

Development of National Entrepreneurship in East Africa

One characteristic of the global economy is the concentration of business leadership and ownership in the more developed countries. In colonial East African economies, locally based business leadership came particularly from the ethnic minority communities. This is an area of great imbalance.

This study starts from the initial premise that more effective participation in the global economy would be furthered by enhancing the role of national entrepreneurship. Without national entrepreneurial capacity, the indigenous population is trapped in the roles of “hewers of wood and drawers of water”, irrespective of changes in the structure of trade. A study of the positioning of East Africa in the global economy therefore should include an analysis of national entrepreneurship and its relation to foreign actors in the economy.

Different theories have been put forward regarding the role of entrepreneurship in economic development. These range from debates about the role of religion in the rise of capitalism, Marxian debates over the role of “national capital”, the more recent theory of the “development state” which emphasises the entrepreneurial role of the State, and perhaps most famous the Schumpeterian theory.

Schumpeter portrayed entrepreneurs as the critical agents for economic change and development. The entrepreneur introduces new goods and services into the market, develops new methods of production, opens up new markets and sources of supply of raw materials, and pioneers new forms of business organization. In “follower” economies, national entrepreneurs might be expected to play a crucial role in adapting technologies to local needs and promoting structural changes which alter the national position in the international division of labour.

The emphasis on the importance of entrepreneurship does not necessarily under-play the potential role of State intervention. Policies can influence the supply of entrepreneurs in the economy and the allocation of their resources, and public interventions can influence accessibility to resources, technology, factor and product markets.

The study will investigate the role of national entrepreneurs in relation to multinational business, including the factors that are likely to make the relationship complementary rather than competitive.

For the purpose of the study, a classification system is adopted which identifies a number of different categories of business venture: multinationals, state owned enterprise, local non-indigenous business, indigenous owned business, subdivided between large firms and small scale and informal sector enterprises. The study will work initially on a number of industrial cases studies, which will assess the role of these various actors and the inter-play between them. These studies in turn will be used as a basis for characterising the various strategies adopted by the governments of East Africa and the options for future policy. The first two cases studies are of petrol distribution and tourism.