSR policy statements that measure and evaluate CSR. Some of the entrepreneurs stated:

> Businesses need to promote more uptake of CSR practices from senior personnel, in order for the concept to trickle down to the employees. (Female entrepreneur)[119]

> Our business includes sustainability goals into the personal objectives of our senior employees to ensure everyone is accountable for successfully driving change, and this is reflected in our business practices. (Male Entrepreneur)[120]

> Customers react positively where sustainability programs are part of the firm's objective. This can improve the efficiency of a business and bring about much needed repeat custom. Nigeria is working its way towards achieving a system where ethics drives business. We are not there yet. (Male entrepreneur)[121]

> In order to bring about change, everyone in the business will need to get involved. Many of our employees are in the front-line, interacting with customers, suppliers and the community. There is a greater chance of success where employees engage, and are provided with skills through training. (Male entrepreneur)[122]

> SMEs need to be willing to dedicate their time and effort to promote CSR practices. Many SME's struggle to cope with the myriad challenges often encountered when doing businesses in Nigeria, and so it leaves little time to focus on CSR. If they are able to devote time, then they may be able to actively engage in CSR practices. (Female Entrepreneur)[123]

Conclusion

This chapter contributes to the growing body of literature on CSR and SMEs, as well as providing insight on the position of entrepreneurs, their engagement with CSR and the primary drivers and challenges affecting Nigerian entrepreneurs' adoption of CSR activities. This chapter presents findings obtained from semi-structured interviews carried out with entrepreneurs in Nigeria. The findings show that Nigerian entrepreneurs view CSR as ethical and moral obligations towards various stakeholder groups. Many of the entrepreneurs who took part in the study cited factors such as ties with the local community, security, health and satisfaction of the firms' employees and their religious and cultural beliefs as the primary drivers of CSR. The findings also show that entrepreneurs encounter challenges in their quest to engage in CSR activities, and are prevented from active CSR engagement due to various factors, such as lack of efficient government and NGO institution support. Furthermore, due to their limited resources, these entrepreneurs are prevented from actively engaging in CSR activities as a result of high monitoring costs and lack of financial resources. The entrepreneurs cited stakeholder involvement, networking and employee

training as some of the strategies adopted in coping with challenges encountered when engaging in CSR.

Carefully targeted policies from government institutions are required, which promote the importance and benefits associated with CSR. There is a need for more governmental promotion of effective strategies, in order to increase current CSR participation. Furthermore, incentives and funding are needed to engage SMEs in a structured manner where CSR is concerned. The government should invest in incentives, which raise awareness and improve SME knowledge of CSR through networking and workshops that focus on exchange of information and dissemination of best practices. Such policy support could be through provision of financial incentives to help encourage more entrepreneurs to actively engage in CSR. In addition, provision of training centers on CSR where entrepreneurs can go for CSR-related concerns could also help in providing much needed support. More guidelines are needed where CSR is concerned so as to provide a benchmark on which current practices can be measured. Various reports have confirmed that engaging in CSR has positive ramifications on business performance and society as a whole. Consequently, concerted effort is required from the Nigerian government, NGOs, and businesses, both large and small, to ensure societal and environmental concerns and sustainability issues are at the forefront of company and socio-economic strategy.

The entrepreneurs who took part in the study recognized the need for NGOs to develop better collaboration with SMEs and the local communities. Many of the entrepreneurs raised concerns in relation to SME lack of awareness about NGOs. Some of the entrepreneurs suggested that it would be useful to have a published list of active NGOs, in order to promote better SME and NGO association. NGOs are considered change agents, instrumental in ensuring a moderating effect and in acting as facilitators of community expansion programs, developing effective social and environmental development policies. The need to work on eradicating social deficiencies such as poverty, lack of education, poor health care facilities and unemployment were recognized by the entrepreneurs as key areas of interest. The entrepreneurs stated that NGOs should intensify their efforts to provide SMEs with:

- CSR know-how and technical assistance
- Useful CSR guidelines and standards
- CSR monitoring where required
- Resource-exchange activities such as sponsorship

This study has several limitations. First, the study utilized convenient sampling in identifying the entrepreneurs who took part, due to the lack of data in which to draw any meaningful sample frame for the study. Second, the study focuses on Lagos State and may not be representative of other states in Nigeria. Future research may focus on comparison across different industrial sectors and states in Nigeria. Our initial findings call for a more nuanced understanding, and further research that would benefit from adopting qualitative data collecting techniques using both interviews and focus groups of Nigerian entrepreneurs in order to better understand CSR motivations and practices.

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CHAPTER 6

Small-Scale Ghanaian Miners and the Textiles and Garment Industry in the Age of Chinese Economic Onslaught

Darko Opoku

This chapter is concerned with indigenous entrepreneurship in the textiles and garment industry and small-scale mining in Ghana—two key sectors of the economy with long histories of indigenous involvement and which directly employ hundreds of thousands of Ghanaians and provide spin-off jobs and opportunities. They are also crucial components of industry—one manufacturing and the other extractive—and offer a window to gain insights into how Ghanaian entrepreneurs have fared in these areas both historically and in the twenty-first century. In addition, the chapter highlights a seeming incongruity in neoliberal practice in Ghana: while successive governments have hewed to the neoliberal edict of free trade since market reforms were launched in the 1980s, they have preserved small-scale mining for Ghanaians. Yet Ghanaians have been overrun by Chinese miners in ways not dissimilar to their decimation in the textiles and garment industry, which the state does not protect. Few issues better illustrate the predicament of Ghanaian business in the twenty-first century, an era of heightened globalization, high capital and labor mobility, than these two areas. Entrepreneurs at once rail against free trade and embrace

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it; they assail the state for failing to stop illegal alien miners from wreaking environmental, health and economic havoc, but also collude with them. Ghana is presently in the midst of its most robust effort to rein in foreign miners. This chapter sheds light on topical and contemporary issues that have major implications for local business.

At the time of independence in 1957, Ghana's economy was heavily dependent on the exports of cocoa beans and unprocessed minerals such as gold, diamonds and bauxite. Economic thinking at the time broadly recognized central planning as catalytic to industrialization. Russia's spectacular rise as an industrial behemoth through central planning probably served as the best example. Import substitution industrialization (ISI), a specific system of the broad strategy of dirigisme became popular in much of the global South beginning with Kemal Ataturk's Turkey. Mexico, Brazil, Chile, Egypt, Pakistan, Bangladesh, among others, embraced ISI, though it was India that came to be most closely identified with ISI.[1] By Ghana's independence, then, ISI enjoyed currency and it proved alluring to President Kwame Nkrumah, who sought to transform Ghana from an agrarian economy into a modern industrial one. To achieve this, he turned Ghana into what essentially became a laboratory for development economics.[2] Partly because Ghana lacked a strong capitalist class, but mainly because Nkrumah was antipathetic to the rise of such a class and capitalism more generally, the state marshaled resources to establish numerous public enterprises.

The textiles and garment industry emerged in the 1960s as part of the broader effort to rapidly transform Ghana's economy. Dominated by parastatals, the industry, like other industrial projects, operated behind high tariff walls, restrictive import quotas and an exchange regime that enabled it to gain hard currency cheaply. Little room was left for private entrepreneurs, but some succeeded in establishing niches in which they managed to achieve significant success. *Kente* producers stand out in this regard. While far from being spectacularly successful, the textiles and garment industry did relatively well, outperforming many of the other industries and becoming quite competitive, holding its own against multinational giants such as Vlisco of Holland. As an indication of its relative success, by 1975, the sector employed about 25,000 people,[3] representing 27 percent of total manufacturing jobs.[4] This was despite the fact that the industry was plagued by problems such as frequent power outages, inadequate foreign exchange, lack of spare parts and shortages of essential imported inputs. Thus, capacity utilization hovered around 60 percent in the 1970s, dropping to 20 percent for garment and 10 percent for textiles firms by the early 1980s.[5]

Market reforms initially gave Ghanaian industry a new lease on life. Between 1984 and 1988, the average annual growth rate for manufacturing was a respectable 12.6 percent. Improvements occurred across all subsectors of manufacturing, though this varied by sector. Iron and steel products and sawmill and wood products outperformed the other subsectors. At the other end of the spectrum, the textile, garment and leather products sector performed poorly.[6] Trade liberalization was the main reason for the rise in manufacturing output; it made badly needed imported raw materials and equipment accessible so that companies were able to increase their operating capacity and output.

Over time, however, growth in manufacturing output plateaued. Between 1989 and 1996, average annual growth rate was a mere 2.7 percent. By 1996, all manufacturing sectors, bar one, had surpassed their 1977 production levels, regarded as a base period. The exception—the textile, garment and leather sector—had recovered less than 60 percent of 1977 output. Manufacturing as a whole had risen to 115 percent of 1977 level.[7] This fell both in 1997 and 1998, mainly because of erratic energy supply, though, again, performance varied by sector. In 2000 output declined still further, recording a miniscule 0.5 percent rise as a result of a severe depreciation of the *cedi*, Ghana's currency, which raised the cost of imported inputs and the cost of credit.[8] Manufacturing performance was the most disappointing aspect of Ghana's reform effort.

The dismaying performance of industry under neoliberal reforms mirrored a continental pattern, which has received extensive commentary in the literature. Free trade has been blamed for the collapse of the industrial sector in neoliberal Africa. There is an extensive list of scholars who have argued that free trade damaged Africa's already weak industrial base further still by opening local markets to stiff international competition for which local firms were ill prepared.[9] Having operated behind high tariff walls and restrictive import quotas, industries had faced little pressure to modernize and many had been relatively inefficient, or at least, had not been able to achieve the economies of scale that would enable them to compete successfully against foreign imports. The World Bank took the view that "infant" industries must not be protected, insisting that such action would cause market distortions. It maintained that all sectors, including industries, must compete or else die. This position has come in for heavy criticism as counter to the long-term development of African industrialization and as the weakest of neoliberal policy measures.[10]

The case of Ghana, where the deleterious effects of free trade were especially severe, bear out such criticisms. As noted in Chap. 2, Ghana

bucked the continental pattern of phased trade liberalization, moving faster and farther than any nation in the region. Consequently, Ghanaian manufacturers had little time to adjust to the change. The data tell an unequivocal story of devastation. By 1992, 1200 local industries—mostly garment, leather, metal and pharmaceutical—had collapsed.[11] From 1995 to 2000, an estimated average of more than 470 firms collapsed each year.[12] Repeated devaluations, credit ceilings and high interest rates (see Chap. 2) caused additional problems for manufacturers because, as the cost of production rose, imports became cheaper. Inadequate access to loans to import upgrading equipment and the ever-rising cost of locally manufactured goods made such goods increasingly uncompetitive. Manufacturers frequently pled for state intervention in the form of protection. In 1988, for example, the vice-president of the Ghana Employers Association issued what was by then a familiar plea to the government to impose quotas on some imports to save "local industries from extinction."[13] It must be noted that manufacturers generally favored reforms; what they objected to was "dumping" as imports flooded into Ghana.

Ghanaian manufacturers' increasingly desperate pleas for free trade to be curtailed were to little avail. Kwesi Botchwey, finance minister for fifteen of Rawlings' almost two decades in power and the mastermind of Ghana's market reform effort, insisted that: "It's not prudent to protect any firm solely because it is Ghanaian-owned." In a clear rebuttal of the case for protecting 'infant' industries, he argued that: "Some infant industries will never grow to maturity. They'll always remain babies with big teeth."[14] The minister of trade and industry also dismissed protectionism because it "will be in conflict with the Government's anti-inflation stance, since it will raise the cost of competing imports and therefore the cost of living."[15] In 1995, an apparently unmoved Botchwey dismissed the view that free trade had been damaging. "The domestic manufacturing sector" he said, "is so import-dependent, and also adds so little value, that the only way you can protect industry here is to ban imports. We can't pander to this kind of sentiment. If we were to levy tariffs, the cost to the economy would be much higher than anyone can blame on trade liberalization."[16] Save for minor differences, successive governments would take a similar stance.

Despite the dismissive attitude, calls for state intervention reflected a wider and serious debate in development theory. The debate relates to the appropriateness or otherwise of the World Bank's demand for the withdrawal of the state from the economy and the faith neoclassical economists place in self-regulating markets. Invoking the East Asian experience,

comparative political economists have criticized this view as misconceived. The Asian "miracle" of rapid and sustainable economic growth, they argue, occurred via a market-led framework but also, and crucially, governments frequently intervened in the market to bolster "infant" industries. This "defiance" of the most fundamental dictate of neoliberal economics led one critic of the faith in self-regulating markets to advocate "getting the prices wrong" when she actually meant "getting the prices wrong correctly."[17]

Although there is a consensus now that successful economic transformation requires appropriate economic policy as well as a supportive institutional and political framework, there is a divergence of views between the "liberals" who have held sway at the Bank, and the "state developmentalists." For the liberals, the necessary institutional support ought to be fairly "minimal," restricted to, for example, enforcement of contracts through an independent judiciary. They, accordingly, oppose government intervention in, say, the provision of subsidies whether for exports or import substitutes. State developmentalists, on the other hand, argue for the need for far more direct forms of government intervention and encouragement to build up "infant industries," positing that late industrialization requires an activist state to mediate market forces.[18] In a lucid and compelling critique of the World Bank, Amsden, presumably with Africa in mind, defiantly asks: "Why Isn't the Whole World Experimenting with the East Asian Model to Develop?"[19]

Regarding Ghana, it is worth noting that despite the World Bank's objection to protectionism, in what essentially amounted to a rare case of mea culpa, it conceded that "the transition to [free trade] might have been too abrupt for some industries."[20] Also, despite their facile dismissals, the design and sequencing of free trade in Ghana had caused concerns within the leadership. In 1990, P. V. Obeng, Rawlings' effective deputy, admitted the "over-liberalisation of certain economic activities" as a mistake when industries were not on a "sound footing."[21] Such moments were few and far between, however. The Rawlings regimes of the 1980s and 1990s concluded that infant industries should be exposed to global competition. The inability of Ghanaian manufacturers to compete led to factory closures and job losses. A 1996 United Nations Industrial Development Organization (UNIDO) study found that, by 1995, employment in the sector had tumbled to just 7000.[22]

Why did the textile and garment sector, which has historically been a springboard for developing nations to burst into export markets and "take off," perform so abysmally in Ghana? A study by Dr. Mensah offers

illuminating insights. Mensah, an experienced business executive and former chair of the board of directors of Juapong Textiles, once a success story, documents that there were 138 medium and large-scale garment manufacturers in Ghana in 1979. By 1987, only 22 remained in business. By 1995, 50 new medium-sized firms had been created. He found the garment sector "moving away from large-scale to small-scale and household enterprises."[23] From 1995 to 1999, the following export earnings were reported: $1.7 million, $0.3 million, $0.6 million, $5.2 million and $2.7 million, respectively.[24] Textiles did just as poorly. Mensah is particularly disappointed with exports of *kente* cloth because it is "unique" to Ghana giving "it a complete monopoly and absolute comparative advantage on the export market. There have been European, Korean and Ivorian imitation *kente* prints but these are no match for Ghana's *kente*."[25] I will return to these issues later.

Mensah identifies seventeen problems faced by the sector. But it is clear that many of these were hardly new. Others, like poor infrastructure and erratic supply of inputs, had improved under Rawlings. The new and decisive factors were the unstable *cedi* and the effects of trade liberalization and the related issue of globalization. Trade liberalization made the cost of industrial equipment and inputs increasingly expensive. Many firms lacked the resources to import critical equipment and inputs. By 1990, the average age of machines and equipment was 13 years.[26] Firms that were able to import essential equipment and materials had difficulty passing on the rising cost of production to consumers who now had a range of choices from an influx of second-hand clothing from Europe and North America and cheap imports from Southeast Asia. Some of the second-hand imports were donations acquired by traders at the cost of shipping and handling, so they proved very competitive against the low quality but costlier local alternatives. True, second-hand clothing had long been available in Ghana, but liberalized trade and foreign exchange led to a huge surge in imports. Second-hand clothing alone had taken about 65 percent of the domestic market.[27] Thus, besides to failing to export, Ghanaian firms were losing the domestic market. Mensah concludes that the sector is "endangered."

Interviews with owners of textile and garment firms in Accra provide further insights. Most firms operated with obsolete machinery, purchased in the 1960s and 1970s, mostly from China. Spare parts could be obtained only from the manufacturer and orders took months to arrive, inevitably disrupting production. With such old machinery, the line of products was narrow, putting them at a disadvantage in relation to imports. They realized the need to upgrade the machinery, but business was not brisk enough to enable them to raise funds to do so. Banks balked at lending to them. In fact, among

manufacturers, textile and garment firms said credit was the most significant constraint.[28] Frequently, they cited high interest rates and an unstable market as reasons. They also ranked poor demand for their products as a greater constraint than other manufacturers did.[29] Moreover, the garment sector was among the least-export oriented.[30] In short, an inability to innovate has dealt a major blow to the textile and garment sector.

J. A. Kufuor's accession as president in 2001 held considerable promise for textiles and garment manufacturers. Kufuor had pledged to resuscitate ailing industries and launch Ghana on a path toward industrialization as part of his broader vision of what he called the golden age of business. Excitement grew when Kufuor made textile and garment one of four sectors (the others were salt mining, oil palm, and cassava starch) deemed to be deserving of special assistance and promotion under the President's Special Initiative (PSI). He also created a new ministry for private sector development to actualize the PSI. He and his team concluded that these sectors had boundless potential, which state-business partnership should harness to serve as the engine to drive economic growth and create wealth with multiplier effects. It is worth noting that these four sectors were chosen because of the export potential they held so the PSI was decidedly export-oriented. Based on the high profile that was accorded the PSI, the bullishness of the president and the extent of the political, financial and technical support that he committed to it, it is fair to say that Kufuor essentially staked his legacy to the PSI. As further evidence of what the PSI meant to him, it was housed at the presidency and overseen by some of the president's most trusted and competent lieutenants and later placed under some of the most powerful ministries.[31]

It is pertinent to provide a synopsis of the state of the textile and garment industry in the 2000s in order to fully appreciate the magnitude of the problem and the challenge that Kufuor had set himself. As well, it is important to highlight prevailing international conditions regarding textiles and garment. Together, domestic and global conditions caused very difficult challenges for Ghanaians in the industry. I have argued that the radical liberalization of import and export tariffs tended to destroy local industries without generating new, more export-oriented ones. Admittedly, Ghana had previously exported very small amounts of manufactures. But this was precisely what export-oriented reforms were supposed to rectify. By the 2000s, the textiles and garment sector was in dire straits. Employment had fallen precipitously from 25,000 in the 1970s to about 7000 in the 1990s. This had fallen further to 2000 by the year 2000. A similar precipitous decline occurred in output. The total output

of 129 million yards in 1975 fell to 46 million before slightly rebounding to 65 million in 2000.[32] This bump in production in 2000 amounted to marginally more than 50 percent of total yards in 1975. Put differently, production level in the 1970s has never been matched.

The global environment within which Kufuor assumed power was also very harsh. India, China, Pakistan, Vietnam, South Korea, Thailand and Taiwan, among other Asian nations, had reached various stages of international competitiveness and eager to expand their global reach. While all posed serious challenges, it was China that has come to dominate and essentially sound the death knell of the textile and garment industry in Ghana and indeed several other African nations. China's global competitiveness is too well rehearsed to merit additional comment here.[33] What is relevant to note is the devastation that this has had on Ghana and the collusion of Ghanaians in it. Chinese trade with Ghana has been grotesquely lopsided. While this is consequential, what has been killing the textile and garment industry in Ghana is not so much the extent of the trade imbalance as the issues of pirating/counterfeiting and smuggling.[34]

This is the domestic and international setting in which the Kufuor administration formally launched the PSI on textile and garment in August 2001 with fanfare. It pinned its hopes on the African Growth and Opportunity Act (AGOA), anticipating the export program to create 70,000 jobs and generate export revenue of $3.4 billion over four years.[35] A brainchild of President Clinton, AGOA seeks to stimulate African textile exports to the United States through preferential trade. It held much promise for African nations seeking to gain access to America's vast market. Ghana's own hope seemed to be well founded because of the popularity of African prints, especially *kente*, which is particularly popular among African Americans.[36] In practice, Ghana failed to take advantage of AGOA. Data on how much Ghana exported to the United States are scant, but the available data are unimpressive. The value of Ghanaian textile and garment exports to the United States are as follows: $550,000 in 2002, $4.5 million in 2003 and $7.4 million in 2004.[37] The US Department of Commerce reports the following numbers for clothing exports from Ghana to the United States: 2001 ($200,000), 2002 ($500,000), 2003 ($4.4 million) 2004 ($7.4 million) 2005 ($5.1 million) and 2006 ($9.5 million).[38] Clearly, the government's expectations were way off the mark. As of 2006, Swaziland, Malawi, Botswana, Namibia, Ethiopia, and Mozambique were all far ahead of Ghana in terms of export earnings under AGOA.[39]

Judging by the government's own goals, the PSI on textiles and garments was a failure. The program was beset with some of the same

problems that had rendered previous efforts to stimulate the private sector and trigger economic transformation ineffectual. First, despite being central to the government's economic vision, the project was starved of funding. The government lacked the requisite funding to ensure success. In fact, its main source of funding was donor assistance, which meant that there was neither a steady stream nor sufficient funds as and when needed. The program collapsed within four years of its launch, its unsustainability laid bare. A second and related reason was that the program was fitful and surprisingly—given the priority the president himself accorded it—ill conceived. Coordination between politicians, bureaucrats and those on the ground was poor. Third, the usual Ghanaian pathology of using such programs to featherbed political allies got in the way. Assistance was hardly based on proven ability or demonstrable promise to succeed. Critics alleged, justifiably, that most of the major beneficiaries were regime insiders and their kin and friends, including some who had no prior experience in that line of business. Lastly, the program was unwieldy; it included the creation of training schools to train dressmakers. In principle, this was a good idea; in practice, it was spread too thin with little oversight. People who oversaw the day-to-day activities took advantage of their positions, privatizing resources they controlled. In interviews in 2010 at some of the training centers in Accra, by which time the program was practically dead, accounts of malfeasance were recounted.

Global Forces: The Role of External Players and Factors

The internal shortcomings were ruinous enough, but these were compounded by global forces that Ghana has failed to contain thus far. The Chinese economic juggernaut, which amplified in Ghana during the Kufuor era, has been especially devastating to Ghanaian textile and garment producers. In 2000, a year before Kufuor's presidency, China's exports to Ghana totaled $93 million; by 2008, his last year in office, this had ballooned to $1.4 billion. Ghana's exports to China in 2008 totaled a paltry $91.8 billion.[40] China has since become Ghana's biggest trading partner. While the trade imbalance is worrying, much more concerning is the devastation of Chinese imports on Ghana's textile and garment sector, an issue that has generated extensive commentary in the Ghanaian media, often with strident nationalist rhetoric.[41]

Chinese imports have been ruinous owing to several factors. Chinese goods are famously competitive. In Ghana, they are especially so because

importers routinely collude with customs and exercise personnel to evade or pay a fraction of excise duty and applicable taxes. In addition, under-invoicing is commonplace. Smuggling also adds another layer of competitive advantage to imported Chinese textiles. It is also reported that goods that are supposedly in transit in Ghana, destined for landlocked Burkina Faso and/or Niger and thus not subject to custom excise and taxes, actually never leave Ghana. Furthermore, the Chinese are remarkably adept in counterfeiting or pirating popular Ghanaian made logos, designs and imprints, including inscriptions in Ghanaian languages that are culturally important. Ghanaian traders are known to take samples to Chinese factories. For these reasons, Chinese textiles undersell Ghanaian textiles, sometimes by as much as half the price of locally produced goods. Although Ghanaian textiles are usually superior to Chinese imports, for many low-income Ghanaians, Chinese textiles are the clear choice.[42]

By the mid-2000s, the textile and garment industry faced an existential threat. Even Ghana's most successful textile businesses—Ghana Textile Printing, Akosombo Textile Limited and Juapong Textiles Limited—were in danger of closing, operating at a mere 5 percent of their capacity![43] Labor unions became increasingly strident in their criticisms of Ghana's open-door trade policies. Of particular note is the Textiles, Garment and Leather Employees Union led by Abraham Koomson, its indefatigable general secretary, who organized demonstrations, protests, strikes and petitions to focus attention on the continuing threats the industry faced and called for the state to intervene. The response of the Kufuor government—a national Friday wear program, which urged Ghanaians to wear clothing made from locally manufactured textiles—illustrated the depth of its impotence. Unionists were quick to point out that neighboring Nigeria subsidized its textile firms and challenged the government to provide assistance. Kufuor's response—that Ghana did not have the resources to follows Nigeria's example—was telling.[44] Koomson suggested that some government figures were probably benefitting from Ghana's trade regime.[45] Thus, like the Rawlings regimes, the Kufuor government was loath or, perhaps more accurately, unable to enact policies that would bring relief to distressed firms. Juapong Textiles temporarily closed in 2005.

The National Democratic Congress (NDC), Ghana's other major political party, swept to power after winning the elections of December 2008 under the leadership of Professor J. E. A. Mills. Seen as an ally of labor and the poor more generally, unionists probably felt quite confident that they might be able to wring some concessions from Mills. They pressed the case for the government to assist textile and garment producers by, among other

measures, imposing a quota regime, levying higher taxes on imports to make locally produced textiles competitive, enacting and enforcing more robust anti-piracy laws, curtailing smuggling and instituting stronger monitoring systems to check the apparent complicity of customs and excise officials in under-declared imports and other forms of costly malfeasance. In 2010, they succeeded in getting the government to create an anti-piracy task force consisting of representatives from the security agencies, the Ghana Standards Board, local manufacturers and labor unions. The task force would go on to seize and destroy pirated goods. This approach did not fit the bill. But even this token concession was overturned by President J. D. Mahama[46] in January 2013, citing concern that poor traders seeking to eke out a living were being harassed by the task force.[47] Mahama's concern reflected a broader issue: trade liberalization simultaneously created problems for Ghanaian manufacturers and opportunities for hundreds of thousands of traders.[48] In short, neither the Mills nor the Mahama governments could do anything to alter the free trade regime. As I have argued elsewhere, Ghana's policy choices vastly narrowed after it enrolled in the heavily indebted poor countries program. It is worth noting that in 2012, the Ghana Revenue Authority closed down Akosombo Textiles Limited and Akotex Synthetic Limited for failing to remit Value Added Tax receipts totaling 8 million cedis to the state,[49] an indication of their distress. They reopened later, limping on as pale shadows of their former selves.

The New Patriotic Party led by Nana Akufo-Addo defeated Mahama and the NDC in the elections of December 2016 and assumed power in January 2017. The unions, with Koomson leading the way, wasted little time in signaling to the new administration that their fight would continue. They have called for demonstrations and rubbished the government's heralded "One District One Factory" plan, which aims to create a factory in every district in Ghana, saying it would fail unless the government purged itself of self-serving figures who work against local businesses. Koomson has resolved to "ensure that such characters … are dealt with. The system in Ghana must be purged, otherwise the One-District-One-Factory programme will not work."[50] The government's offer of a stimulus package to revitalize the textiles industry as part of its goal to achieve industrialization was rejected by textile workers as a short-term palliative measure that would fail. For Koomson, the underlying causes of the collapse of the sector are pirating and smuggling, maintaining that these are the issues that the government should tackle.[51] It is too early to tell whether president Akufo-Addo can break the mold, but labor will clearly keep fighting. Employment in the industry, meanwhile, is reportedly down to 1500, and from more than 130

million meters of fabric produced at one point, output is down to less than 30 million meters.[52] Successive governments have been loath to protect Ghanaian manufacturers over concerns that it would put them in conflict with the International Financial Institutions and their underwriters.

Small-Scale Mining: A Preserve of Ghanaian Entrepreneurs Gone Awry

If Ghanaian governments have proved helpless in the face of the neoliberal edict against protectionism, they may deserve some credit for preserving small-scale mining for Ghanaians. Small-scale mining is one of the few major economic activities that has remained legally sheltered in Ghana in the twenty-first century. It would therefore be illuminating to probe how Ghanaians have fared in this industry in the era of capital and labor mobility. Have legal protections been sufficient to create a buffer against the onslaught of the forces of globalization and thus create a niche for Ghanaians to flourish? Or have these forces torn down this barrier? These emerge as important questions given the increasing frequency of clashes between transnational migrants and locals. Mining, in particular, is a major flashpoint.

Before proceeding, however, it is important to provide a brief historical and contextual background and explain some of the terms used. The territory known today as Ghana has a long history of gold mining. Although it is difficult to pinpoint exactly when gold mining began, Jackson reckons that it has a history of perhaps 2500 years.[53] Ghana's richness in gold led the Portuguese and later the British to call it Costa da Mina and the Gold Coast, respectively. Several European countries, most notably the Portuguese, the Dutch and the British, had fought for control over the gold trade. Of course, Arab traders had traversed the Sahara and traded in gold in the region before the advent of Europeans. Throughout this period, gold mining had been artisanal and African controlled. Large-scale mechanized mining began only after the British had established colonial rule in the late nineteenth century.[54] This began a new era in which industrial gold mining eclipsed both the output and the significance of artisanal mining, though Gold Coasters (Ghanaians after independence in 1957) continued to play important roles in gold production. Mining, with gold leading the way, together with cocoa and timber, became the lifeblood of Ghana's economy.

Given the centrality of mining to Ghana's economy, the government acquired ownership of various previously privately owned mining concerns beginning in the 1960s and created state mining companies to oversee

them. However, the Ashanti Goldfields, a UK-based company established in 1897, and the most important gold producer in Ghana, remained in private hands. It was acquired by Lonrho in 1969, which, as part of the negotiations that preceded this transaction, yielded 20 percent of the shares to the state. In the 1970s, the military regime of Colonel (later General) I. K. Acheampong acquired majority shares (and in one case sole ownership) in all mining companies spanning gold, diamonds, bauxite and manganese. By the time of the Rawlings coup in 1981, a precipitous decline had occurred in all mining activities in Ghana. Mainly because of this and the need for the cash-strapped state to obtain financial resources, the government of Rawlings and subsequent ones sold the bulk of the state's shares in the mining companies including the Ashanti Goldfields, which had been very profitable.[55] Output in all mining activities has risen significantly since the 1990s. In fact, gold surpassed cocoa as Ghana's most important foreign exchange earner in the 1990s. Ghana is Africa's second largest producer of gold.

An important development occurred in Ghana's mining sector when, in 1989, the government legalized small-scale or artisanal mining. In Ghana and much of the literature, small-scale mining is often referred to as *galamsey*, which, according to Owusu-Ansah,[56] translates into "get them for sale" and Adimako and Baah[57] "gather and sell." *Galamsey* has connotations of temporariness, a ring of "here today, gone tomorrow". Its legal recognition was a victory for the tens of thousands of Ghanaians who made a living, usually for lack of opportunity, in artisanal mining. Such miners had been forced underground by the restrictive mining regimes in the past, during which they had been demonized as saboteurs for selling minerals to the highest bidder, including a network of smugglers, rather than to state-authorized buyers. In spite of the state's heavy-handedness, they proved to be resilient until Rawlings' military regime relented—an acknowledgement of the nigh impossibility of outlawing an activity that had long provided a livelihood for many and a recognition that such people *could* make vital economic contributions. As an illustration, within a year of being legalized, the output of artisanal gold miners had risen from 17,234 ounces to 127,064 ounces,[58] an increase of more than 700 percent, and continued to rise. Along with the legalization of artisanal mining, the government also legalized the use of mercury for extracting gold.[59]

Some features of PNDC Law 218, which legalized artisanal mining warrant brief attention here. First, only Ghanaian citizens were permitted to obtain licenses and concessions for small-scale mining.[60] Second, the 1986 minerals and mining law (PNDC Law 153), a precursor to PNDC Law 218,

defines small-scale mining as "not involving substantial expenditure or the use of specialised technology."[61] The similarities in the language and the philosophy that underpinned earlier indigenization programs and the one that preserved small-scale mining for Ghanaians are striking (see Chap. 2). The Ghanaian Enterprises Decree (GED), 1968, which initiated Ghanaianization and served as a model for subsequent programs, reserved economic activities that did not require citizens to control significant financial resources or possess technical know-how or expertise.[62] Given Ghanaian entrepreneurs' general lack of financial wherewithal and their technological deficits, there were pragmatic reasons for such programs to set the bar low. But the continuing need to set low expectations some two decades later is questionable. In fact, the law that legalized artisanal mining assumed that sluices, pits and tunnels would be the methods used along with handheld rudimentary equipment—pick axes, shovels, and so on, with little mechanization. In addition, although artisanal miners had long been known for their disregard for the environment, the law failed to clearly stipulate environmental safeguards. This was despite the fact that they could now legally purchase and use mercury, a very harmful chemical, from authorized dealers. Thus, the small-scale gold mining regime did not seem to be adequate to deal with the challenges that were very likely to emerge. It is hard to avoid the conclusion that the authorities seemed to expect miners to police themselves.

Soon, the legalization of small-scale mining, while commonsensical and rational, led to chaos and widespread abuses. It created an avenue for tens of thousands of mostly unregistered, unlicensed and thus illegal mining activities to sprout. Especially in gold-bearing communities in southern Ghana, but also increasingly in northern Ghana, illegal small-scale miners abounded. Moreover, it was often impossible to tell apart legal and illegal operators. This may in fact be the principal reason why the perception that small-scale mining is illegal is still pervasive in Ghana. It is impossible to tell exactly how many people directly derive their livelihoods from small-scale mining partly because of its ubiquity across Ghana with most miners in small, isolated communities. According to one source, more than 200,000 people are directly involved in small-scale gold mining activities in Ghana.[63] Writing in 2009, Bush noted that "if family members and dependents are included the number may be as many as 4 million."[64] Whatever the actual number may be, it certainly totally dwarfs the number of registered and licensed operators which, Armah and his co-authors found in interviews at the minerals commission to be 799.[65]

The sheer number of people involved in artisanal gold mining overwhelmed the capacity of an already weak state to enforce the law.

The collusion of public officials compounded matters. The result was chaos and lawlessness, as miners openly violated environmental and other regulations with impunity. These issues have been extensively documented and need not detain us here.[66] Suffice it to say that the use of mercury, cyanide and other harmful chemicals became common among small-scale miners in Ghana. About 25,000 kilograms of mercury was imported to Ghana between 1994 and 1999 alone.[67] The widespread and indiscriminate use of harmful chemicals pollute rivers, streams, destroy forests and enter the food chain, but the occupational and health hazards that miners themselves face put them at the greatest risk.[68] There were 300 mining-related fatalities in 2011.[69] This number is likely way off the mark. Anyone familiar with artisanal mining culture in Ghana knows that fatalities are vastly underreported because once law enforcement officials become involved, the financial burden that miners bear balloons.

The analysis indicates a clear failure of the state to control *galamsey*. In one sense, artisanal mining is comparable to what Mikell calls "the people's industry" in her study of the impact of cocoa in Ghana.[70] It is at the heart of the rural economy as a full-time endeavor or supplementary income in many rural communities that are rich in gold but lack opportunities. Essentially, all able-bodied men, women and even children participate in it as 'investors' or day laborers. In addition, people from across Ghana make a living in small-scale mining communities. In visits to Kenyasi and Hwidiem and their environs in Brong Ahafo region, most recently January 2017, this author met and spoke with people from across Ghana in various roles in artisanal mining. The obvious difference between cocoa-related activities and small-scale mining is that the latter has had mainly deleterious effects and is unsustainable without radical reforms. Ironically, many miners are trapped in a difficult life with quite a bleak future. While they hope to save enough money so that they can quit, few actually do, not to mention those who have become addicted to various drugs as they seek to numb the aches and pain that gold mining exacts on the body. Ultimately, then, although small-scale mining seemed to hold considerable promise for enterprising Ghanaians, few have actually prospered from it or used it to launch into other businesses. The failure of the authorities to regulate the industry fostered chaos and lawlessness which undermined the purpose of reserving artisanal mining for Ghanaians. As one might expect, banks are extremely loath to lend to miners. Consequently, the ability of miners to expand is very limited.

The Forces of Globalization Enter Artisanal Gold Mining in Ghana

Ghana witnessed a "gold rush" of an unprecedented scale in its recent history beginning in 2006 and exploding in 2008 onwards. Foreign nationals from halfway around the world arrived in the tens of thousands led by Chinese, Indians, Ukrainians, Russians and Serbians as well as some of Ghana's west African and continental neighbors such as Togolese, Burkinabe, Nigerians and South Africans. Up until then, artisanal mining had been, save for the involvement of some West Africans, a truly indigenous activity using basic equipment and methods. The influx of Asians and Europeans was triggered by the massive overnight rise in the world market price of gold. From around $300 an ounce in January 2000, the price of gold shot to $1000 an ounce in January 2008 and skyrocketed to over $1800 in January 2012.[71] It is worth reiterating that the law bans foreign nationals from this type of mining. That law was reaffirmed by the Minerals and Mining Act, 2006,[72] perhaps to signal the avoidance of doubt to the growing number of foreigners who had been flocking to Ghana.

Resentment and even a degree of hostility towards foreign miners was almost immediate. The local press, various radio and television programs expressed outrage at the destruction of forests, cocoa farms, pollution of rivers and streams upon which rural communities relied for food, water and their livelihoods. But the world remained largely unaware of this until the summer of 2013, when a national outcry prompted by violent clashes, including fatalities between mostly Chinese and Ghanaians, forced the government to launch Ghana's first major crackdown on illegal alien miners. This thrust Ghana into the international spotlight as the *Guardian*, *New York Times*, the *Financial Times* and other leading international newspapers covered the arrests of foreign miners and highlighted the deleterious effects of their activities on the environment and lives. The emergence of graphic video documentaries attracted the attention of the international community, as people gained a sense of the extent of the assault on the environment and its devastating consequences on Ghana's mining communities.[73] For many commentators, it validated the "natural resource curse" thesis. The crackdown in the summer of 2013 culminated in the deportation of about 5000 illegal foreign miners—about 4500 of whom were Chinese, mostly from the Guangxi Province. Chinese businessmen in Ghana estimated that there were about 20,000 Chinese miners in Ghana.[74] A South China Morning Post report in June 2013 said that there were 50,000 Chinese miners in Ghana.[75]

Led by the Chinese, foreign miners have changed artisanal mining practices in Ghana. Unlike Ghanaians who rely heavily on human labor, the Chinese, for example use heavy equipment, such as excavators, bulldozers and sand pumps, vastly increasing efficiency and output. They also often pull resources together to form small companies with capital reaching as much as $500,000.[76] Consequently, they soon established their supremacy, surpassing locals in output. However, their use of heavy-duty machines has caused unbearable environmental damage. This is the main reason that led to the crackdown in 2013. It achieved very limited success, as the number of alien miners soon swelled, the lure of literally striking gold being too strong to resist.

A second, seemingly more determined crackdown began earlier this year (2017) after the Akufo-Addo led NPP won the December 2016 elections. This ongoing campaign has resulted in the seizure of hundreds of excavators, bulldozers and other heavy equipment used by gold miners. The state has also suspended the issuance of licenses and ordered the suspension of artisanal mining. One parliamentarian has gone as far as to call for a ten-year ban.[77] Hundreds of foreign miners have been arrested, including according to newspaper stories and popular rumors some well-connected Chinese miners. Many Ghanaians have asked why it took so long before the state undertook such long overdue initiatives. How, they have asked, could illegal miners operate with such obvious impunity? As one scholar put it, "illegal mining is so public that the casual observer may not believe it could possibly be illegal."[78] These are important questions given that after the 2013 crackdown, calls for the state to stanch what many, if not most, Ghanaians called the *galamsey* "menace"[79] intensified and aroused nationalist fervor.[80] It must be stressed at this point that the sustainability of artisanal mining in Ghana had become urgent. Some raised the frightening possibility that Ghana might import water unless it reined in illegal mining. It is worth noting that El Salvador recently banned all forms of metal mining—the first nation to do so—because of contamination believed to affect up to 90 percent of the surface water.[81] The possibility of Ghana facing a similar prospect is therefore not as far-fetched as it might seem at first sight.

The inability to act despite persistent public outcry stemmed from the fact that leaders from the national to the local (village) levels, including traditional authorities, the very people who were supposed to ensure that the laws of the land were obeyed, had been seriously compromised. Chinese miners quickly learned that Ghana's leaders would turn a blind eye to illegal activities, at a price; national, regional and local politicians could be bought. The dereliction of duty by the Environmental Protection Agency is especially worrying given the extent of environmental degradation that

has occurred. The agency looked the other way. Immigration officers issued bogus visas, district chief executives and local councilors or assembly members as well as chiefs gave their approval for illegal activities. Some Ghanaians essentially acted as agents or go-betweens to negotiate bogus visas with immigration officers for a fee. Anyone familiar with Ghanaian customary practice regarding land usage knows that a chief on whose land one seeks to operate must be consulted. Led by locals, foreigners would visit the chief to fulfill appropriate rites which invariably involve money or 'gifts' changing hands. Until such protocols had been met, it would be unthinkable for mining involving such unmissable equipment as excavators and bulldozers to occur. Only after meeting all these requirements would foreign miners have secured "cover" to operate. Incidentally, such payments were expected of Ghanaians as well.[82] In short, the collusion of Ghanaians was extensive. The obvious success of the Chinese and others would have been unimaginable without such collusion. In mining communities, it was common knowledge that locals protected foreign miners.

It would be wrong to assume that only the groups described in the previous paragraph colluded with foreign miners—far from it. Collusion between Ghanaian miners, both licensed and unlicensed, was also common. Some Ghanaians fronted for Chinese miners. In many such instances, locals acquired concessions for Chinese and received payment for their "services." Other Ghanaian concessionaires sublet their concessions to foreigners; still others permitted aliens to mine on their concessions in return for a share of the proceeds, typically between 10 percent and 20 percent. Illegal Ghanaian miners, seeking to benefit from the higher output of Chinese miners, for example, worked with the aliens, acting as their eyes and ears, believing that this would be more financially rewarding than working independently. As one interviewee told this author in January 2017 "if I am going to work for somebody, then I might as well work for someone who extracts more gold because at the end of the day you are paid based on how much gold is acquired."

It must be emphasized, however, that some Ghanaian miners are implacably opposed to the presence of foreigners and their toleration by Ghanaians. They are typically registered and licensed concessionaires and generally well-off and believe that they possess not just the financial wherewithal but also the knowledge and skills to succeed, especially if the state would rid them of their Chinese and other foreign competitors. They, like foreign miners, possess excavators and other heavy-duty equipment. They are more likely to clash with foreigners, to lambast public officials and Ghanaians for allowing foreigners into Ghana to plunder and cause environmental, ecological and

other damages while ruining Ghanaian livelihoods. In short, they are uncompromising, contesting foreigners for supremacy. Many feel betrayed not just by the state but also what they regard as Ghanaians' apathy and docility, accusing them of cooperating and colluding with foreign miners and failing to pressure the state to enforce the law.

The influx of foreign miners to Ghana over the last decade or so has transformed artisanal mining. The introduction of heavy-duty equipment—a development that puts foreigners at a huge advantage—has compelled Ghanaians with the wherewithal to acquire these items or rent them whenever deemed necessary. It is therefore important to recognize that the use of heavy-duty mining equipment is not the preserve of foreigners. This somewhat undermines suggestions by some Ghanaians that heavy equipment use is somehow the province of foreigners; it is not. Additionally, relations between foreign and Ghanaian miners are marked by both cooperation and contestation. For the ill-resourced, foreign miners offer opportunities that were previously lacking. Such aspiring entrepreneurs welcome the presence of foreign miners. By contrast, for the well-resourced Ghanaian, confident in his/her own ability to succeed, foreign miners are a hindrance. For such entrepreneurs, relations are characterized by contestation tinged with resentment and even hostility. They are the most vociferous in their calls for the arrest and deportation of illegal foreign miners, viewing them as obstructing their own advance.

In thinking about these attitudes, one cannot help but notice similarities between Ghanaian entrepreneurs in the 1960s and today. Now, as then, foreigners are seen as impeding Ghanaians' progress. Now, as then, Ghanaian entrepreneurs seek to tap into nationalistic fervor in their attempts to rouse the state and public to their side. P. K. K. Quaidoo, a leading businessman who joined calls for banning Indians and Levantines from certain economic activities wrote in 1967: "[I]t will not be long before these commercial bloodsuckers establish themselves also as the industrial vampires of the Republic of Ghana. This must be prevented at all costs."[83] Today's discussions echo Quaidoo. Today, as was the case then, foreigners are the most immediate rivals to Ghanaian entrepreneurs in an area that requires little financial resources and no expertise. And, today as then, it is believed that, with government assistance, Ghanaians could carve out a niche in artisanal mining with its boundless promise. The major difference is that Levantines and Indians had dominated commerce long before Ghanaians entered the field about half a century or so ago; today's foreign miner is a newcomer, not an established entrepreneur. Regardless, the sense of frustration detected in conversations with

successful miners is no less intense than the entrepreneurs who faced an aloof and hostile Nkrumah in the 1960s.

For such entrepreneurs and many Ghanaians, their governments have been weak, unable to exercise sovereignty and protect the national interest. Leaving the issue of sovereignty aside for now, it is worth noting that the costs borne by Ghana as a result of the activities of illegal foreign miners go beyond the destruction of forests, contamination of water sources, environmental degradation, and so on. Ghana incurs huge financial losses as well. According to the current minister of lands and natural resources, an estimated $2.3 billion worth of illegally-mined gold left Ghana in 2016 alone. To put this into some perspective, consider that Ghana's total earnings from gold exports in 2015 was $3.2 billion.[84] For a low-income country, this is a massive loss. It is instructive to add that despite the elation that the discovery and subsequent production of oil caused in Ghana, total oil revenue from 2011 to 2015 was $3.208 billion.[85] This helps put into some perspective the magnitude of the financial losses borne by Ghana as a result of the illegal and predatory mining activities of foreigners. Granted, the decline in oil prices partly explains this, but it does not diminish the fact that $2.3 billion in losses to foreigners is a major blow to Ghana. It is another reason why Ghana needs to stanch the bleeding.

The sentiment that Ghana ought to address what has variously been described as "an invasion," a "menace" and even "colonization"[86]—terms that evoke raw and unpleasant memories—has galvanized Ghanaians. Few issues have galvanized Ghanaians in recent years as much as the damaging activities of illegal foreign gold miners. J. P. Amewu, minister of lands and natural resources who assumed office in January 2017 and initiated the latest clampdown, including the suspension of artisanal mining, has emerged as a national hero. The level of the deployment of the military in the latest campaign is unprecedented. Many more Ghanaians now seem to realize that uncontrolled mining is a national security issue. As Amewu recently said, *galamsey* thrived because of the total breakdown of law.[87] It remains to be seen whether the change in national mood against illegal mining can be sustained given that previous efforts seem to have petered out over time.

China has an important role to play in Ghana's efforts to restore order in small-scale gold mining and its environmental, social, economic and other costs to Ghana. As noted earlier, China is Ghana's biggest trading partner. The financial benefits China derives from its citizens' involvement in mining in Ghana run in the billions of dollars. For Chinese from the apparently poor Shanglin County in Guangxi Province, where many of the miners come from, Ghana offers considerable financial rewards. Not

surprisingly, government delegates from Guangxi Province and Chinese leaders have been quick to meet with Ghanaian officials whenever Ghana has arrested and detained Chinese to urge that they be treated well and their rights be respected. Chinese officials resident in Ghana have expressed reservations about Ghana's treatment of Chinese miners from time to time.[88] In fact, nothing has tested the relationship between Ghana and China as much as Chinese miners.[89] Although China has often pledged to do its part by taking effective measures to tackle this issue, it is difficult not to conclude that it has done little to ease Ghana's growing anxiety. As Professor Gyimah-Boadi has noted, Ghanaians have become increasingly agitated "over the destructive, quite predatory medium-scale mining operations engaged in mainly by the Chinese and some Indians."[90] Gyimah-Boadi's designation of Chinese and Indian mining as medium-scale is apropos. The terms "small-scale" and "artisanal" mining are misnomers—they fail to capture the transformation that has occurred over the last decade. Ghanaian officials must recognize this; it is a necessary first step in any effort to address "artisanal" mining.

Returning to the issue of sovereignty and the nationalist clamor for Ghana to asset its independence, it is important to note that the Ghanaian leadership finds itself in a quandary. On the one hand, the predation of Chinese mining has elicited such a strong public reaction that leaders have had little choice than to act against it. On the other hand, the leaders have been keen not to upset or antagonize China, understanding its sensitivity to the mass arrests of its citizens and how they are treated. Consequently, successive Ghanaian leaders have walked a diplomatic tightrope, trying to balance the obvious need to stop environment degradation and economic losses against maintaining a relationship with an invaluable trading partner. China is also a vital source of bilateral aid and loans, playing a critical role in the development of Ghana's petroleum industry[91] as well as its infrastructure, including the construction of the Bui Dam.[92] Ghanaians yearn for the days when they had been reputed for their masculine independence. One is invariably reminded of Michael Sata who, in opposition, acquired a reputation for his strident criticisms of China, famously saying that "Zambia is becoming a province—make that a district—of China."[93] Once he became president of Zambia, however, reality replaced his rhetoric.[94]

This takes us back to Ghana's (and Africa's) long but unsuccessful quest for economic independence. It was in line with this goal that the leadership reserved artisanal mining to nurture its entrepreneurs. But the forces of neoliberal globalization and the unprecedented mobility of capitalist forces have overwhelmed Ghana. It must also be noted, however, that Ghanaian

politicians' dereliction of duty to protect the public has hindered the ability of local entrepreneurs to flourish in mining and the economic independence that Ghana has long craved and championed, dating back to the days of Nkrumah. There is a widely held view in Ghana today that what Panford calls the "criminalization and militarization of *galamsey* mining"[95] occurred because leaders looked the other way, while foreigners had a field day. The leaders put their private interests above the common good, lining their pockets. What Amewu describes as a breakdown of law occurred because of the complicity of senior politicians. The media has shed some light on how arrested Chinese mining barons were ordered released by yet to be identified politicians. Aisha Huang has been frequently cited as probably the most famous example.[96] The killing of locals by Chinese miners over mining rights indicates their sense of entitlement to mine in Ghana. Having paid bribes at various levels, they feel entitled to recoup their investments.

Conclusion

I have presented two seemingly different sectors of indigenous economic activity in Ghana. The textiles and garment industry had shown quite impressive initial dynamism and was seen as central to Ghana's efforts to industrialize after decolonization. It provided jobs for some 25,000 people at its peak and held its own against global giants in the industry despite myriad problems such as lack of foreign exchange to import equipment, parts, critical inputs and frequent power outages. Ghanaian firms therefore consistently operated way below their capacity. The advent of neoliberal reforms saw a surge in output, as they gained access to critical inputs. But the neoliberal era has proved to be double-edged. It has meant the availability of cheap and extremely competitive imports even as the cost of production in Ghana has continued to soar. Ghana's political leaders have maintained a studied policy of non-intervention to protect local businesses, offering instead to provide assistance, which has neither been adequate nor free from being used to featherbed political allies. To complicate matters, Ghanaian traders have been keen to take advantage of the ready availability of a wide range of choices and the opportunity to do brisk business. The prevalence of piracy and counterfeiting, smuggling and under-invoicing with the connivance of customs and excise officials have rendered Ghanaian textile and garment manufacturers very uncompetitive. Indicative of the industry's collapse, it currently employs a mere 1500 people with output now down to less than 30 million meters of fabric from 130 million meters produced at one point. Unionists have waged a

prolonged fight to save the industry, a stark contrast to traders who oppose it. Therefore, collaboration and collusion coexist with contestation. The need to foster competitive domestic entrepreneurs while long acknowledged, has been threatened by neoliberalism but also domestic interests that align with it. The availability of highly competitive Chinese textiles is an opportunity that many traders have failed to pass up thus far.

Small-scale mining, reserved for Ghanaian citizens by law would seem to shelter them from the forces of globalization and offer them distinct advantages. In practice, it, too, has been entangled in the whirlwind of twenty-first century capitalism with its rapid mobility to move wherever opportunity beckons. What is meant to be an endeavor requiring the use of basic equipment and fairly little capital has been transformed almost overnight by the arrival of entrepreneurs from virtually every corner of the globe, with the Chinese clearly leading the way. The transformation from a heavily labor intensive activity to a virtually mechanized one has made the majority of Ghanaians in the mining industry uncompetitive. As former president Mahama noted, "an area that would have taken 100 men a year to clear using a cutlass, shovel and hoe can now be cleared in a day."[97] It is time to properly classify this activity as medium-scale in order to capture the changes that have occurred and to acknowledge the anachronistic laws that govern it; they do not fit the bill. But also, as with textiles and garments, the relative ease with which Chinese miners established their supremacy in an activity that they are forbidden to participate in would have been inconceivable without the cooperation and collusion of Ghanaians from the national to the village level. For Ghanaians with few resources, foreigners offer an opportunity. In this regard, the interests of foreigners unfamiliar with Ghana and needing locals' help to navigate, say, land acquisition and the interests of Ghanaians seeking to raise capital or simply make quick money converge somewhat. But there is contestation as well. For successful, competitive Ghanaians, Chinese miners, for example, are an unwelcome presence. Such local entrepreneurs tend to scorn the "colluders" or "collaborators," viewing them as essentially "sell-outs."

Ultimately, then, Ghanaian entrepreneurs in the textiles and garment sector and the now misleadingly named small-scale or artisanal mining face collapse. Both have been exposed to the rigors of neoliberal capitalism for different reasons—one by a studied state reluctance to offer protection and the other by a failure to enforce laws that would protect indigenous entrepreneurs. These case studies illustrate the failure of the Ghanaian state to devise effective measures to stimulate entrepreneurs. One reason is that political calculations get in the way. In this regard, there is a certain

immutability, an inevitability in the sense that the more things change the more they seem to remain the same. Another is the general inability to perform some fairly basic tasks such as monitoring and maintaining oversight of the mining industry, checking piracy, counterfeiting, smuggling and under-invoicing of imported goods. As long as these issues remain unaddressed, it is hard to imagine how Ghana can overcome its economic challenges. The twenty-first century presents Ghanaian entrepreneurs with some old and fairly new challenges that require a rethink of strategies. Until and unless this is grasped, Ghanaian entrepreneurs will remain stymied, unable to play a leading role in Ghana's efforts to spark economic growth and transformation.

Notes

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32. Quartey, "The Textiles and Clothing Industry in Ghana", 136.
33. Mike Morris and Gill Einhorn, "Globalisation, Welfare and Competitiveness: The Impacts of Chinese Imports on the South African Clothing and Textile Industry" *Competition & Change* 12, no. 4 (2008): 355–376; David Shambaugh *China Goes Global: The Partial Power* (New York: Oxford University Press, 2013).
34. The futility of trying to stem the Chinese tide is probably best exemplified by Nigeria's import ban on textile and clothing (Baden and Barber, 2005). This has done nothing to stop the booming business as traders, with the connivance of customs and excise personnel avoid regulations. The truth is that it is so lucrative that customs officers can be bought with ease.
35. Peter Arthur, "The State, Private Sector Development, and Ghana's "Golden Age of Business"" *African Studies Review* 49, no. 1, (2006): 38.
36. African prints, batik, *kente* scarves, and so on, grace important African American occasions such as high school and college graduations, weddings and church events. Ghana hoped that its reputation as the birthplace of *kente* would stand it in good stead to capture a major size of the market.
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38. Peter Gibbon, "Governance, Entry Barriers, Upgrading: A Re-Interpretation of Some GVC Concepts from the Experience of African Clothing Exports" *Competition & Change* 12, no. 1 (2008): 32.
39. Ibid.
40. Citing China statistical yearbook, Hess and Aidoo note that Chinese exports to Ghana more than doubled to about $3.1 billion in 2011. It has since continued to grow exponentially. See Steve Hess and Richard Aidoo, *Charting the Roots of Anti-Chinese Sentiments in Africa* (Springer, 2015), 47, 48.

41. For a sample of the discussions, see the following: "Cheap Imports Killing Textile Industry" http://www.ghanaweb.com/GhanaHomePage/business/Cheap-Imports-Killing-Textile-Industry-79066; Francis Egu "The Textile Industry in Ghana and Trade Liberalisation" http://www.ghanaweb.com/GhanaHomePage/NewsArchive/The-Textile-Industry-in-Ghana-and-Trade-Liberalisation-157543; Timothy Ngnenbe "Garment and Leather Employees Union Demand Anti textile Piracy Taskforce" http://www.graphic.com.gh/news/general-news/garment-and-leather-employees-union-demand-anti-textile-piracy-taskforce.html.
42. These issues are discussed in "Cheap Imports Killing Textile Industry" http://www.ghanaweb.com/GhanaHomePage/business/Cheap-Imports-Killing-Textile-Industry-79066.
43. Quartey The Textiles and Clothing Industry in Ghana, 144.
44. It must be noted that the Kufuor government occasionally attempted to intervene in the economy to protect local business, but was forced to reverse such policies. An excellent illustration was the government's effort to help Ghanaian business. After chicken imports rose rapidly from about 5000 metric tons in 1998 to 30,000 metric tons in 2001, parliament approved a doubling of the 20 percent import tariff on poultry. As well, it raised tariffs on rice from 20 to 25 percent. Pressure by international lenders forced the government to abandon these moves. "Our highly indebted poor country situation would not allow us to [subsidize or institute any form of protection]' Ghana's Minister of Private Sector Development and President Special Initiative lamented (Ghana News Agency 13 September 2005). http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID90051.
45. "JAK's Comments Are Intimidating—TEGLEU" http://www.ghanaweb.com/GhanaHomePage/NewsArchive/JAK-s-Comments-Are-Intimidating-T-GLEU-80596.
46. Mahama who had been Mills' vice-president had risen to the presidency when Mills passed away in July 2012. He went on the win his own mandate in December 2012.
47. "Hundreds to lose jobs in textile industry if…" http://www.myjoyonline.com/business/2014/January-21st/hundreds-to-lose-jobs-in-textile-industry-if.php accessed 29 May 2017.
48. For a detailed discussion of this issue, see Darko Opoku, *The Politics of Government-Business Relations in Ghana, 1982–2008* (New York: Palgrave Macmillan, 2010) The Ghana Union of Traders Association emerged as a powerful mouthpiece for traders, occasionally compelling governments into humiliating climb downs. It is important to also note that for the tens of thousands of mostly women textile wholesalers and retailers, including very successful ones, the availability of Chinese textiles was central to their

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54. Fui Tsikata, "The Vicissitudes of Mineral Policy in Ghana," *Resources Policy* 23, nos. 1–2 (1997): 9–14.
55. Ibid.
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58. Tsikata, The Vicissitudes of Mineral Policy in Ghana, 13.
59. Ibid., Samuel Addy, "Ghana: Revival of the Mineral Sector," Resources Policy 24, no. 4 (1998): 229–239.
60. P. N. D. C. Law 218, Small-scale Gold Mining Act, 1989, available online.
61. PNDC Law 153, Minerals and Mining Law, 1986, available on the internet.
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CHAPTER 7

Challenges to African Entrepreneurship in the Twenty-First Century

Eve Sandberg

In the twenty-first century, there seems to be almost universal agreement on the importance of a small- and medium-sized business community that is necessary to promote a country's economic development. Yet black African owners of small- and medium-sized businesses have faced a multitude of challenges over time, and today face specific challenges as entrepreneurs in the twenty-first century.

The authors of this volume have analyzed the historic and present challenges of black African entrepreneurs. For the purposes of understanding this array of challenges that African entrepreneurs must navigate, I divide their challenges into the following categories:

- inherited disadvantages of Africa's human capital architecture;
- foreign competition from settler populations;
- states as competitors, regulators and licensors;
- political party pressures;
- international financial institutions' structural adjustment and the impact of donor austerity programs;
- foreign competition in an age of globalization and the challenges of finding a market niche;

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- skills acquisition;
- securing inputs and infrastructure; and
- mentoring and business associations.

Gender bias is noted throughout this summary because black African women often face additional challenges beyond those that confront aspiring black African male entrepreneurs.

Inherited Disadvantages of Black African Entrepreneurs

In Sandberg's Chap. 1, we learned how pre-capitalist Africa was affected by the trading of various export goods, new routes, and the slave trade in particular ways that affected the development of black African entrepreneurship in African states. Referencing Iliffe's work, Sandberg reiterated that the West African states of Côte d'Ivoire, Senegal, and Togo were historically able to develop wage labor through black-owned planter economies and thus a black entrepreneurial class.[1] Focusing on other African states, Amin argued that the switch from trade in gold and gum to slaves blunted the development of entrepreneurial capitalism in Africa.[2] In contrast, Ahouja's work focused mainly on the emergence of Nigerian capitalists, especially in the textiles sector because Nigeria was one of the few African countries in which black African entrepreneurs were able to establish themselves early on.[3] Both Iliffe and Amin contended that the development of new technologies to produce textiles eliminated the African craftspeople in this sector and helped to build African capitalism in those countries that found ways to produce textiles. But across the continent the development of black African entrepreneurship was largely displaced by the slave trade and the colonial legislation that followed.

In the late 1800s and into the twentieth century, African states with newly defined boundaries (except for Ethiopia and Liberia) were governed by a colonial power or by a white settler population that imposed some form of apartheid. Under such foreign domination, black Africans were generally prohibited from studying certain subjects in schools, owning businesses, or accessing credit. Wage laborers in the mines were often rotated around so no mine was dependent on one set of workers and would not be vulnerable to strikes. This, however, made it difficult for even the small sector of wage earners to earn enough to put aside savings to start their own businesses. And the organization of the social formations in company towns often required that miners or agricultural laborers spend their money in the company towns.

The sexual division of labor during this period was especially prohibitive to women who might have aspired to be business owners or to labor for wages and use any earned savings to begin a business. For the most part (though some pockets of alternative practices existed), African women could not own their own land, control their own labor, or secure resources for their own use. And most women domestics (this was true for male domestics as well) who worked in the urban areas also did not make enough in wages to save enough to begin their own companies or to lend their male relatives enough to begin a business.

Colonial policies also kept rural Africa pre-capitalist without a currency-based economy, thus thwarting the development of entrepreneurship in Africa through the national monetary policy of a colony. Colonial bankers as well as government officials guarded the populations to whom they loaned money and these consisted largely of white settler colonists, not black Africans or foreigners from countries other than the colonial power. Importantly and unfortunately, the "stickiness" of such institutions, their policies, and colonial social practices carried over into the post-independence period because at independence, due to colonial policies, black Africans lacked the skills and resources to launch their own enterprises. Instead, aspiring black Africans looked to the independence state to provide jobs and steady wages for them.

Paul Kennedy, as cited in the introductory chapter, reminded us that not only domestic conditions and rivalries but also external factors helped to undermine the development of capitalism and entrepreneurship in Africa. As Kennedy argued, the dependency theorists noted that inequalities of trade among states prevented Africans from accumulating national pools of resources for investment purposes.[4] Financial surpluses were shipped out of Africa through the value-added work of processing primary products (from Africa) completed largely in European states. Similarly, Immanuel Wallerstein argued that Africa's incorporation into the world system for its commodities (but little else) also undermined the development of entrepreneurship in Africa.[5] Others have argued that the comprador classes, those Africans who paved the way for foreign investors and their products, benefited personally from their business and political dealings, but their countries did not develop. Thus, even if black Africans had had sufficient capital and skills in the post-independence period to initiate their own enterprises, they would have faced both processing and market barriers as they sought to engage in trade, due to the international structural impediments that had developed during the colonial period.

Foreign Competition from Settler Populations

Berman and Leys (as referenced in Chap. 1) argued that settlers and merchants from outside of Africa had access to pools of wealth to build businesses that local African entrepreneurs lacked.[6] Thus, South Asians, Lebanese, Egyptians, Jews, as well as European colonists had financial advantages that aspiring black African entrepreneurs lacked. Their relatives in other countries often helped to provide investment capital for new African enterprises undertaken by African settler populations.

Additionally, Richard Hull notes that not just European colonial governments stymied the economic development of Africa. The United States, looking for external markets, also sold its merchandise in Africa, especially in South Africa.[7] South Africa imported agriculture from the United States, just as other African countries imported products from Europe and elsewhere. This limited the ability of rural black African producers to expand in urban markets and to save earnings for improvements in technology or labor. For a time, the United States also exported basic manufactured goods to Africa, precluding the need for Africans to produce these goods themselves, and thereby crowding out would-be entrepreneurs in these sectors. Yet, Hull reminds us that even US firms had trouble competing with white South African settlers and businesspeople, unless US corporate representatives had cultivated favorable relations with British-controlled banks in former British colonies. Further, the colonial state across Africa had favored its settlers and colonists with licenses and monopolies in the colonies' business endeavors.

White settler populations also received infrastructure that black Africans did not. This further inhibited the development of commerce in areas where most black Africans resided. Although the colonial powers did not want to invest in their African colonies, where white settler populations demanded infrastructure, the colonial powers accommodated (to varying degrees). But the colonial powers largely ignored requests by black African populations for infrastructure, thus limiting their ability to transport and sell any goods. This too undermined the development of black African entrepreneurship and created an enduring legacy of disadvantage.

Catherine Boone, however, investigated how some Ivory Coast black entrepreneurs were able to surmount these barriers and expand their business operations.[8] Senegalese religious networks, acting like overseas family members of the settler populations, provided black Senegalese aspiring entrepreneurs with the capital to invest in new economic endeavors.

Boone also researched how clientelist structures in certain West African countries pooled resources needed for the entrepreneurial activities of businesspeople in their social circles. But these were largely the exceptions to the rule across Africa.

States as Competitors, Regulators, and Licensors

The post-independence states, led largely by black African independence leaders, chose to create state-regulated parastatals (companies that are government owned, but often operated with relative independence from the state by appointed administrators) in critical sectors of the economy, such as mining and energy, as well as in areas in which there was easy entry with transfers of technology from advanced countries, in areas such as milling, battery factories, cooking oils, and soap. Where non-African private owners of mining endeavors operated, over time, they had to accept partial governmental ownership. These parastatals largely displaced any chance for local entrepreneurs to own and operate any enterprises in these sectors. When parastatals' officials, many of whom had been denied a proper education during the colonial period, lacked the expertise to organize and produce in a sector like mining or sugar, African leaders then welcomed foreign investors to take over and so to provide jobs and taxes. Over time, the foreign managers and owners as well as the government owners sought to keep wages low and avoid taxes on their African enterprises, by the means described in chapter one of this volume. And, as a rule, managerial and senior positions in such private firms were reserved for whites. Competition among African countries for foreign investors helped lead a "race to the bottom," in which companies' needs were placed before the needs of local citizens, in order to attract and keep foreign firms. This practice continued in many African countries throughout the twentieth century and into the twenty-first century.

Additionally, as the debate reviewed between Robert Bates and Sara Berry in Chap. 1 revealed, small- and medium-sized African entrepreneurs had rational reasons for not expanding, or for maintaining inefficient workers on their payroll. As Berry's work demonstrated, maintaining poor quality workers with good political connections limited the abilities of entrepreneurs to expand, but guaranteed safety from the vagaries of political practices.[9] As Bates' work revealed, low prices for domestic commodities set by national pricing boards discouraged "rational" African producers from expanding their production beyond family-size production units.[10]

The state's own regulations, favoring urban elites with lower costs for food, was carried out at the expense of rural producers, who were paid what the state decreed they would be paid. The state collected rural produce and paid low prices for it, transported it to the urban areas and kept prices low so there would be no rebellions in the cities. But such practices undercut incentives for expanded production.

Gaining a license to produce, or getting a plot of land for an office or factory, which required payment of huge kickbacks to the government officials charged with approving the paperwork and verifying the construction progress of offices and plants, added daunting costs to starting a business in many African states. Historically it was a problem, and it continues as a problem today. This financial burden is in addition to the cost of obtaining municipal, regional, or national contracts for goods or services, which might include payments to corrupt individuals or, as described below, to political parties. As Opoku discusses in his study of Ghanaian entrepreneurship, patronage issues are alive and well in the twenty-first century. Even without corruption or patronage issues, however, bidding on government contracts, just as in the West, requires time and money for staff to work on the bids, and for printing costs to make the bids look professional. Few Africans can compete; start-up costs truly disadvantage emerging African entrepreneurs.

Political Party Pressures

As Oloruntoba has noted in this volume, aspiring black African entrepreneurs who had connections to the leaders of Africa's single-party states during certain periods, were able to gain monopoly advantages in those countries where state leaders chose to initiate Import Substitution Industrialization (ISI) programs. As Oloruntoba and Opoku both have written, these entrepreneurs utilized their contacts with state leaders (sometimes—though not always—with kickbacks and positions for government officials' family members hired into wage employment) to secure licenses, and to manage and build their firms without the obstruction of government officers. Often such arrangements favored some ethnic groups over others, thus creating a situation in which there were few positive economic ripple effects to parts of the country where ethnic groups without ties to the ruling party lived. Entrepreneurs in these ethnic areas found little or no support from their national leaders.

As this volume's authors have shown, many African entrepreneurs are approached by political parties for campaign contributions. If one hopes

to keep or renew one's licenses, secure government contracts, and avoid tax and other harassment, the owners of even small- and medium-sized enterprises feel pressure to donate to candidates and parties to whom they otherwise would not think of making a contribution. Needless to say, this inefficiency in business adds to costs, and feeds a corrupt process. It also acts as a barrier of entry for those African entrepreneurs just starting out who have little capital, certainly not enough to allocate money for items beyond the primary needs of their businesses.

But without winning political friends among the ruling party's cadres, local entrepreneurs, who hope to gain part of their earnings by securing government contracts, will not succeed. The words of a major African entrepreneur interviewed by Moky Makura and quoted in Chap. 1 are worth repeating here, "You have to win politically to get included on the bidding list and then you have to win convincingly on the bid to get the contract."[11]

And again, as Opoku reminds us, patronage politics is alive and well. The recipients of government contracts or licenses approved by the state often are not only expected to contribute to political parties, but they are also expected to organize the local community in which their business has a presence to vote for the political party with which their business has an affiliation as a recipient of a license and/or contract. In a patronage system, this soon becomes a self- interested activity; the business owner fears that another enterprise will take its business if another party comes to power. The system could mean the very life and death of one's enterprise. Opoku notes that in 1993, the Rawlings government in Ghana signed twenty-three decrees that allowed it to confiscate the property and business enterprises of those entrepreneurs who had not backed Rawlings during his election campaign.

In one case, Opoku notes that the government demolished a four-star hotel with sixty-five rooms and all its property, in retaliation for its owner not having supported Rawlings. In places like Ghana, as Opoku described so graphically in Chap. 2, successive political administrations hounded any black Ghanaian entrepreneurs to the point of ruin if they had not backed the politicians in their election bids. The politicians publicly accused these entrepreneurs of corruption, and used those they had appointed to the courts to further injure the targeted entrepreneurs and demolish their reputations. Then the politicians enriched their families and friends with monopoly licenses in oil, gold, and agricultural trading. It is no wonder that, in addition to suspicion that capitalists were greedy and out for

themselves (and thus the state should run productive enterprises in the name of the people), black Africans, observing their country's capitalists getting wealthy simply by their affiliation to top members of the government, further distrusted anyone who aspired to be an entrepreneur.

But, through some good governance policies adopted across Africa in the early years of the twenty-first century, and with the beginnings of an independent judiciary, and civil servants who observed procedures of equal protection before the law, some hope arose for Africa's aspiring entrepreneurs. In the twenty-first century, however, partisan politics is not abolished across the continent, and its milder forms still cause entrepreneurs to worry that an elected government might find ways to harass them through tax and other investigations if they do not back its candidates financially in an election, or if they do not help to campaign for the ruling party. And political neutrality does not provide a place to hide in the political structures of African countries where it is believed that if you are not with us, you are against us.

Structural Adjustment and the Impact of Austerity Programs on Black African Entrepreneurs

In each of their chapters, Oloruntoba, Sandberg, and Opoku noted the impact of the international financial institutions' structural adjustment programs (SAPs) and austerity initiatives on African entrepreneurs, and the effects of the austerity policies imposed by such programs. Oloruntoba analyzed how the commodity crises of the 1970s created conditions for African countries that forced them to accept austerity policies and structural adjustment programs, in return for the loans that would pay government officials and enable governments to purchase basic goods. In Nigeria, Oloruntoba reported how President Obasanjo (and his successors) adopted various neo-liberal policy initiatives. Obasanjo privatized some of Nigeria's parastatal corporations and publically pledged to help local entrepreneurs. A favored few Nigerians did, indeed, benefit, sometimes through purchases of privatized industries, sometimes through waivers of tariffs on imported goods. But mainly, contends Oloruntoba, Obasanjo sought to bring foreign business investors and managers to Nigeria, not to assist local entrepreneurs who were just starting out or hoping to expand their businesses. Indeed, some state-owned enterprises that were announced for privatization were even withdrawn from the market, leaving local business people to wonder if any investment in Nigeria would be safe from the future whims of government officials.

Nigerian entrepreneurs thus developed mixed perceptions of their real possibilities under the new neo-classical liberal programs' initiatives, despite their initial optimism for such programs. Thus Oloruntoba argues that state-business relations in Nigeria were, and continue to be, characterized by mistrust, regardless of any public statements government officials offer about wanting Nigerian entrepreneurs to succeed.

Opoku reminds us in Chap. 6 that austerity programs and neo-liberal orthodoxies of free trade brought foreign competitors into Africa with advantages in finance, technology, and human capital that aspiring African entrepreneurs lacked. In Ghana, he documents, following the adoption of IMF structural adjustment policies, new competitors appeared (mainly from China and Nigeria), thus widening the sites of national origin of those undertaking business endeavors in Ghana, and further crowding out the possibilities for Ghanaian entry into various business sectors.

Opoku's work also cites the work of Thandika Mkandawire to argue that local Ghanaian entrepreneurs historically were viewed as parasites by those Ghanaians who believed that the state should use its power to produce, and that the earnings should benefit all Ghanaians, not just business owners. That view can still be found, but there has been a fundamental change in outlook, argues Opoku, that provides both mental and physical space for privately-owned businesses to function in Ghana, as well as in other African countries. This is due partly to the international changing views of the state in which the state has diminished its role in a country's political economy and, Opoku argues, due to the pressures of democratization in which individuals now claim some rights against the state and its officials. Opoku reminds us of Mkandawire's insight that independence state leaders focused on the politics of state-building while African leaders today are focused on the economics of state-building.[12]

In Central Africa, where post-independence "indigenization" policies designed to support local entrepreneurs as opposed to foreign colonialists were implemented, as in Zaire, the indigenization policies were exploited by those around Mobuto (Zaire's enduring autocrat) and Mobutu's family members to enrich themselves. Further, when Zaire adopted structural adjustment austerity programs in the 1990s, the SAP privatization policies were also used to support cronies of Mobutu and his family.

Sandberg's research reminds us that austerity programs in the late 1980s and thereafter cut wages for state-employed Africans, and terminated many jobs for those employed in the state sector or in parastatals that were privatized. Those Africans who lost their jobs then needed assistance from

family members. Thus the few who remained in the wage sector contributed to the survival of their families (and often friends) rather than save and invest in businesses.

Further, banks would not lend to new businesses when the nation's demand structure/purchasing power dropped precipitously due to austerity measures. Thus, foreign-owned businesses, who sought to export to populations overseas who could afford purchases, were favored over local businesses producing for the local market. These exporters could earn money and pay taxes to support the salaries of state officials when many local businesses could not make a profit.

Additionally, with the surge in neo-liberal practices in the 1990s, foreign business investors were often granted land in traditional areas that were formerly communal land. Additionally, many properties of individual farmers whom the local chiefs had previously granted permission to farm, were taken to be used by foreign exporters. In some cases, the chiefs were paid handsomely. These "land grabs," as they are known in the scholarly literature and across Africa, undermined food production for the local areas. The result was a loss of food available for sale, and increases in malnutrition. Additionally, another result was that the local entrepreneurial producers of goods for rural markets, such as bricks, oil, matches et cetera, were devastated because local farmers no longer earned money to pay for such goods. Many rural markets collapsed because producers of both food and goods went out of business.

Both Opoku and Sandberg's research reports that there were tremendous losses of small- and medium-sized enterprises in Ghana and Zambia due to the structural adjustment programs' tariff reduction policies. In Ghana, 1200 firms producing garments, leather, metal and pharmaceuticals vanished due to foreign competition. In Zambia, about nineteen textile producers went out of business due to foreign firms dumping cheap clothes in the country. Thousands of wage-paying jobs were lost, as private sector and union workers lost their jobs, joining the ranks of dismissed government officials. As unemployment skyrocketed, the local consumer market shrank even more.

Both Lincoln's and Sekatane's chapters note that even interest rates in the second decade of the twenty-first century were often prohibitive for new start-up enterprises. Yet, as Sandberg notes, it is widely known that externally imposed austerity programs are famous for forcing central banks to charge high interest rates (to discourage inflation). This occurs exactly at the moment that a debtor country is looking for new entrepreneurs to

enter the business arena to provide jobs for those who used to work in government offices, or the private sector, or to employ young university graduates. But without bank loans and with an impaired demand sector with diminished numbers of consumers, ambitious African entrepreneurs are both unable and unwilling to start or expand their businesses.

It is important to note that while structural adjustment programs adversely affect all African businesspeople, they are particularly difficult for African women. When resources are scarce, African men are less generous in their support of African women's needs. And, as is well documented by gender researchers, in most African communities, men take their share first, leaving African women to suffer.

Foreign Competition in an Age of Globalization and the Challenges of Finding a Market Niche

The challenge of breaking into the global market as a late producer against established brands has long been difficult. In an age of rapid communications, it is an even greater challenge than previously, because the demand for brand names now reaches into (even) remote corners of the world. Thus, before they have access to such brands, even modest consumers desire the goods of known, world-class producers, not goods from new domestic start-ups, or from near-by regional producers.

In an age of globalization, all of an African business firm's normal challenges upon newly entering into a large market still come into play: the lack of economies of scale; reliance on transit that often is undependable or involves connecting to new entry ports; the absence of sufficient capital to properly scale up; the inability to expand to meet the demand of large sellers, who buy only in bulk and then reserve the right to return unsold merchandise much later; and expanded advertising budgets to introduce consumers to a new brand.

Entrepreneurial creation and expansion, however, requires greater access to finance, skilled workers, transport, and to energy grids, than is the norm in many African countries. Exporting to new markets (across the country or around the world) in the global age may also require the ability to learn about and meet a range of product specifications demanded by various consumers and countries. To achieve entry into some countries may require additional cash to pay for timely inspections and delivery to those who control the ports of entry. Slow admittance and distribution of goods can cause

those who make purchases to question the reliability of deliveries. Such added payoffs, however, increase business costs and taint market activities.

Adebimpe Lincoln's work in this volume suggests that many African entrepreneurs are seeking to provide local brands to local communities, because the costs of creating a global company is simply beyond their capabilities. Aspiring African entrepreneurs, therefore, believe that they must find ways to compete with known brands and the economies of larger-scale firms that are able to produce at lower prices and offer quality goods. In response, African entrepreneurs, especially those in Nigeria whom Lincoln has interviewed, are self-conscious of their roles as leaders of small- and medium-sized enterprises (SMEs) and the impact they can have for an economy like Nigeria's that is transitioning into a global market. They know their business is good for their communities and their country. But they also know that consumers often make purchases based on other criteria. Sometimes, however, a reputation for doing good deeds in one's community helps to level the playing field.

Lincoln's work therefore addresses not only the challenges that Nigerian entrepreneurs face, and the recognition by Nigerian officials and international organizations of the value-added work that SMEs provide in any national economy that hopes to expand in a global economy, but also investigates how much Nigerian entrepreneurs understand the call for good deeds that comes with Corporate Social Responsibility (CSR) practices. And as Lincoln reminds us, even though the specific definitions of CSR have evolved, the spirit of CSR practices requires that business owners and managers act in ways that go beyond only maximizing their profits, to take into account policies that introduce some good into the communities in which they conduct business.

Lincoln's research reveals that Nigerian SMEs have difficulty in achieving the kinds of CSR practices to which many Nigerian entrepreneurs aspire. Lincoln finds that, on the one hand, local businesses can be better suited to achieve practices of corporate social responsibility than can large multinational corporations. Yet local entrepreneurs still face challenges in their attempts to implement CSR practices in their neighbourhoods. And there remain some younger entrepreneurs who are only vaguely aware of CSR practices.

Lincoln's contribution to this volume regarding SME entrepreneurs and CSR is especially important because there is little research on small-scale entrepreneurs and their practices in this area. Her research reminds us that Nigerian entrepreneurs generally live in, or near, the communities

in which they work. Thus, they share the concerns of local citizens for clean water and air, and they desire the good reputations that come from transparent business practices. Most of these young entrepreneurs understand that their actions must contribute to sustainable community health. Also, they often share with their customers a religious tradition and a venue dedicated to its practice.

According to Lincoln, the advantages offered to local communities by local entrepreneurs who manage small- and medium-sized businesses include: their connection to the local community, which inspires thoughts and actions in harmony with local community practices; business operations that are transparent to local community opinion leaders as well as to community members; greater stability and community improvements through SMEs' contributions to local community activities; additional jobs available to the local economy; and their flexibly in assisting suppliers, customers, and employees.

But Lincoln also reminds us that while many, though not all, entrepreneurs who own SMEs hope to initiate socially responsible practices, they face many challenges in doing so. For example, the flexibility needed for assisting others, requires some cash savings that Nigerian start-up entrepreneurs often lack. Additionally, entrepreneurs who engage in such practices of corporate responsibility must carry out these practices in tandem with their obligations to stakeholders who own stock or sit on their boards, and in accordance with regulations passed by local, regional, and national government assemblies.

SMEs tend to have smaller staffs, and so may lack the time to engage in their communities, or to conduct research and gain the information needed to assist a community or a group of stakeholders, even if their owners/ entrepreneurs wish to play supportive community roles. With the enormous costs of producing their products in an environment that often requires payments on the side to government officials and/or political parties, as discussed previously, there are rarely resources remaining to accommodate the requests of stakeholders in the community with whom entrepreneurs do business, or to accommodate the requests of their employees.

Further, for many Nigerian entrepreneurs, Lincoln finds that the CSR world is confusing. Many entrepreneurs of SMEs that do engage in socially responsible acts find that they and their businesses receive little credit for their engagement. They do not have the time or ability to publish their work, so they generally gain no recognition except by word of mouth. Additionally, few truly small enterprises are able to engage meaningfully in socially

responsible acts to support large community projects such as clean-ups or public health campaigns, so they disappoint community members who believe that all businesspeople can do more, but choose not to. Finally, many new Nigerian entrepreneurs often do not know the means by which to measure the impact of their efforts at sustainability in any projects that they do undertake in their communities. Thus, they cannot offer information later that demonstrates that they have helped their community.

Another challenge for entrepreneurs who produce in an age of globalism, especially for small- and medium-sized enterprises, is to find a large enough target population to buy the goods that they produce. Entrepreneurship in Africa is limited not only by the lack of road and transport infrastructures, but also by the fact that, in many African countries, the middle class is small. With only an extraordinarily small group that possesses disposable income for even modest products, the lack of a demand structure in many black African communities has made the launching of new businesses difficult if not impossible. Thus, producing for a regional market has been explored for some time. Throughout the independence period, regional schemes for economic growth were investigated, and plans were devised to target regional communities in order to boost African producers' markets. Most of these efforts at regional trade, however, floundered, over time, on issues of nationalism, government and business corruption, the personal politics of heads of state, stiff foreign competition entering local markets from neighboring states, and the lack of enforcement of contracts across national borders.

As unemployment continues to rise across Africa and with the median age of Africans dropping, future markets for local entrepreneurship do not look promising. At the same time, entrepreneurship is touted as a major solution to unemployment in Africa. Africa has a combined population of 1.1 billion people, over half of whom are under the age of twenty-five years.[13] Without jobs, young people cannot earn wages to make purchases. As older Africans retire, many will see their disposable income decline. So, in many countries and in many regions of African countries, local African entrepreneurs continue to face the problem of finding not just a market niche, but, in fact, a market, any market, for their products.

This conundrum might be mediated if more attention was paid to those ethnic populations who trade across borders, often without government assistance. Because many ethnic groups found themselves divided by colonial borders, clansmen on both sides of a boundary often found ways that their governments had overlooked to trade with one another. Some work

on this phenomenon has been carried out by J. Andrew Grant and Fredrik Söderbaum, but more needs to be done and their excellent research needs to be updated.[14]

Operating in an age of globalization also makes SMEs susceptible to the vacillations of energy prices. The price of oil for African consumers has vacillated throughout the twenty-first century due, in part, to fracking, more energy-efficient usage by Western consumers, the outreach and pull-back of invading armies, the seasonal impact of cold and warm weather, the booms and busts of major trading partners, decisions taken (or not taken) by OPEC with respect to volume of production, and so on. If a start-up enterprise has to cover transport costs, then being at the mercy of global shifts in energy costs makes it difficult for a such a business to plan, produce, and maintain. Additionally, a start-up company does not have the cushion of cash in the bank to cover shifts in energy costs. Unexpected rises in prices deplete savings and sometimes require more borrowing with little chance of refilling accounts when costs drop.

And Mmapula Sekatane's work in this volume reminds us that global struggles have formidable effects for local communities and their populations. It is only in a post-apartheid South Africa that most South African women can aspire to be entrepreneurs. Their educational opportunities, their access to finance, their ability to take jobs in many sectors and save their earnings, their right to own property in their own names, their ability to travel around the country and across its borders, and their ability to find mentors (and the knowledge they need to find them) all came with the collapse of apartheid, as a result of both internal and external pressures. Where barriers remain, and barriers do remain, these often are in informal practices, not codified legal codes. And the barriers for South African and other African women are especially strong when traditional expectations of new mothers come into play.

South African women who hold political office and gender activists in South Africa, along with changing international norms, have helped to change the country's legal codes and also have helped to model that women are decision-makers who should be taken seriously in daily affairs. But for many South Africans, the ingrained practices of discrimination against both race and gender continue to linger. Exposure through cultural exchanges and social media to global activities for women helps younger people to be more accepting of women entrepreneurs. It also helps that we are beginning to see private sector efforts to assist incubating entrepreneurial start-ups, including those of women.

Skills Acquisition

As Sekatane's Chap. 4 reminds us, training is essential if entrepreneurs are not simply going to survive, but rather thrive, expand, and truly compete. And Lincoln's research reminds us that her informants reported that there is a need for training in business practices in order to have the confidence to launch an enterprise. Additionally, her respondents noted that there is also a need for training in the fields in which a likely business might be launched. And finally, training is needed in the practices of corporate responsibility, Lincoln's informants reported.

Such specialized instruction sometimes comes from apprenticeship programs and is not found in general education programs. Sometimes, learning about the particulars of a field come from shadowing a more senior businessperson (often in another community) to learn how to put into practice the projects an aspiring entrepreneur plans to undertake. Many young people were hopeful that African governments would offer more assistance in helping them to secure training than has been the case to date. While many African governments have publicly acknowledged the importance of entrepreneurship, they have been less active in thinking through schemes to provide training and other support for would-be entrepreneurs. Public policy ideas that support "less government," not a more proactive government, to address a country's problems, adversely affect those government officials or legislators who are asked to establish entrepreneurial programs because they believe they will be criticized should they propose government programs even to assist the private sector.

Oloruntoba, Opoku, and Sekatane's research noted the need for better skills acquisition by government employees and banking officers if aspiring entrepreneurs are to succeed. Too often, licenses and loans are delayed due to the poor technical skills of those responsible for processing the paperwork. Better training should also include curricular units that would make clear that asking for bribes (and thus raising business costs) is not only illegal, but it also disadvantages the national economy.

Securing Inputs and Infrastructure

Lincoln, Oloruntoba, Sekatane, and Opoku's work all demonstrate the frustrations that entrepreneurs face when they must confront outdated or non-functioning infrastructure. African entrepreneurs' abilities to produce are undermined, and they lose much of the competitive edge they might

have hoped for in their business dealings due to an inability simply to secure the supplies they need, or reach their target markets with the goods they produce.

And if small- and medium-sized entrepreneurs are expected to offer side payments and bribe people whose jobs it is to provide the infrastructure that businesses in Western countries take for granted, then their businesses' bottom lines suffer. Obviously, the cost of the bribes also must factor into the costs of the goods produced in Africa. Additionally, not only do larger foreign firms benefit from economies of scale when producing their goods, they also benefit from reliable energy. Further, a company's paid staff can use their time on the job to produce, not to sit around waiting for lights to come on and for machines dependent on electricity to function.

Importantly, Sekatane notes that the lack of a functioning infrastructure becomes a double burden for women entrepreneurs. Women must first solve the problems associated with lack of infrastructure as it affects their homes. Only then can they solve those problems for their enterprises. The lack of electricity, water, roads, and communication, Sekatane reminds us in chapter four, makes even the most basic tasks more difficult to perform and more time-consuming to complete. And when these problems must be overcome at two sites, women have even less time than men do to spend on their enterprises and work obligations. So even though laws are changing that allow more African women who aspire to be entrepreneurs to pursue their goals, they still are expected to put their family obligations first, while men can devote more time to achieving their business goals.

Mentoring and Business Associations

As both Sekatane and Lincoln's research demonstrates, aspiring African entrepreneurs value and hope for mentors who can guide them as they progress through various stages of establishing and maintaining their businesses. National officials and donors who hope to support new entrepreneurs know that those initiating new businesses will benefit from mentors and the ability to learn from those who have already succeeded in their business ventures. But mentors are difficult to find and many successful businesspeople, who might serve as mentors, are busy with a multitude of their own concerns.

As Sekatane's research demonstrates, creating business associations provides venues and activities in which younger and older businesspeople

can meet. Such associations offer payoffs for all businesses that join. For example, business owners and their workers represent to political decision-makers a bloc of voters who favor a particular resolution for a particular problem (if the association has taken a position on that particular issue). Thus, young entrepreneurs add value to the association in the eyes of older members, even as young entrepreneurs gain access to the counsel and mentoring of older members when they meet and talk at the association's events.

Pitfalls exist, however, because, as discussed, business associations represent prime targets for political parties and their leaders who seek financial and electoral support from African entrepreneurs. When small-scale entrepreneurs within business associations can "hide" behind the payments provided by owners of medium-size and larger enterprises, then entrepreneurs with new businesses gain an additional benefit from their professional association.

Coping Strategies of African Entrepreneurs to Meet the Challenges of the Twenty-First Century

As can be seen from the preceding discussion, creating or joining business associations can be one strategy used by owners of new start-up African enterprises. The members may well find in these organizations mentors to guide them through their various periods of production and growth. Additionally, they may find some political cover in not having to provide financial payments to political leaders if the association is able to cluster its members' donations anonymously, and also mask the size of each donation.

Additionally, as Samuel Oloruntoba reported, it often is the case that in Nigeria, professional associations present the grievances of their members and propose new policies so that no one business is held accountable for grieving against the government and its legislation over and over again. This allows new proposals to be tabled for consideration without one company or its leading entrepreneur always being singled out as a troublemaker.

In chapter three, Samuel O. Oloruntoba also related many of the ways in which Nigerian businesspeople, who must face many of the challenges described in this manuscript, adopt strategies to protect their enterprises, using as much ingenuity and as many resources as they can muster. For example, in response to the vagaries of the energy sector that is largely mismanaged in many African states, even small entrepreneurs must find the funds to purchase high voltage generators to operate as twenty-four-hour energy sources.

Similarly, where lack of infrastructure denies an entrepreneurs' business employees and customers access to roads, some entrepreneurs hire their own contractors to construct access roads to reach government-maintained roads. They do this because if they waited for the state to assist with a connection, they might not be able to launch or maintain their ventures. And since the ministries and offices are short-handed, it often is the case that the connecting road is completed without any employees of the government inquiring about or inspecting such activities.

Other African entrepreneurs find that they must hire companies to drill and secure a company's own boreholes for water supplies. Further, because local police can provide little protection for their citizens, entrepreneurs often must hire security guards to provide private security for their businesses and property.

In cases where the law, or a company's own policies, prevents its officers from offering payoffs or giving bribes, but such questionable practices exist because without them, no licenses or services will be provided, some African entrepreneurs engage consultants to carry out third- party services. As Olorontubo recounted, these services might include, for example, filing tax returns on behalf of the African company. Any payments that a third party might need to make to government officials remain unknown to the African entrepreneur, and are simply factored into the consultant's bill for tax services.

Similarly, such consultants, who might lobby a government official on behalf of an African entrepreneur, would book appointments with the government official, and simply include any "extra payments" in the invoice to the company as a generic lobbying cost. These practices obviously are not restricted to African entrepreneurs.

In some cases, consultants can also present the grievances of an entrepreneur to an upper-level official. Once again, the invoice of the consultant's costs, masks any funds that might have changed hands between the consultant on behalf of his/her entrepreneurial client and the official.

Darko Opoku has reported in this volume that Ghanaian entrepreneurs sought alliances with foreign partners, in order to avoid confrontations with state officials who enjoyed reporting that they were bringing in foreign investors. Often such foreign allies, when they arrived only for "public show," were sent to meet with government officials to secure licenses and contracts even though these allies contributed nothing to Ghanaian businesses with regard to its production and marketing activities.

Additionally, Opoku revealed how different Ghanaian gold mine owners coped with the new era of competition in which Chinese companies

hoped to mine in Ghana. Many Ghanaian entrepreneurs employed strategies that had been used in the decades following independence; they organized to demand protection from the Ghanaian state. Ghana's government officials, however, appeared principally concerned with labor issues, and devoted their energies to dissuading Ghanaians from hiring Chinese miners in Ghanaian gold fields, in the hope that more Ghanaians would be employed. Yet, as Opoku reported in Chap. 6, this revealed the divergent interests of Ghana's entrepreneurs within their own mining sector. Many Ghanaian mine owners illegally hired Chinese workers because the Chinese miners possessed better technology and equipment than did Ghanaian miners. This made the Ghanaian capitalists and their mine operations more competitive.

Other Ghanaian mining entrepreneurs formed alliances with foreign investment entrepreneurs from China in the hopes of gaining similar technology and investment resources as those that were brought in by foreign miners. Partnering with a Ghanaian company would appeal to foreign investors who feared the flames of xenophobia that are often fanned by protesters against foreigner investors owning and operating their businesses in the country in which they have invested. Having a Ghanaian front person and foreign investors with money to bring to the company, appeared as a win-win for at least one entrepreneurial segment of Ghana's mining sector.

Conclusion

The contributions to this volume offered rich insights into the challenges that African entrepreneurs must confront today—challenges derived from both external and internal factors. Additionally, the authors in this volume have demonstrated that many of the challenges facing African entrepreneurs today have their origins rooted in the past, either during the colonial period, or as a result of the international austerity and structural adjustment programs of the last four decades.

For example, gaining the proper skills to produce in one's targeted sector requires substantial financial support as well as the availability of appropriate training. Yet, austerity programs and government cuts in educational spending have eliminated and/or limited curricular opportunities and subjects for study, even for those Africans who are able to secure the resources to enroll in institutions of higher education.

Additionally, given the historic prejudices against black Africans in former colonial states, there are relatively few older, successful African

entrepreneurs to whom an aspiring young person might have access. Gaining mentors from among those Africans who have succeeded in business is possible for a select few, but it is unlikely that many aspiring African entrepreneurs will find the mentors that they seek.

Other challenges for aspiring African entrepreneurs arise from the multi-party political climate that now functions across many African states. Campaigns cost money and Africa's political offices are still viewed by many as their key to wealth and jobs. Even with expanding markets in many African capitals, the vast majority of Africans lack the capital to participate substantially, or to form the demand structures needed to support new enterprises locally through market activities. Jobs and/or contracts from state officials, therefore, remain important sources of income for many Africans across the continent.

Unfortunately, the financial burdens that are placed on African entrepreneurs to support such political formations are undermining. Not only are the entrepreneurs pressed to offer payments to African officials and politicians, but often they also must hire either a third-party consultant or a foreign ally to carry out these tasks.

Lack of infrastructure—especially access to electricity, water, and roads—creates further challenges for existing businesses and aspiring entrepreneurs. As with all the challenges African entrepreneurs face, solving the problems they confront with regard to infrastructure adds significantly to the costs of their businesses—costs that most foreign firms, with whom African entrepreneurs must now compete in a globalized economy, do not have to pay.

Especially for young African entrepreneurs, as Adebimpe Lincoln reminds us in Chap. 5 of this volume, the challenges of undertaking acts of corporate responsibility are difficult, even for those entrepreneurs who understand the importance of such practices but lack the resources to undertake the support work they wish they could do. The costs of investing in stakeholders in one's community, or in one's employees, or in community projects, adds yet another cost to be factored into the budget of new African businesses. The payoffs for community members may be great, but it is the entrepreneurs who are being asked to shoulder the costs that many believe local and national governments should undertake.

When, however, these entrepreneurs are able to invest in their communities and employees, while they are able to feel good about themselves, it would be even better if their businesses benefited as well. Therefore, many of these African entrepreneurs are searching for ways to inform their community's residents of their supportive actions in the community by partnering

with local non-governmental organizations (NGOs). The NGO leaders, to encourage more corporate social responsibility, spread the word about business sponsorships and "giving back," even while the entrepreneurs and their staffs lack the time and energy to publicize their own activities.

CSR has real costs for businesses and NGO leaders can assist those entrepreneurs who adopt an ethical and principled stance. The NGO leaders can help its local citizenry to choose to make purchases from the business, owned and operated by the socially responsible corporate officer, rather than from just any company.

Additionally, in the twenty-first century, these struggling young entrepreneurs are bringing the issues of corporate responsibility to their professional organizations, to workshops and discussions that promote businesses joining together to share the costs of a clean-up, a tree planting event, or the construction of a small playground for young people. In recognizing that their resources are limited, entrepreneurs committed to corporate social responsibility are forming alliances to share the financial burdens. Their professional organizations can also bring in government speakers to update their membership on the latest government legislation with regard to CSR in addition to more traditional topics regarding business regulations.

Mmapula Sekatane also offers insights, in Chap. 4, into how female entrepreneurs are finding ways to cope with the challenges they confront. Women's organizations that offer leadership skills and networking to a broader community of leaders than those found only in their own business association have become popular with many female entrepreneurs. Sometimes these take the form of broad business associations for women, and sometimes the form of a women's leadership organization that includes women leaders who are not business entrepreneurs. While African female entrepreneurs are willing, and often do join professional business associations in their specific business field that include both men and women, Sekatane reports that many women also favor joining women-to-women (business) organizations.

It is in these organizations that female entrepreneurs often meet others who seek solidarity in the face of the discrimination that women often receive daily. Additionally, while these women can play similar roles for one another as they would in mixed-gender business associations, in some of the women's leadership organizations, members can become customers for other women in attendance, because they are not in the same businesses and therefore do not compete.

The women who come to know each other over time through women-to-women's associations may also be willing to use their political networks

to assist new female entrepreneurs with their governance issues, as well as to share the insights that more experienced women leaders have in bidding on government contracts. If the older women are not in the same sector of business, they do not have to worry about younger competition elbowing them aside, as might be the case when older and younger entrepreneurs meet in business organizations organized for a particular sector.

The challenges for African entrepreneurs in the twenty-first century are wide-ranging and stem from both indigenous and from international factors. Some of these challenges emerged from the legacies of colonization or the effects of ongoing macro-economic policies enacted by governments seeking loans from international financial institutions and donors.

Clearly, however, not all of the challenges faced by African entrepreneurs today stem from business issues. Far too many of the obstacles confronting today's African entrepreneurs are politically grounded. Requests for payoffs come from salaried government officials, paid to perform their jobs, and who, therefore, should not be asking for additional funds. Requests from party officials who are shaking down Africa's entrepreneurs for contributions to their political parties undermine the potential for developing and sustaining thriving private sectors in Africa states.

Thus, one of the important insights that this study of African entrepreneurship in the twenty-first century offers is that many of the problems confronting African entrepreneurs today are not technical, are not human capital issues, and are not tough financial issues. Rather, for governments to promote African entrepreneurship, as so many across the continent espouse they hope to do, it will take the political will of African leaders to alter their political and official practices of demanding that African businesspeople provide them with financial support. African leaders must see to it that government officials do their jobs and stamp the licenses and provide the infrastructure that they are meant to provide.

International donors who want to assist and promote African entrepreneurship will do well to assist local NGOS who partner with entrepreneurs. Additionally, they can assist with finding mentors for aspiring African entrepreneurs, and they can support those women's organizations that in some manner support African women's entrepreneurship.

Finally, it would be useful if the staffs from the large, international financial institutions and the national donors with whom they coordinate, would review the policies of their austerity programs in return for which they grant their loans. Such reviews should specifically analyze the effects of structural adjustment and austerity policies on the very Africans in the private sector who may hold the most hope for Africa's future production and success.

Clearly, African entrepreneurs in the twenty-first century confront many daunting challenges. Hopefully, this volume has demonstrated that some of those challenges can be mitigated through better policies adopted by African national leaders and by international leaders who focus on Africa. Let Africa's entrepreneurs do the rest. They have already shown that they are convincingly capable.

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