

The Economy of Affection and Local Enterprises in Africa: Empirical Evidence from a Network Study in Burkina Faso and Senegal

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Abstract: This paper, based on the results of a quantitative and qualitative survey, investigates the role that networks play in the construction sector in Burkina Faso and Senegal. The aim of this study is to uncover the effects of the economy of affection among African owned-enterprises through a comparative study of networks. The results indicate that the networks embedded in the economy of affection have both costs and benefits to actors in the construction sector in Burkina Faso as well as Senegal. Moreover, the degree of those costs is likely to vary according to socio-cultural attributes. Through its informal institutions, the economy of affection facilitates business transactions and fosters networking. At the same time, it encourages relatives and friends to become dependent on the entrepreneurs and limits their chance of succeeding. They become, if not parasites, at least a burden that entrepreneurs have to cope with. These extra expenses may be compared with the legally imposed social expenditures that modern corporations in Japan and Western countries have to carry.

Introduction

In countries like Senegal and Burkina Faso, two of the world's least developed countries, governments have consistently given a high priority to the improvement of basic social services such as education, health and food security. Therefore, local enterprises are still struggling without sufficient support from formal institutions. As a result, entrepreneurs use their own networks, that give rise to what Hyden has called "the economy of affection", to substitute for formal business supporting institutions.¹

Due to their size and isolation, micro, small and medium-sized enterprises (hereafter referred to as SMEs) face various obstacles: the lack of specialized skills or equipment, inaccessibility of formal financial institutes, and difficulty of obtaining relevant information.² In order to find the key to reducing these hindrances, in recent years the aggregate efficiency of clusters and networks has become a considerable tool and drawn increasing attention.³ However, after the implementation of numerous experimental projects, the results show that the aggregate efficiency is not present among African clusters and networks.⁴ The question is why not in Africa? Referring to six case studies in Africa, McCormick concluded that the small size of markets, over-supply of labor, and weak institutions characteristic of many African countries make external economies and joint action inefficient and non-functional. She also laid

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stress on the absence of “complex industrial clusters,” which produce strong aggregate efficiency with diversified size structure and inter-firm linkages.⁵ Similarly, Pedersen pointed out that the absence of very efficient large-scale enterprises may be one of the crucial causes. This is because small enterprises often obtain access to non-local resources and markets via the large enterprises.⁶ Those two opinions explained what is commonly referred to as the “missing middle” in Africa.⁷

This study was designed to investigate further the socio-economic role that networks play in the construction sector in Burkina Faso and Senegal.⁸ The discussion is based on the results of a quantitative and qualitative survey carried out in 2004 and 2005, sampling construction enterprises of various scales. The aim of this study is to uncover the effects of economy of affection among African owned-enterprises through a comparative study of these networks. The author’s working hypothesis is that the growth constraints on the private sector in Africa may grow out of the economy of affection. Therefore, this is a preliminary study for clarifying several aspects of networks that may explain the collective inefficiency of African entrepreneurs as well.

Implications of the network in Sub-Sahara Africa

Since Hyden stated that “there are no studies that have attempted to measure the quantitative and qualitative impact of the economy of affection on the national economy of a given country,” many scholars have been trying to fill this gap in different ways.⁹ Since Hyden defined the economy of affection as being formed by differently attributed networks, any examination of networks should focus on these differences. Many efforts by scholars notwithstanding, the amount of empirical economic evidence still remains small.¹⁰ This paper borrows from the existing literature to illustrate the characteristics of entrepreneurs’ networks in Sub-Saharan Africa.

Several case studies have been carried out. For the past three decades, Van Dijk has been working on the informal sector in Burkina Faso. His study concludes that “innovations, clustering and subcontracting are not yet the key characteristics of a dynamic informal sector entrepreneur.”¹¹ Van Dijk, however, also found that skilled women entrepreneurs are better adjusted and benefit more from cooperative types of business development than men.¹² Generally speaking, the present situation of informal entrepreneurs in Burkina Faso favors a good location, personal relations, and a number of other variables (such as initial investments, the choice of activity, and the chosen technology). Such elements are still more important than clusters of enterprises and networks of entrepreneurs for achieving collective efficiency.¹³

One of Van Dijk’s studies among small enterprises in Accra showed that in many cases, as can be seen elsewhere in Africa, access to employment opportunities and participation in a mutual co-operation are highly influenced by ethnic affiliation rather than professional association.¹⁴ McCormick examines family and professional networks in the garment markets of Nairobi based on three characteristics of the firms’ owners: ethnicity, level of education, and gender. He concluded that poorly educated small-sized garment manufacturers tend to use their networks. Besides, social networks are generally sex-segregated and women’s networks tend to have less power and resources to stimulate a business than men’s networks. In many

cases, networks lead back to rural markets where incomes and profit margins are present, but they cannot change their business performance significantly. Furthermore, these networks appear to be based not on clustering, but on the entrepreneurs' other social and professional contacts.¹⁵ Additionally, she explained theoretically how social relations are implanted and influenced in the entrepreneurs' economic relations: 1) different processes of development are used according to specific and interrelated historical, social, and cultural factors; 2) socio-cultural attributes create grounds for trust and reciprocity in inter-firm relations; and 3) the social environment, in which people live or work, strongly influences and is influenced by the processes of innovation and technological change.¹⁶

With econometric analysis, Fafchamps underlined that in a flea market economy, the emphasis on relationships and the sharing of information in communities and networks minimizes large-transaction expenditures and raise productivity. For instance, when it is difficult to identify reliable trading partners, relationships become their own security or guarantee and start to function as a business referral system.¹⁷ However, his research on agricultural traders in Madagascar showed that once family members are involved in trade, it reduces a productive component of social capital.¹⁸ His latest study (2002), a comparative survey in Benin, Malawi, and Madagascar, also investigated the effects of ethnicity, religion, and gender in agricultural trade. Many earlier sociological studies had stressed the importance of cultural attributes in African trade. Fafchamps, however, found that ethnicity and religion have only limited effects on start-up networks and the accumulation of network and capital over time. Gender matters more.¹⁹ Although they cannot be generalized to all African countries, his results ran counter to the stereotype of strong ethnic, gender, and religious bias in African trading and business.

Noteworthy results have also been generated by numerous recent studies of Barr, which demonstrated econometrically the role played by entrepreneurial networks in the Ghanaian manufacturing sector.²⁰ Her study identified two types of networks: 1) innovation networks that are large, diverse, less cohesive and best suited to providing access to information about technology and market; and 2) solidarity networks that are small, homogeneous, cohesive, and best suited to reducing information asymmetries and supporting informal credit and risk-sharing arrangements. Using data from the Ghanaian manufacturing sector, she found that in contrast to innovation networks, solidarity networks may have a marginal effect on enterprise productivity which can be seen in the smaller sized enterprises. This is because small enterprises are more likely to focus on reducing uncertainty rather than enhancing enterprises performance.

Besides the above studies, moving from theory to practice, the United Nations Industrial Development Organization (UNIDO) has undertaken many initiatives to promote development projects based on networking.²¹ However, compared to those in Asian countries, most of these projects in Sub-Saharan Africa have not been implemented successfully.

Thus, the above studies have produced detailed new evidence of networks in Sub-Saharan Africa and raised several important questions in the context of development policy: (1) Do networks help local enterprises to overcome the growth constraint? (2) Do networks negatively affect the larger leading enterprises?

The Structure of the Construction Industry in Burkina Faso and Senegal

The importance of the construction industry in developing countries as a contributor to socio-economic development has been addressed by policy organizations and several researchers.²² The author's previous researches have focused on understanding segmented urban labor markets and the presence of horizontal networks and vertical linkages among differently scaled enterprises in specific sectors of Burkina Faso.²³ Although, the research was not detailed enough to illustrate the structure of strong linkages and networks among enterprises, it showed that particularly in the construction sector, larger local enterprises commit a large part of labor-intensive operations to micro and small enterprises through subcontracting. A recent study of Mlinga and Wells (2002), which was carried out in the construction industry in Tanzania, proved that there were strong links between formal and informal contractors in terms of labor, material and equipment supply.²⁴

In this paper, due to a lack of time series data in both Burkina Faso and Senegal, only the recent role of construction sector from a macro-economic point of view is briefly discussed. A detailed discussion of situations and definitions of the construction industry in Sub-Saharan Africa can be found elsewhere.

Burkina Faso

Data from the past decade clearly indicates a low demand for construction in Burkina Faso. For the fiscal years 1998-2002, the average contribution to GDP from the construction sector, which is comprised of both the building and the civil engineering sub-sector, was only 4.2%.²⁵

A very recent official document showed that the total production of the modern sector of building and construction works more than doubled in value from 10.6 billion CFA Francs in 1999 to 25 billion CFA Francs in 2000.²⁶ This contribution is important for the secondary sector, which increased from 7% in 1995 to 10% in 1999, and stabilized at 12% in 2000.²⁷ This dynamism has been boosted by certain events, e.g., Sommet France-Afrique, Sommet de l'OUA, Coupe d'Afrique des Nations de Football de 1998.

The construction sector in Burkina Faso has seen an increase in informal employment opportunities within the sector from 10,682 in 1985 to 13,836 in 1995.²⁸ The decline in formal employment could be caused by a conversion to a flexible production strategy such as labor-only subcontracting. Whereas this kind of shift counterbalances the unstable construction demand, it cannot change the fact that the industry has, over the past decade, experienced a significant reduction in employment opportunities.

Senegal

The construction sector in Senegal contributes an average of about 4.6% to GDP with an annual average growth rate of 11% for the fiscal years 1998-2001.²⁹ Although the current contributions are still low, the progressive increase should be seen over the next few years because of the following big construction projects: 1) a new airport; 2) modernization and extension of the port in Dakar; 3) a new industrial zone and residential area; 4) a new road

between Dakar and Thies; and 5) a hotel and conference center and urban road rehabilitation, maintenance and new construction (40km) for the Islamic Conference (OCI 2007).³⁰

The construction sector employs 44,161 people, and about half of them (22,973) are from the informal sector.³¹ More than half (58.7%) of total salaries (about 49 billion CFA Francs) go to the permanent employees, whereas temporary employees and assistants receive almost identical proportions: respectively 21% and 20% of the total salaries (about 17.7 billions CFA Francs and 16.8 billion CFA Francs respectively).³²

The production of the construction sector was valued 479.5 billion CFA Francs in 2000, with intermediate goods at 323.5 billion CFA Francs and added value at 156 billion CFA Francs, which is 33% of total production. The account details are as followings:

- Production of construction sector: the modern sector contributes 59% of the total production against 41% for the informal sector (284 billion CFA Francs and 195.5 billions CFA Francs respectively);
- Intermediate consumption goods (ICG): the modern sector contributes 59% of ICG with 41% for the informal sector (192.2 billion CFA Francs and 131.3 billions CFA Francs respectively);
- Added value: like ICG, the modern sector created 59% and 41% for the informal sector (91.8 billion CFA Francs and 64.2 billion CFA Francs respectively);
- Workers' expenses (wages): the modern sector contributes 52.4% with about 44 billion CFA Francs and 47.6% for the informal sector with 39.7 billion CFA Francs.³³

What has been said above leads several conclusions. The construction sector in both Burkina Faso and Senegal has the same level of low contribution to the GDP with gradual progress. However, thanks to the current remarkable international attention to African problems, the amount of investment for physical infrastructure can be expected to increase dramatically at least over the next five years. Regarding the value of the volume of production, the modern sector in Senegal generated about four times more than that of Burkina Faso (91.8 billion CFA Francs and 25 billion CFA Francs in 2000). Additionally, the great contribution of informal employment to the construction labor market was remarkable in both counties.

Findings of questionnaire survey

This study employed a questionnaire survey in order to identify characteristics and the role of networks in the construction sector of Burkina Faso and Senegal. This survey is a preliminary survey for networks. In the near future, a further detailed survey will be carried out according to the result of this survey.

Survey Site

In case of Burkina Faso, the data collection was carried out in Ouagadougou, the capital city, which has a population of 1,200,000 (2005) with a rapid growth rate of 9.8% per annum.³⁴ For the past couple of years, the production of construction and public works has been visibly active in Ouagadougou. Recently, there has been a remarkable presence of the informal sector, due to the crisis in the Ivory Coast and new city planning. Local construction material

producers have profited from the decline of imported construction materials from the Ivory Coast. Thus, the activities of construction and public works increased at a rate of 9.6% in 2002.³⁵ Additionally, the business district recently moved to a new area (Ouaga 2000), which is part of an urban development project. Many heavy constructions were carried out in order to prepare for the Francophone Conference held on November 2004.

In Senegal, research was conducted in Dakar, which is known as the most sophisticated and cosmopolitan city in West Africa. After the conflict in the Ivory Coast, Dakar became the center of West Africa economically and politically, both in name and in reality. Dakar had an estimated population of 1.9 million in 2002.³⁶ It covers only 0.3% of the country's surface area but accounts for 22% of its total population, with 4800 inhabitants per square km.³⁷ Due to its dense population, the city faces a serious shortage of potable water and electricity and suffers urban transport dysfunction. Like Ouagadougou, Dakar has experienced a dramatic increase in the number of projects dealing with construction and public works. In particular, a rush on building houses for the upper-middle class was very visible in certain new residential areas. However, since last summer, activity in this sector has fluctuated because of the disclosure of a bribery case with the former minister of construction being eventually arrested. Therefore, implementing the questionnaire in Dakar was much harder than Ouagadougou and many entrepreneurs were quite nervous to respond on subjects dealing with financial matters.

Classification of Samples

All classifications of enterprises in Sub-Saharan countries are somewhat determined by subjective conceptualism, due to the lack of accurate statistical data and standard typology. Particularly, for the construction sector, ministries that deal with a construction project have their own classification system, which is governed by criteria such as 1) quality and quantity of qualified engineers, assistant engineers, and workers; 2) quantity of construction machinery and equipment; 3) financial capacity, and so on. Therefore, this study does not address questions of definition pertaining to each segment. The author has classified enterprises simply according to their way of taxation and registration, and their annual turnover, based on the standards used by each ministry. In particular, the maximum annual turnover in each segment varies from ministry to ministry and from Senegal to Burkina Faso. Thus, the author modified the maximum turnover and divided enterprises into two groups: (1) small and medium-sized construction enterprises (SMCE) with a maximum turnover of 500 million CFA Francs; and (2) informal construction enterprises (ICE) with a maximum turnover of 25 million CFA Francs.

As there is no large-sized construction enterprise in Burkina Faso, after the liquidation of two public construction companies, this category was excluded in Senegal as well.³⁸ In this study, ICE refers to the micro enterprises, which submitted a taxation form for the informal sector. In addition, those who do not register with the taxation office and do not have a formal accounting record are also included in ICE.

Method

Data were collected with structured questionnaires in Burkina Faso (from February to August 2004) and Senegal (from April to June and from October to December 2005). A total of eighty

five and sixty five enterprises in Burkina Faso and Senegal respectively were interviewed for this study with the assistance of two graduate students from University of Ouagadougou and ISM (Institut Supérieur de Management) in Dakar. The numbers of small and medium-sized enterprises were obtained from DGR in Burkina Faso and DCH in Senegal.³⁹ Informal enterprises were identified and interviewed at the construction sites in both countries.

The first part of the questionnaire (Table 1) covered respondent's background characteristics (age, sex, birthplace, tribe, religion, marital status, number of children, level of education, number of employees) and their company's features (number of employees and turnover).

Table1 Characteristics of Samples

Characteristic/Senegal	ICE	SMCE
Background		
*Mean age(range 21-72)	36	48
*% sex		
1)Male	100	92
2)Female	0	8
*% tribe		
1)Wolof	49	67
2)Other	51	33
*% religion		
1)Christian	0	8
2)Muslim	100	92
*% married	82	96
*Mean no. of children(range 0-21)	2	5
*% by level of education		
1)Elementary School	32	14
2)General secondary school	8	14
3)Technical secondary school	10	0
4)University in BF	3	33
5)University abroad	0	29
6)Technical College	0	14
7)Muslim school	8	0
8)Illiterate	39	0

Source: Author's Survey

Characteristic/Burkina Faso	ICE	SMCE
Background		
*Mean age(range 28-75)	36	43
*% sex		
1)Male	100	93
2)Female	0	7
*% tribe		
1)Mossi	77	63
2)Other	23	37
*% religion		
1)Christian	52	45
2)Muslim	48	55
*% married	71	93
*Mean no. of children(range 0-20)	2.5	3.5
*% by level of education		
1)Elementary School	23	7
2)General secondary school	23	20
3)Technical secondary school	23	13
4)University in BF	3	0
5)University abroad	0	13
6)Technical College	5	23
7)Muslim school	10	7
8)Illiterate	15	17

In addition, Table 2-3 summarizes the second part of the questions, which ascertain characteristics of entrepreneurial networks and social networks.⁴⁰

Table 2 Characteristics of Entrepreneurial Networks

Entrepreneurial Networks/Senegal			
Firm size		ICE	SMCE
No. of firms		40	25
Mean no. of full-time employees		3	7
Mean no. of part-time employees		7	30
Mean no. of qualified engineers		0	2
Mean monthly turnover (0-83,000,000 CFA Francs)		1,750,000	16,700,000
Mean no. of family or relatives in construction industry (range 0-20)		4	2
Mean no. of close friends in construction industry (range 0-20)		5	5
Cooperation with local enterprises in construction industry(%)			
Yes		92	87
No		8	13
What kinds of cooperations(%)			
1 Lending/borrowing machinery		19	5
2 Lending/borrowing equipment		21	6
3 Lending/borrowing automobile		9	3
4 Lending/borrowing skilled worker		20	4
5 Product development		5	5
6 Marketing Research		15	4
7 Purchase of inputs		6	3
E.Network is important for your business or not(%)			
Yes		87	96
No		13	4

Source: Author's Survey

Entrepreneurial Networks/ Burkina Faso			
Firm size		ICE	SMCE
No. of firms		43	42
Mean no. of full-time employees		3	10
Mean no. of part-time employees		16	30
Mean no. of qualified engineers		0	1
Mean monthly turnover (0-125,000,000 CFA Francs)		300,000	7,300,000
Mean no. of family or relatives in construction industry (range 0-5)		1	0
Mean no. of close friends in construction industry (range 0-25)		4.5	5
Cooperation with local enterprises in construction industry(%)			
Yes		80	85
No		20	15
What kinds of cooperations(%)			
1 Lending/borrowing machinery		14	22
2 Lending/borrowing equipment		10	18
3 Lending/borrowing automobile		12	15
4 Lending/borrowing skilled worker		5	14
5 Product development		1	1
6 Marketing Research		25	18
7 Purchase of inputs		0	9
E.Network is important for your business or not(%)			
Yes		92	90
No		8	10

The questionnaire was partially borrowed from Barr's study and modified in accordance with the purpose of this study, *viz.*, an interpretation of the essential mechanism of networks.⁴¹ Her questionnaire module was designed particularly for inclusion in an econometric model to clarify the economic role played by entrepreneurial networks in the Ghanaian manufacturing sector. The present study focused on the construction sector. In addition, Barr emphasized that to identify general patterns linking enterprises and network characteristics, a case study methodology is not an appropriate tool.⁴² However, since the author's goal is to uncover the more profound parts of cultural endowment, a case-study methodology was employed intentionally.

Characteristics of Samples

Table 1 indicates that characteristics of the samples in Burkina Faso. Data from eighty five construction enterprises, including forty three of ICE and forty two of SMCE, were successfully gathered. Respondents' average age was about thirty six for ICE and forty three for SMCE, and most of them were married with an average of 2.5 and 3.5 children, respectively. Given the fact that most of the enterprises selected for this study were male-dominant, the proportion of men in the sample is relatively high: 100% of ICE and 93% of SMCE were male. About 80% of ICE

and 60% of SMCE belonged to Mossi, the main tribe in Burkina Faso. Levels of education for ICE were quite high compared to the average level of education for urban informal sector in Burkina Faso where more than 50% are illiterate.⁴³ Characteristics of firms are shown in the first part of Table 2. Sampled ICE had three full-time workers and sixteen part-time workers, compared with ten full-time workers and thirty part-time workers for SMCE. The mean monthly turnover was 300,000 CFA Francs for ICE and 7,300,000 CFA Francs for SMCE.

In case of Senegal, the number of samples was sixty five construction enterprises, including forty of ICE and twenty five of SMCE. Respondents' average age was about thirty six for ICE and forty eight for SMCE, and more than 80% of samples were married with an average of two and five children, respectively. Like Burkina Faso, 100% of ICE and 92% of SMCE were male. Concerning ethnic and religious attributions, about 49% of ICE and 67% of SMCE belonged to Wolof, the main ethnic group in Senegal while 100% of ICE and 92% of SMCE are Muslim, the main religion (more than 90% of the population). Regarding to the level of education, about 40% of ICE were either dropouts from elementary school or completely illiterate. On the other hand, more than 70% of SMCE had higher educational backgrounds. The internal conditions of firms are as followings: Sampled ICE had six full-time workers and seven part-time workers, compared with seven full-time workers and thirty part-time workers for SMCE. The mean monthly turnover was 1,750,000 CFA Francs for ICE and 16,700,000 CFA Francs for SMCE.

Characteristics of Entrepreneurial Networks

To identify characteristics of entrepreneurial networks, first of all, respondents were asked how many people they knew in each of eight groups: governmental organization, foreign consulting construction enterprise, large construction enterprise, small and medium sized consulting construction enterprise, small and medium sized construction enterprise, registered informal construction enterprise, unregistered informal construction enterprise and informal construction day labor. After this question, the entrepreneurs were also asked how long they had known these people.

In case of Burkina Faso, both ICE and SMCE have quite a similar pattern of widespread networks with a range of one to ten acquaintances in each groups. However, around 40% of SMCE know more than twenty people in governmental organization. Moreover, the majority of ICE have a one to five-year relationship with all the groups, while SMCE have six- to ten-year relationships. In Senegal, the diversification of networks is very much like Burkina Faso. However, in terms of the length of relationships, SMCE have more profound relationship with formal larger enterprises, while ICE have a much weaker link with all the groups.

One of the findings indicated that the networks of both ICE and SMC in Burkina Faso tended to be created by the same groups, such as: 1) family members or relatives; 2) friends from school; and 3) people from the same village or area. However, in Senegal, the networks of two stratified groups seem to be generated by different criteria. For instance, ICE mentioned the groups in this order: 1) friends from school; 2) the same religious group; and 3) from the same village. SMCE responded differently: 1) same business association; 2) former colleague; and 3) friends from university.

The entrepreneurs were also asked how many members of their close family and close friends were in the construction industry. ICE had a mean of one close family member and SMCE had none in Burkina Faso. ICE had a mean of four close family members and SMCE had two in Senegal. Both ICE and SMCE had a similar result of five close friends in the construction industry in Burkina Faso and Senegal.

The questionnaire also asked about the types of cooperation with local enterprises. For both countries, ICE and SMCE showed strong cooperation in lending and borrowing necessities including machinery, equipment, automobiles, and skilled workers. At the end, respondents were asked whether entrepreneurial networks were important for their business. 92% of ICE and 90% of SMCE in Burkina Faso and 87% of ICE and 96% of SMCE in Senegal replied affirmatively (Table2).

These results lead to the conclusion that the entrepreneurial networks for ICE and SMCE in both countries are very much diversified in the same way, but with a different degree in terms of the number of acquaintances. In Senegal, 50-60% of SMCE know more than twenty people in all formal larger enterprises, (except the foreign consulting construction enterprises), while SMCE in Burkina Faso know more than twenty people only in governmental organization. In addition, relationships for SMCE in Senegal are much more profound with all the other groups, compared with SMCE in Burkina Faso. However, ICE in both countries have relatively weak relationship with other groups. Moreover, the places where they established these relationships vary greatly. The networks of both groups in Burkina Faso tend to be established through family members or relatives, friends from school, and the same village. A couple of interesting results appeared from Senegalese respondents. While friends from school, the same religious group, and people from the same village are the main tools for making the entrepreneurial networks for ICE, SMCE emphasized the importance of the same business association, former colleague, and friends from university. As Senegal is a Muslim country, the religious groups are one of the tools to create smaller-sized entrepreneurial relationships. On the other hand, larger-sized entrepreneurs may count on professionally interrelated groups rather than affectively interrelated group. Within these networks, both ICE and SMCE had strong cooperation for lending or borrowing requisites in order to pursue construction works. Lastly, most entrepreneurs in both countries considered that entrepreneurial networks were important to stabilize or improve their business performance.

Characteristics of Social Networks

The features of social networks were examined with several questions, and the results are presented in Table 3. In the first place, respondents were asked how many people came to see them with social problems. While both ICE and SMCE in Burkina Faso received around five visitors per month, ICE and SMCE in Senegal had sixty two and twenty visitors per month, respectively. In the second place, respondents were also asked how much time they spent consulting about social problems. In Burkina Faso: ICE spent sixteen hours per month and SMCE thirty one hours per month. In Senegal: ICE spent thirty one hours per month and SMCE sixteen hours per month. The third question asked the amount of money respondents spend solving social problems. While ICE spent 15,000CFA per month, and SMCE spent 50,000CFA

per month in Burkina Faso, Senegalese ICE spent 77,500CFA per month, and SMCE spent 137,500CFA per month.

In addition to the above questions, firms were asked who brought social problems and what kinds of problems. In the case of Burkina Faso, both ICE and SMCE gave almost the same answers. Most cases concerned a family member or relatives, people from the same village, and friends from school (in that order). The three most common problems were health, work, and money. In Senegal, both types of entrepreneurs handled problems with similar groups such as family members or relatives, people from the same village, and former colleagues. Besides, many respondents mentioned that their neighbors very often came to see them for social problems. The top three social problems in Senegal were health, daily expenses, and transport for ICE with money, health and ceremony for SMCE. The last question was whether social networks affected their business negatively. While 23% of ICE and 18% of SMCE in Burkina Faso answered affirmatively, 55% of ICE and 35% of SMCE in Senegal also answered “yes”.

To conclude and emphasize the above information, respondents were also asked about their working hours and working days. The aim was to calculate total hours worked and total hours spent for social problems.⁴⁴ In Burkina Faso, ICE and SMCE worked an average of six hours and eight hours per day, respectively. Both ICE and SMCE worked an average of eight hours per day in Senegal. As a result, ICE and SMCE spent about 2.6 and 3.9 working days respectively for social problems in Burkina Faso and about 3.9 and 2.0 working days in Senegal. Furthermore, ICE and SMCE spent about 5% and 0.7% of monthly turnover respectively for social problem in Burkina Faso and about 4.4% and 0.8% in Senegal. These social problems are overwhelmingly brought by family members or relatives. Under these circumstances, the majority of entrepreneurs in Burkina Faso did not feel that social networks affected them negatively, whereas 55% of ICE and 35% of SMCE in Senegal felt a negative effect from social networks on their business. Interestingly, this discrepancy does not seem to be reflected in the statistics shown above. In spite of money and time they spent for social networks, 78% of ICE and 82% of SMCE in Burkina Faso responded that social networks do not have a negative affect on their business. An explanation of this discrepancy between respondents’ opinions and reality is offered in the next section.

Findings of interview survey

Method

Only a small number of in-depth qualitative interviews (summarized in Table 4 and Table 5) were conducted to supplement or confirm the questionnaire survey.

A total of eight respondents (four samples from ICE and four samples from SMCE) were interviewed. These samples were selected from respondents to the quantitative questionnaire survey, which was carried out in advance. This survey was piloted and then administered solely by the author in order to gain a better understanding of the characteristics of networks. The following questions were asked:

Table4 Negative and Positive Aspects of Entrepreneurial and Social Networks

	Burkina Faso				Senegal			
	Negative		Positive		Negative		Positive	
	ICE	SMCE	ICE	SMCE	ICE	SMCE	ICE	SMCE
ENW	*underpayment	*too much reliance on someone's help	*effect usage of idle equipment & employee	*effect usage of idle equipment & employee	*minimizing my own financial and physical capability	*minimizing my own financial and physical capability	*making rapid transaction	*functioning like lobby
	*no respect of contract duty	*lack of motivation to make an effort	*enhancement of young contractor	*maximizing one's chance	*no respect of deadline for returning material or equipment	*sometimes, obtained information is not collect.	*availability of needs	*short-cut to solve certain problems
	*no reward or collateral	*one-sided burden	*solving financial difficulty	*overcoming one's obstacle	*equipment can be returned with a defective condition	*equipment can be returned with a defective condition	*reinforcing the capacity of entrepreneurship	*availability of needs
SNW	*delay or lack of reimbursement	*loss of time & money	*mutually beneficial	*nothing	*too much dependence on particular person	*loss of time	*solving urgent problem	*solving certain problems easily
	*no interest for lending money	*corrupting company's discipline	*solving a problem	*self-satisfaction	*failure or delay of repayment	*making people think that getting money is easy	*development of aid for individuals	*self-satisfaction
		*difficulty of managing budgets	*encouragement of staffs		*wasting of time and money	*too much dependence	*If you do something good, someone pray for you.	*something can be proud of or pleasure helping poors or family members
SNW		*difficulty of making a daily schedule or overall plan for business			*too much intimacy can be harmful	*can be a source of conflict	*religious recommendation to help each other	
		*impossible to ignore because it damages one's reputation in society				*reciprocation is always expected	*something can be proud of or pleasure helping poors or family members	

Source: Author's Survey

Table 5 Selected Keywords of Entrepreneurial and Social Networks

	Burkina Faso				Senegal			
	ICE		SMCE		ICE		SMCE	
Entrepreneurial network	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
	trump card		lobby		solidarity	difficulty	syndicate	Burden
	support		partnership		mutual aid	resistance	mutual interest	
	mutual help		informal institute		cooperation		partnership	
	organization		additional tool		advantage		solidarity	
					relation		lobby	
Social network	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
	confidence	burden	mutual assistant	constraint	mutual aid	difficulty	social balance	
	motivation	obligation	social security	duty	solidarity	waste	God's recommendation	
	help		moral contract	negative	progress		Human responsibility	
				obligation	chaine		Mutual aid	
					support		Line	

Source: Author's Survey

- What is the negative aspect of using entrepreneurial networks?
- What is the positive aspect of using entrepreneurial networks?
- What is the negative aspect of using social networks?
- What is the positive aspect of using social networks?
- Do you think that social networks affect your business negatively? (Yes/No)
- Why?
- Describe the entrepreneurial network in a few words?
- Describe the social network in a few words?

Negative and Positive Aspects of the Entrepreneurial Network

ICE and SMCE in Burkina Faso expressed quite different opinions. Concerning negative aspects, many respondents from SMCE felt that the presence of networks made people too dependent on other's assistance and caused them to lose motivation. Instead of being mutually beneficial, most of these relationships are burdensome and one-sided. More simply, if you help someone, the gesture is unlikely to be reciprocated. The ICE seems to have faced some problems with contractors. As most of the contracts with ICE are "unwritten" and "tacit consent," very often contractors do not respect the contractual clauses. Consequently, it causes delay or refusal of payment. On the other hand, one of positive aspects of the network for both ICE and SMCE was the effective usage of idle equipment and employees. Although they do not have formal contracts, they can earn money by temporarily employing their staff and equipment. Additionally, they consider that entrepreneurial networks help them overcome obstacles, especially financial difficulties.

In the case of Senegal, unlike Burkina Faso, lending equipment or materials can be a negative factor causing a reduction of the enterprise's physical capacity. In many cases equipment was reportedly returned in a defective condition. Moreover, respondents said that lending money reduced their financial capacity as well. In other words, they are facing some difficulties of availability. Delaying or failing to return equipment and returning defective equipment deprived them of use for their own work. Regarding the positive aspects, most respondents stated that using their networks is an easier and faster way of fulfilling their needs and solving their problems.

We can conclude from what has been said above that unwritten and tacitly consented to contracts were both positive and negative for entrepreneurial networks in both Burkina Faso and Senegal. As respondents of Senegal stated, it is an easier and faster way of reaching agreement by eliminating complicated formalities, which are normally time-consuming and costly. Informal institutions reduce transaction costs. Furthermore, in many cases lending or borrowing construction-related materials and equipment seemed to function as an important support institution and complement entrepreneurs' needs. On the negative side, lack of care and maintenance of equipment, lent on an informal basis, was the most frequently cited problem.

Negative and Positive Aspects of the Social Network

Interviewees were asked about the negative and positive aspects of their social networks. Respondents from ICE in Burkina Faso said that, as in entrepreneurial networks, underpayment affects their businesses negatively. The view of SMCE was that the presence of social networks affects their profit, plan, and their company's discipline. These factors make it difficult for entrepreneurs to budget their time and money. The only positive aspects found seem to be the "self-satisfaction" of SMCE. This means that they can feel satisfied for having fulfilled their social obligations (such as lending money or materials to participants of their network). This achievement enables them to secure their reputation and present position in their society. However, for ICE, just like the entrepreneurial network, the social network is mutually beneficial in terms of reciprocated financial aid and encouragement in the continuation of business.

In the case of Senegal, both ICE and SMCE mentioned that too much dependence or too much intimacy might hurt both the recipient and the provider of help. In addition to this, they felt that sometimes it is a waste of time and money to deal with the social network. On the other hand, the positive aspects mentioned by ICE were very much related to their religious beliefs. All respondents of ICE stated that mutual aid is a religious obligation and what they do normally in their daily life.

The difference between Senegal and Burkina Faso is in the degree of religious influence on the social network. Compared to Senegal, a Muslim-dominated country, no religious bias is found in Burkina Faso, where Muslims represent only half of the sample. In particular, some of the SMCE respondents in Burkina Faso questioned why they were asked about their religious and ethnic attributes, implying that these criteria make little or no difference.

Do Social Networks Affect their Business Negatively?

Additionally, interviewees were asked whether social networks affect their business negatively. Six respondents answered “no”. However, there were some exceptional views in response to this question, for instance “Answer is No, but I wish I didn’t need to deal with such networks.” OR “Answer is No, because if I don’t want to cooperate, I do refuse. It all depends on me.” These answers reflect what Hyden asserts, “There are many who reject it because it is such a burden or it goes against their professional belief. It is sufficiently pervasive, however, that those who reject it find it very hard to live and work in their country.”⁴⁵ These two respondents are highly educated and very skilled engineers. However, as it is hardly possible to make a clear-cut distinction between personal affairs and business affairs in African society, people very often have a hard time working professionally and independently. The author also realized that respondents from ICE expressed very similar viewpoints of the negative and the positive effects of both networks. We may say that entrepreneurs of ICE tend to intertwine their personal and business matters.

In Senegal, six respondents answered “No” as well. However, the reasons are quite different. Most of those respondents who said “No” gave the following religious reasons: “helping the poor or family members is something we are recommended or obligated to do by God”; “if you do something good, you will get a reward from God”; “we are Muslims so we have to help each other”; “helping others is like helping myself.” Two respondents who answered “Yes” commented as follows: “Even though I myself face some financial problem, if someone asks me to help, I have to spend what little money I have. It undoubtedly affects my business. Money I contribute to social networks is a kind of sacrifice to the society. But it very often blocks my business.” Besides those questions, the author spontaneously added another question which is related to their religious brotherhood. Two respondents of ICE, out of eight including SMCE, remarked that the brotherhood (Mouride) to which they belong affects their business somehow. For example, friends from the same brotherhood gave them some work to do or a workshop. However, the rest of the respondents, especially SMCE, emphasized that brotherhood cannot do anything for their business and has no influence at all.

Strong informal social pressures shape the role that social networks play in Burkina Faso. This situation reflects the society in Burkina Faso as described in the literature. For instance, the Mossi (the main ethnic group), are known as a feudal and highly hierarchical society. Their mutual solidarity derives from a sense of common identity, belonging, unity and kindness.⁴⁶ Additionally, communal sharing is typical within lineages, especially in the extended-family. Within one lineage, seniority forms the basis of ranked authority and has a good deal of influence upon people in both rural and urban areas.⁴⁷ Consequently, this kind of cultural endowment is likely to exercise a definite degree of social pressure to entrepreneurs. On the other hand, the existence of numerous religious practices and beliefs seems to have little pressure on entrepreneurs in Burkina Faso. Therefore, we can say that in Burkina Faso, ethnic, kinship and family ties have stronger influence and pressure on social networks there than any other attributes, while religious ties have a greater effect in Senegal.

Description of the Entrepreneurial Network and Social Network

Respondents were also asked to describe the entrepreneurial network and social network in a few words. Table 5 shows that in contrast to the negative effect of the entrepreneurial network, half of the respondents described social networks as “obligation,” “burden,” “constraint,” and “duty.” What has to be noticed here is that even though six of the interviewees said social networks do not affect their business negatively, they are not willing to get involved with the network. One interviewee added that “personal affairs are already included in my business schedule and no matter how busy I am, it is my obligation to deal with them.” To put it another way, entrepreneurs accept negative effects on their business and try to incorporate this reality into their routine as “obligation.” Of course, a few respondents answered positively, using terms such as “confidence,” “motivation,” and “social security.” But, this is because these respondents also accept assistance. There are takers and givers in the network. In reality, however, distribution through the network is not really equal or well-balanced. Table 5 also indicates that while entrepreneurs of SMCE make a clear-cut usage between two networks, respondents from ICE do not distinguish between them.

In the case of Senegal, ICE described both the entrepreneurial network and the social network with similar words. For instance, “solidarity” and “mutual aid” are common positive words and “difficulty” is a common negative word that they used for both networks. In contrast, most of SMCE respondents used different words for the two networks. “Syndicate,” “mutual interest,” “partnership,” and “lobby” were mentioned for the entrepreneurial network, and “social balance,” “God’s recommendation,” and “Human responsibility” were used to describe the social network.

Even though the social value of equity and solidarity are deeply rooted in both countries, informal social pressure on participants of the networks in Burkina Faso seems to be much stronger than in Senegal. As proof, Senegalese described their “social network” with fewer negative words and with a more moderate meaning. As social involvement and contribution are among the religious sanctions in a Muslim country, “obligation” may not be a forced pressure in Senegal. It is a kind of deep habit in their society.

Conclusions

In conclusion, it may be worth returning to Van Dijk (1997), who writes: “many people seem to face a psychological barrier in the sense that, in many instances, they depend on relations. They lack the initiative to search for other opportunities and rely totally on family and friends.”⁴⁸ In the middle of the survey in Burkina Faso, the author also started to realize that their reluctance to answer according to their actual beliefs in a sense shows that entrepreneurs recognize the existence of Van Dijk’s “psychological barrier.” They understand that over-reliance on social networks can negatively affect their business, but to say so would run contrary to the African concept of how society operates. It means that social pressures can conceal the reality of the situation and in the case of Burkina Faso a significant source of this pressure comes from kinship and family relations.

However, in the case of Senegal, even though the socio-cultural components are much more complicated and interwoven, religious affiliation has the most striking influence on the networks. As several findings from the literature demonstrate, the influential Islamic economic

organization called the Mouride Brotherhood contributes significantly to the Senegalese economy and has a strong linkage with the informal sector in Dakar.⁴⁹ However, due to the limited time for fieldwork in Senegal, more extensive research on this matter needs to be done in the future. Assuming though that religious affiliation is something people can choose, whereas ethnic, kinship, and family relation are givens, the conclusion is that the degree of social pressure on entrepreneurs is stronger in Burkina Faso than in Senegal.

Social networks and entrepreneurial networks become more active when public institutions do not function efficiently. Instead of getting support from public institutions, the management of social and business problems fall directly on the person who is capable of solving the problems. This is an unavoidable reality that may cause the deterioration of their business performance. Entrepreneurs have to accept even negative effects and try to incorporate this reality into their routine. In the construction sector of Burkina Faso and Senegal, there is a “missing middle” between large and small enterprises. Those individuals, who studied abroad and gained enough experience in the governmental sector or in a foreign company, are usually technically capable of dealing with a big public tender offer. However, as local enterprises they have difficulties competing independently against foreign enterprises, due to size, lack of skilled employees and equipment, and the inaccessibility of financial institutions. Thus, highly skilled entrepreneurs subcontract with foreign companies as the local expert or as the local representative of a foreign company. Only a few construction companies can participate in public tender offers in their own capacity in Burkina Faso and a few more in Senegal. Therefore, the only option left to local construction companies is using entrepreneurial networks, lending or borrowing skilled engineers and good equipment, in order to be eligible for tenders. Yet, because of shortage of capital, they are rarely capable of competing with foreign companies.

Finally, as this study has shown, the economy of affection has both costs and benefits to actors in the construction sector in Burkina Faso as well as Senegal. Through its informal institutions, the economy of affection facilitates business transactions and fosters networking. At the same time, it encourages relatives and friends to become dependent on the entrepreneurs and limit their chance of succeeding. They become, if not parasites, at least a burden that entrepreneurs have to cope with. These extra expenses may be compared with the legally imposed social expenditures that modern corporations in Japan and Western countries have to carry. The issue for further research may include more detailed studies of how these informal social burdens can be regularized or kept at such a level that their adverse impact on business is reduced.

Notes:

1. See, Hyden, G. *No Shortcuts to Progress: African Development Management in Perspective*. Berkeley: University of California Press, 1983, p.8. In this book, Hyden defined the “economy of affection” as “a network of support, communications and interaction among structurally defined groups connected by blood, kin, community or other affinities.” See also, Barr, A.M. “Do SMEs network for growth?” *Enterprise in Africa: Between Poverty and Growth*. London: Intermediate Technology Publications, 1999, p.122.

2. See, Ceglie, G. and Dini, M. "Clusters and Network Development in Developing Countries." *Business Development Services*. London: Intermediate Technology Publications, 1999, p. 208. and Kennedy, R.M. and Hobohm, S. "Capacity Building for Private Sector Development in Africa." *PSD Technical Working Papers Series 3*. United National Industrial Development Organization(UNIDO), 1999.
3. See, Van Dijk, M and Rabellitti R. "Clusters and Networks as Sources of Co-operation and Technology Diffusion for Small Enterprises in Developing Countries." *Enterprise Clusters and Networks in Developing Countries*. London: Frank Cass, 1997, p.7. and Barr 1999, op.cit., p.121.
4. See, McCormick, D. "African Enterprise Clusters and Industrialization: Theory and Reality." *World Development* Vol.27, No.9, 1999, p.1547; Schmitz, H. "Collective Efficiency and Increasing Returns." *IDS Working Paper 50*. 1997, p.5; and Pedersen P.O. "Clusters of Enterprises Within Systems of Production and Distribution: Collective Efficiency and Transaction Costs." *Enterprise Clusters and Networks in Developing Countries*. London: Frank Cass, 1997, p.26.
5. Ibid.
6. Ibid.
7. The inability of micro- and small-sized enterprises to graduate to medium-sized enterprises has generated an empty stratum in the labor market generally referred to as the "missing middle".
8. A part of results was published *Tanzanian Journal of Population Studies and Development. Special Issue: African economy of Affection*. Vol.11, No.2, 2004, p.69.
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13. Van Dijk 1992, op.cit., p.47.
14. Van Dijk, M. P. "Small Enterprise Associations and Networks: Evidence from Accra." *Enterprise Clusters and Networks in Developing Countries*. London: Frank Cass, 1997, p.142.
15. McCormick, D. "Industrial District or Garment Ghetto? Nairobi's Mini-Manufacturers." *Enterprise Clusters and Networks in Developing Countries*. London: Frank Cass, 1997, p.121-122.
16. Ibid.
17. Fafchamps, M. "Networks, Communities and markets in Sub-Saharan Africa: implications for firm growth and investment." *The Centre for the Study of African Economies Working Paper Series 108*, The Berkekey Electronic Press, 1999, p.6, available at <http://www.bepress.com/csae/paper108>
18. Fafchamps, M. and Minten, B. "Returns to Social Capital among Traders." *Oxford Economic Papers* 54. Oxford University Press, 2002, p.203.

19. Fafchamps, M. "Ethnicity and Networks in African Trade." *Contributions to Economic Analysis and Policy*, Vol.2, no.1, article 14, 2002, p.23-25.
20. See, Barr, A.M. "The Missing Factor: Entrepreneurial Networks, Enterprises and Economic Growth in Ghana." *The Centre for the Study of African Economies Working Paper Series* 29. The Berkeley Electronic Press, 1995, available at <http://www.bepress.com/csae/paper29>; Barr, A.M. "Enterprise Performance and the Functional Diversity of Social Capital." *The Centre for the Study of African Economies Working Paper Series* 65. The Berkeley Electronic Press, 1998. available at <http://www.bepress.com/csae/paper108>; and Barr 1999, op.cit.
21. Kennedy and Hobohm 1999 op.cit.
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27. Ibid.
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29. International Monetary Fund (IMF). "Senegal: Statistical Annex." *IMF Country Report No.03*. Washington, D.C.: International Monetary Fund, 2003, p.4-5.
30. Ambassade de France au Sénégal. "Mission Économiques: Fiche de Synthèse-Le Marché du BTP au Sénégal." 2003. available at: www.izf.net/izf/EE/pro/senegal/5020-btp.asp
31. Direction de la Prévision et de la Statistique. *Etude sur l'Activité des Bâtiments et Travaux Publics au Sénégal*. Ministère de l'Économie et des Finances, Mars 2002, p.8.
32. Ibid.p.8.
33. Ibid.p.9.
34. available at the site of Mairie de Ouagadougou: <http://www.mairie-ouaga.bf>
35. Direction Générale de l'Économie et de la Planification. *Rapport sur l'Économie 2002: Commerce Extérieur, Croissance Économique et Lutte contre la Pauvreté*. Ministère de l'Économie et du Développement. Ouagadougou: 2002, p.18.
36. Direction de la Prévision et de la Statistique. *Le Marché de l'Emploi à Dakar: l'Emploi, le Chômage et les Conditions d'activité dans l'Agglomération de Dakar*. Ministère de l'Économie et des Finances, Mai 2003, p.5.
37. Ibid. p.5.
38. Two liquidated companies are ONPF (Office National des Puits et des Forages) and ONBAH (Office National des Barrages et des Aménagement)

39. DRG is abbreviated name for The Direction Général des Routes, Ministère des Infrastructures des Transports et de l'Habitat and DCH is for the Direction de la Construction et de l'Habitat, Ministère de l'Urbanisme et de l'Habitat.
40. Entrepreneurial network function as business-supporting institutions to exchange information, human resources and equipment for accelerating profit-making. Social network function as a social security system to give mutual assistance within the family and community.
41. Barr 1995, op.cit.
42. Barr 1999, op.cit., p.122.
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44. Average working hours per day (ICE 6hrs / SMCE 8hrs), Average working days per week (ICE 5 days / SMCE 6 days) in Burkina Faso and (ICE 8 hours / SMCE 8 hours) and (ICE 6 days / SMCE 6 days) in Senegal.
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