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## AFRICAN PARTICIPATION IN THE RHODESIAN ECONOMY

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# FINANCING AFRICAN PARTICIPATION IN THE RHODESIAN ECONOMY

By R. V. WILDE\*

## INTRODUCTION

It is necessary at the outset to define the broad context within which this question will be discussed. I am faced with two problems in attempting to do this. In the first place it is virtually impossible when attempting to deal with the question of African participation in the economy to divorce the question of finance from other key considerations and thus although possible sources of finance and their application will be the central theme of this paper I make no apologies for exceeding my strict terms of reference and considering the various educational, sociological and political problems which bear on this question and which in the final analysis are probably of more significance to participation in the economy than the simple availability of finance.

My second problem is to decide exactly what is meant by African participation in the economy. In general terms I take this to refer to all activities outside pure subsistence agriculture — thus what we are talking about here is the movement of the African away from pure subsistence production into the so-called cash economy. Using this definition as a yardstick the African is clearly already participating in the economy to a considerable extent. Even in the Tribal Trust Lands and more particularly in the African Purchase Areas, production, although still in many ways based on the principle of subsistence, has gone far beyond a purely subsistence system. A brief look at the statistics makes this point quite clearly. Sales of African agricultural production through official marketing agencies now exceeds \$20 million per annum and may reach \$30 million in 1974.<sup>1</sup> Although a far larger proportion is still purely for rural household consumption there is a considerable and growing proportion of African agricultural production that is surplus to the subsistence needs of the population.

The African also participates in the economy in a very important respect as a wage earner in the so-called European sector of the economy. In June 1974 955 000 Africans were employed in this sector of which 575 000 were employed in the non-agricultural sector.<sup>2</sup>

The African also participates in a more direct sense as an entrepreneur in both the rural and urban areas. His activities in this connection are limited, largely but not exclusively, to the general retail, transport and hotel sectors.

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Any discussion of African participation must therefore include these different areas:-

1. African agriculture in the Tribal Trust Lands and African Purchase Areas;
2. The African as an employee and wage earner in the, currently, European sector of the economy;
3. The African as an entrepreneur in both the urban and largely European areas and rural and largely African areas.

### WHAT HAVE WE ACHIEVED

It seems appropriate to set out as clearly as possible the current position. What have we so far achieved in the field of African participation in general and financing that participation in particular? What are the sources of finance that are currently available and what are the problems? Let us direct our attention first to the question of African agriculture in the Tribal Trust Lands and the African Purchase Areas.

### THE FINANCING OF AFRICAN AGRICULTURE IN THE TRIBAL TRUST LANDS AND AFRICAN PURCHASE AREAS

It is necessary to distinguish clearly between the Tribal Trust Lands and the African Purchase Areas. Not only is the system of tenure quite different but also the size of the individual farming units. These differences have important consequences for the provision of finance.

The Tribal Trust Lands (T.T.L.) make up the bulk of the land designated in terms of the Land Tenure Act as the African area.<sup>3</sup> The system of land rights in these areas applies the communalistic principle. Usage of land falls under the jurisdiction of the Chief of the relevant T.T.L. who has sole right over land usage in his area. In practice the Chief allocates land to tribesmen with the size of each unit being in the 5-10 acre category. In addition certain land is set aside for grazing on a communal basis. There is thus no individual title to land in these areas.

In the geographically much smaller African purchase areas (A.P.A.) on the other hand, the size of the individual units is much larger averaging about 200 acres. Most of the farmers in these areas lease their land but there is a provision for the acquisition of freehold title to the land and a relatively small proportion of farmers have in fact acquired title to their land. Another significant point is that the farmers in the A.P.A. have normally received some form of training in farming methods.

As far as the T.T.L.'s are concerned there is only one organisation that is providing finance of any substantial nature. The Agricultural Loan Fund (A.L.F.) was established in 1964 and is currently under the administrative control of the Ministry of Internal Affairs. It grants loans to farmers

in the T.T.L.'s on the basis of "character references" from the local district commissioner. The loans are of three types:

- (1) short term - up to 1 year
- (2) medium term - 1 - 4 years
- (3) long term - up to 10 years

The number of loans granted is quite large and generally the size of each loan is small — in many cases less than \$100. In an effort to obtain some form of security against non-repayment of the loans granted the A.L.F. instituted a system of branding cattle and in the event of non-payment they could be seized. This measure proved very unpopular. There are many reasons for this but one of the more significant ones being that very often individual ownership of cattle simply does not exist. It has undoubtedly caused a good deal of ill-will to add to the considerable mistrust that already exists between the African tribesmen and the Ministry of Internal Affairs (however misguided this may be). Attempts to secure repayment on the basis of stop-orders against the proceeds of the crops grown has also not proved wholly satisfactory. Very often in an attempt to avoid commitments farmers simply stop marketing produce in their own names and instead enter into some arrangement with another farmer not similarly affected.

A large portion of the finance provided by the Agricultural Loan Fund is short term covering the seasonal inputs of seed, fertiliser etc. It would, however, be unfair to consider the activities of the A.L.F. as a simple finance providing body. It is linked with the overall agricultural extension service provided by the Ministry which is attempting to introduce the tribesman to improved agricultural methods. There is little doubt that the finance provided by the A.L.F. linked to these agricultural extension services has improved productivity and production levels of many African farmers in the Tribal Trust Lands.

There are however major problems in raising the levels of production.

There exists a considerable degree of mistrust between the tribesmen and the responsible government agency (Ministry of Internal Affairs) which certainly impedes progress.

The attitude of the tribesman towards the adoption of modern farming methods is somewhat ambivalent. There is by no means overwhelming acceptance of the need for the adoption of modern methods. The tribesman still considers cultivation, in large measure, in terms of basic subsistence. Often improved yields in one year result in lower production the next. He is still not adequately motivated by money and the things that money will buy.

The tribesman's attitude to loans as typified by the experience of the

A.L.F. also creates difficulties. He tends to look upon loans as grants and the question of repayment is very low on his list of priorities. There is obviously a considerable need for education as to the usage and method of operation of commercial loans.

The actual quantity of finance available to the T.T.L. farmers through the A.L.F. is about \$2 million and is inadequate. As we have already said a large percentage is in the form of loans for seasonal inputs and while this plays an important role in financing the growing of the crops there is a need for longer term finance.

In many ways the whole tribal system with its built in communalistic principle embodying no individual freehold title to land is a partial cause of the problem. Apart from the fact that the lack of any form of security creates difficulties for the participation of the private sector in financing development, the system tends to discourage the development of the motivation required to ensure a rising level of material well being.

Although in terms of the granting of individual loans to farmers the Agricultural Loan Fund is the only organisation of any significance, considerable development, involving the investment of considerable sums of money, has been achieved by the Tribal Trust Land Development Corporation (TILCOR).

TILCOR which was established in 1968 has the specific objective of developing the Tribal Trust areas. Its broad policy objective can be summarised as follows:-

1. To create tribal area growth points in selected advantage situations remote from present day main centres;
2. Such growth points must be profitable in concept and sustained by the creation of a profitable aura;
3. They must offer job availability for all sectors of a community including opportunities commensurate with education and ability.

Although time does not permit of a detailed discussion of the activities of TILCOR it is important to review the contribution they have made to financing African participation.

TILCOR have established during the past seven years a number of key growth points involving both agricultural and industrial activities.

Of the agricultural projects the two largest are at Katiyo and Chisumbanje.

The main emphasis at Katiyo is the production of Tea. At the present time some 580 acres are under Tea and a Tea factory has just been completed. The corporation has invested \$700 000 in the project much of which has been on the development of the basic infrastructure.

At Chisumbanje TILCOR through a subsidiary company has invested over \$1 million. The estate grows two major crops — cotton in summer and wheat in winter. It provides permanent employment for almost 500 tribesmen. There is also provision for local participation in the project and a tenant farming scheme has been started with 125 farmers presently holding leases. TILCOR has also established a training centre which provides training in practical agriculture, carpentry, building and engineering.

Apart from these two major agricultural projects there are others in the process of establishment at Tuli, Jotsholo and Sanyati.

In addition to its agricultural activities the corporation has planned industrial complexes in the tribal areas adjoining Bulawayo, Umtali and Salisbury. The best known of these is in the Seki T.T.L. close to Salisbury. There are 14 small and large businesses and industries located at Seki. The land in question is leased since it is vested in the T.T.L. board of Trustees, TILCOR acts as the agent for industrialists and negotiates the lease and building requirements. The infrastructure and day to day running of the complex are the responsibility of the corporation. Almost 1 000 persons are employed in the industrial complex.

Thus although TILCOR is not involved in the provision of conventional finance it has undertaken a considerable investment in the T.T.L.'s. It is anticipated that by about 1980, the corporation will be covering its operating costs and the intention is then to raise some \$20 million through a public share issue which would clearly open the way for private sector involvement in the financing of development in the T.T.L.'s. The overall intention of the corporation is to establish growth points and encourage the movement of private enterprise to the growth areas thus creating further employment opportunities. It is, however, not the corporation's objective to retain ownership and control of these schemes in perpetuity.

Moving now to the African Purchase areas the position is somewhat different. As has already been indicated the type of farmer is somewhat more sophisticated than in the T.T.L.'s and the individual farming units are much larger. In addition there is in the A.P.A. provision for freehold title to land that does not exist in the T.T.L.'s.

There are two major bodies responsible for providing finance to the African Purchase Areas. These are the Agricultural Loan Fund that has already been mentioned and the African Loan and Development Trust (A.L.D.T.) which is a private sector organisation.

The operations of the Agricultural Loan Fund are similar to those already described with reference to the T.T.L.'s. It is significant to note, however, that the A.L.F. as a source of agricultural credit has become relatively unimportant. The major reason seems to be that the popularity of loans from the A.L.F. dropped sharply following the introduction in 1969 of the

branding of cattle method of securing loans. In fact the major source of loan funds is currently the African Loan and Development Trust. The A.L.D.T. was established originally in 1962. After some years of trial and error it does appear that a fairly successful system has been devised. In a normal year loan recoveries are as high as 99% which speaks for itself. Loans given by the trust are exclusively of the seasonal type covering such items as seeds, fertilizer, pesticides, transport to markets etc. The loans are accompanied by considerable advice and supervision and the basic method of loan recovery is through stop orders on produce marketed. They appear to have had more success with this method than the A.L.F.

In the 1974/75 season the A.L.D.T. is expected to make loans to African Purchase area farmers of some \$350,000. There is at present no means of significantly augmenting this amount since basically loan finance is made available from the previous year's loan recoveries with the aid of a fairly substantial commercial bank overdraft.

Increased financial resources would enable the Trust to provide more medium and long term finance which is sadly lacking. It is a matter of great concern that the average farm is grossly under capitalised.

The major difficulties that the A.L.D.T. has encountered in its operations can be summarised as follows:-

1. The size of the loans granted is small and with a relatively large number of loans the administrative costs are very high.
2. The farmers will not attempt to deal with problems that occur in connection with the goods bought on loan or marketing of their crops. This forces the company to attend to problems that are not really their responsibility in order to protect their investment.
3. Communications are poor and this makes for high costs of actually communicating with the farmers.
4. The African farmer, due mainly to poor education, has little understanding of normal commercial procedures with respect to the borrowing and repayment of loans. In some cases this results in use of the funds for things other than that for which they were intended. This results in farmers cutting themselves off from the vital working capital necessary for the development of their farms.

It seems appropriate to quote the findings of an economic survey of the Zowa and Chitomborgwisi African Purchase Areas conducted by the Ministry of Agriculture, since it highlights the major reasons for low production and productivity and it has considerable relevance also for agriculture in the T.T.L.'s themselves as well as the African Purchase Areas.<sup>4</sup>

The major factors responsible according to the survey were:

1. Acreages planted to particular crops were either too small or too large.

2. Mono-cropping on the same piece of land, disguised by an inadequate rotation, due largely to not enough land having been cleared of trees and other impediments.
3. The growing of too many crops in any one season, leading to serious problems of management and the wastage of limited resources on crop enterprises of doubtful and even proven nil profitability.
4. The farmers are on the whole illiterate, too old, inadequately trained and in poor physical health.
5. Labour is extremely inadequate and generally poorly managed.
6. The average farmer had serious problems of traction power and suitable farm implements.
7. Production credit in the form of short term loans was generally a problem to which no solution appeared likely — it is considered that this has contributed in large part to the low fertilization and seeding rates and failure to cope with the planting dates and the weed problem as there appeared to be no source of credit to finance a sizable cropping programme
8. Due to the low level of managerial ability of the average farmer, there appeared to be an almost total lack of plans for the next season's programme.

It would appear therefore that inadequate direct finance is certainly a factor but that inadequate training and ability to apply modern methods is also of significance in the African Purchase Areas. The position in the T.T.L.'s is similar except more acute. The sources of finance there are limited to the Agricultural Loan Fund which as has been indicated has not proved a wholly successful vehicle. In addition the calibre of the farmers is even poorer than in the African Purchase Areas and the problem is exacerbated by the lack of any individual tenure of land which apart from the problems it presents to potential lenders of funds also grativates against the adoption of modern farming practices.

We have so far made no mention of the role of the fairly large number of co-operative societies that exist in the tribal areas. They certainly play a part in processing the purchase of fertilizer, seds etc. but as a finance providing organisation their role at this stage does not reach significant proportions simply because finance on the scale required is not available to them. Their significance, however, must not be underestimated and I will have more to say of them later as a possible channel for finance.

So much then for the current position as far as the Tribal Trust Lands and African Purchase Areas are concerned.

## THE FINANCING OF THE AFRICAN ENTREPRENEUR

When referring to the African entrepreneur we are talking about busi-

ness ventures that are owned and controlled by Africans. These businesses tend typically to be one of man operations although considerable numbers of them particularly in the urban areas are operated as private companies. As we have already indicated they mainly fall in the commercial sector particularly the general retail, hotel and transport sectors.

The finance that is available for the development of these businesses is extremely limited. The major institutions that have become involved in providing finance to the African entrepreneur are the Commercial Banks, Finance Houses and certain specialised development corporations — in particular the Industrial Development Corporation. Such finance as is available is generally restricted to operators in the urban areas.

It is necessary to make one point very strongly — the paucity of finance emanating from the financial institutions is in no way a reflection of any lack of desire on the part of these institutions. It results simply from the fact that loan finance simply cannot be made available by a private sector institution without adequate security. This security in general does not exist even in the urban areas.

A key factor here revolves around the question of freehold title. With the exception of certain African townships and specially designated areas freehold title is not granted to African businessmen. This, of course, removes a basic form of security against which loan finance may be provided. The hesitancy on the part of the financial institutions does, however, go considerably further than this. Apart from the lack of security that might be provided by access to freehold title the major factors involved appear to be:

1. Unfortunate experience that the institutions have had in the past where loan commitments have not been met.
2. A lack of expertise in the business concerned. This in particular relates any suitably qualified accounting staff.
3. The inability of the African entrepreneur to make a contribution from his own resources towards the financing of the particular project — generally because of the lack of security the financial institution quite rightly will demand a fairly substantial cash contribution from the businessman.

In many ways the unfortunate experiences that have occurred are a result of the lack of expertise. There is thus in many ways a vicious circle which is tending in most cases to restrict and restrain the potential development of many African businesses. On the one hand the availability of loan finance to the African is restricted by lack of security which necessitates the entrepreneur making a significant cash contribution himself in order to obtain finance at all. On the other hand his capacity to create this self finance is restricted by the lack of development of his business. Despite this, his lack of appreciation for implementation of modern business methods

runs as a common denominator through the whole problem. A point which is significant, however, is that loan finance can and has been provided to African businessmen and very successfully. A consideration of the development of the two hotel projects partially financed by the I.D.C. bears witness to this.<sup>5</sup>

We have so far been talking mainly in terms of the urban African entrepreneur. The position as far as his rural counterpart is concerned is even worse. The freehold title problem applies here to an even greater extent and for a number of other reasons, mainly the lower degree of sophistication of the businessman, his remoteness from the main centres, and the generally greater uncertainty, he has almost no access at all to loan finance. Thus the problem of development is very difficult. The African retail store owner also believes with some justification that his position is being jeopardised by certain activities of TILCOR. TILCOR as part of its growth point policy has financed the establishment of relatively sophisticated retail outlets of a standard which the rural African businessman cannot match. These activities of TILTRADE are causing a certain amount of ill feeling in both the urban and rural areas amongst African businessmen. TILTRADE's basic idea was to provide modern retail outlets which they, rightly, saw as necessary to their growth point objectives. The reason that they took the initiative was that outlets of the requisite standard were not being provided by the local storekeepers. In fact the end objective of TILTRADE is to act as a wholesale rather than a retail organisation. However the facts of the matter are that the existence of TILTRADE which was necessary because the rural African businessman was unable through lack of expertise and money to provide the necessary services in the growth point areas is affecting the existence of these rural retail outlets. Although no actual figures are available, according to information supplied to me by the African Chamber of Commerce certain African retail outlets have been forced to close down as a result of their inability to compete on price and quality with the TILTRADE outlets.

Although this affects a relatively small proportion of the rural areas it is nevertheless a serious development and highlights the need for some means to be found to finance the development of the African businessman in the rural areas. It also highlights a key problem which runs through this whole problem of African participation in the economy and with which I shall be dealing shortly and that is the lack of any definitive overall plan for the financing and development of the African as a participator in the economic life of the economy.

Having dealt in brief with the question of the present situation with regard to the African businessman it is necessary now also to consider the question of the African as a wage earner, since this is a very vital part of his participation.

## THE AFRICAN AS A WAGE EARNER

It is perhaps not immediately evident as to why a discussion of the African as an employee and wage earner should find a place in a paper on financing participation in the economy. This particular topic, however, is of vital concern not only to the future development of the economy as a whole but to the question of African participation. In this respect finance, albeit in a somewhat indirect way, has a key role to play. Obviously the larger the number of Africans that are employed in a skilled capacity the larger the reservoir of expertise and it is lack of this very factor that lies at the root of the development problems of the African businessman. Although there are currently almost 1 million Africans employed in the modern sector a considerable proportion are employed in an unskilled or semi-skilled capacity. The need for greater employment of Africans in skilled jobs relates not only to the necessity to develop a reservoir of skills to overcome the basic lack evident in the African business sector but also to meet a growing shortage of skills which cannot be met through the training and immigration of Europeans. Another key factor here is the population pressures that are intensifying in the Tribal areas — increasing numbers of Africans must be absorbed in the wage sector because the Tribal areas simply cannot be treated as a dumping ground for unskilled and unemployed Africans.

In the final analysis the capacity of the economy to absorb Africans as wage earners whether in the skilled or unskilled capacity hinges on the rate of economic growth of the economy but the existence of adequate numbers of skilled Africans depends on the availability of training and education facilities.

At present the facilities available for training Africans for skilled jobs in both the technical and commercial fields is limited. The bulk of such training is undertaken at the two Technical Colleges but even here the numbers involved are relatively small. The finance in this area is provided by the Central government.

It seems appropriate in connection with this question of increasing the supply of trained Africans for absorption into skilled jobs in the modern sector of the economy to consider some of the findings of the commission of enquiry into further education in the commercial and industrial fields. The commission states in its report:-

“From its examination the commission is firmly of the opinion that as a matter of urgency employers must look to the African sector to supply increasing numbers of school leavers for training in the commercial, industrial and mining fields. Not only will this meet the skilled manpower shortfall in time, but will provide wider employment opportunities for the African sector creating desirable economic and social benefits within that community.”<sup>6</sup>

This highlights the position very clearly. The current level of training of Africans in skills in the technical and commercial fields is inadequate and increased facilities must be provided not only to benefit the African sector as such but to increase the flow of skills to commerce and industry so necessary if the rate of economic growth is to be maintained.

In order to accomplish this, finance over and above the amounts currently being spent by government must be found. Although it must be admitted that manpower constraints themselves will play a key role in the ability of the authorities to expand the training facilities available, there is a great need for a higher level of investment in human capital. The private sector also has a key role to play in this development.

As will become clear shortly this investment in education and training apart from its necessity in the modern sector to permit greater African participation by increasing the flow of African skills is equally if not more necessary in the Tribal Trust Lands and African Purchase Areas and indeed even amongst the African entrepreneurial class itself.

## REVIEW

We have so far considered the key areas in which increased African participation is both possible and desirable:—

1. The Tribal Trust Areas
2. The African Purchase Areas
3. The modern sector as an employee and wage earner
4. The African entrepreneurial sector

The emphasis so far has been on a statement of the current position and an attempt to elucidate some of the problems that exist as far as increasing the level of African participation and financing that participation in particular. The question to which we must now turn is what can be done in the light of these problems to further the participation of the African in these key areas with particular reference to possible sources and application of finance.

## THE SOLUTIONS

In what we have said so far we have considered the various areas in which African participation could be increased in a more or less separate way. It is in fact a fairly common viewpoint that the tribal areas are in some way quite clearly separated from the rest of the economy. This is not so and it is important to realise that we must take a wholistic approach to this question. The Tribal Trust Lands are very much part of the economy.

The position as far as the T.T.L.'s are concerned is as we have shown earlier that there is no individual ownership of land and that the major efforts towards improving production and productivity are directed through

the Ministry of Internal Affairs and the Ministry of Agriculture. The Agricultural Loan Fund, as the major lending body is attached to the Ministry of Internal Affairs. Certainly progress has been made as is evident from the increasing volume of cash crops that are emanating from the T.T.L.'s. The problem of accelerating the move to a cash economy is beset with a number of difficulties:

1. The tribal system itself which tends to reinforce the subsistence economy system;
2. The resistance to change of the T.T.L. farmer himself;
3. The relatively small amount of direct loan finance to farmers which is channelled through the Agricultural Loan Fund;
4. The low incomes of the T.T.L. farmer himself which prevents self financing even through the various co-operative societies etc. except on a relatively small scale.
5. The shortage of extension manpower to help in guiding and advising the tribesman on improved agricultural methods.
6. The lack of adequate educational and training facilities.

Undoubtedly the largest single problem revolves around the attitude of the tribesman to changing his traditional way of life from a subsistence economy to a cash crop economy simply because a move towards individual wealth embodied in such a move cuts across the communal ownership principle of the tribal system.

Government's basic policy with respect to the T.T.L.'s appears to be to help them to help themselves which involves encouraging self finance through the formation of co-operatives, savings clubs etc. but the vicious circle of poverty is very evident here. While incomes in excess of subsistence remain low the capacity to save is also low. While the capacity to save is low attempts to provide funds out of savings to finance improved agricultural production are doomed. As incomes rise and with them the capacity to save the whole position changes. The solution must therefore lie in the injection of funds from external sources. Before considering the efficacy or otherwise of increased direct loan finance it is worth considering other possible sources of finance other than that provided by the A.L.F. Under the present system where there is not loan security participation by the private sector is difficult other than on the basis of government guarantees. It is interesting to note in this connection that a quasi-government body such as the Agricultural Finance Corporation is specifically prevented in terms of the Act from lending at all to farmers in the T.T.L.<sup>7</sup>

The conclusion to this is that loan finance will have to continue to be made available largely from government sources. The question now however is whether direct loan finance or the lack of it is the most serious problem. We have already indicated that the methods adopted by the A.L.F. in secur-

ing their loans is unsatisfactory and this clearly must be changed to some form of communal security. It appears to me, however, that loan funds while desirable and needed not only for the purpose of financing seasonal requirements of seed, fertilizer etc. but for investment in machinery, irrigation schemes etc. the crux of the problem lies in the ability of the tribal farmer to make use of such funds.

Assuming that government is able and willing to provide the necessary funds the problem then revolves around their equitable use. It is fairly clear the simple provision of funds is not enough — this will merely represent wastage due to the tribesman's attitudes towards change and lack of expertise and thus initiative must come again from outside. This question of development of the T.T.L.'s must be carefully planned — one of current problems appears to be that much of the good work that is being done is not yielding the results it should through lack of a definitive long term plan. Government must therefore provide the additional funds not only on a direct loan basis as is done at present but on infrastructure development and on providing capital equipment perhaps on a communal basis where loans would be repaid.

It does appear that the vehicle through which additional funds are channelled is of prime importance. TILCOR is already involved through its growth point policy in the economic development of the T.T.L.'s and it appears that they represent a possible means for channelling additional funds from Government particularly for infrastructural development. In the course of their activities they have developed a considerable amount of expertise and very importantly goodwill. It is a matter of significance in this regard to remember that the receptivity of the tribesman to change is dependent to a not inconsiderable extent on their attitude to the agents of change. TILCOR could, with extra financial muscle, expand its growth point policy considerably and increase the pace of its development activities over a much wider area. It is through such exposure to modern technology and its by-products that change will occur.

It is not, however, only the State that has a role to play here. As has already been mentioned TILCOR has the intention of undertaking a public share issue which would entail an injection of private sector capital in the region of \$20 million. Thus in the longer term the private sector can clearly play a decisive role. Premature involvement of the private sector in this way could create problems. It is thus felt that the initial impetus as far as finance is concerned must come from the State or of course possibly from external sources.

On the question of channels for finance it seems that the co-operative society movement could and must play a greater role. It has already been said that the lack of finance seriously inhibits them from making a larger contribution. It seems feasible that development along the lines of the

European agricultural co-operatives could be accomplished. This obviously requires not only extensive finance to enable the co-ops to provide the various agricultural inputs both seasonal and longer term in the form of capital equipment to farmers but extensive improvement of their overall financial accounting and administrative structure. In this latter respect the private sector with its reservoir of skills and experience has a vital role to play. It is envisaged that the recovery of loans made could be accomplished more successfully than at present if all produce were to be marketed through the co-ops. There are undoubtedly great problems in channelling much larger quantities of loan finance through the co-ops particularly in the areas of control of the funds but this method seems to offer a better long term solution than attempting to expand the present activities of the A.L.F. The co-ops are of course used to some extent as a channel for funds already but what is being suggested here is that they take on greater responsibility for the actual granting of loans and thus the lending agencies such as the A.L.F. will deal with the co-ops rather than with the farmers themselves.

In the long run however the key to development must lie in the areas of education and training and to this end vastly increased financial resources must be applied. Lack of knowledge and training is probably the single most important problem and this is related directly to the question of changing traditional methods. The facilities currently available for agricultural training for Africans is limited and thus apart from providing direct loan finance, finance for infrastructure development, finance for increased "on the job" training through extension there is a great need for the establishment of agricultural schools and colleges within the T.T.L.'s.

The funds for this must perforce come from government and in the present circumstances both from the point of view of the availability of manpower and finance there are tremendous problems. It is probably true that the bulk of the funds required would have to come from outside the country which once again highlights the necessity for a solution to the constitutional dispute. It is important to realise that there is a critical level of investment below which the T.T.L.'s will fail to break the vicious circle of poverty but above which development can become self generating. When I speak about investment I am including investment in human capital through education and training.

With reference to the African Purchase Areas the position is similar except that the problems are perhaps less severe. However the current situation with loan finance being provided mainly by one private sector only — the African Loan and Development Trust — and then only in terms of seasonal loans is not adequate. The existence of access to freehold title does open the door — in a way not possible in the T.T.L.'s — to private sector involvement. The higher incomes that would be created by increased productivity and production would raise the demand for goods and services

and create the environment for the establishment within the tribal areas of a wide range of commercial and industrial enterprises.

There are serious impediments that exist to prevent the establishment of commercial enterprises within the T.T.L.'s. The most important being the fact that individual title to land does not exist. There are however already provisions in the Land Tenure Act for land within the T.T.L.'s to be set aside for purposes such as this.<sup>9</sup> It would therefore be possible for land to be set aside and where freehold title could be achieved by prospective retailers, manufacturers etc. This subject is closely inter-related with the question of the African entrepreneur. It has already been said that lack of finance is a constraint on the development of the African business sector and that finance is not available because there is no freehold title to land and also because of lack of expertise and basic capital on the part of the African businessman. This is of relevance not only in the urban areas but also in the rural areas.

There does appear here to be a case for the creation of an African Development Corporation, and in addition the introduction of the T.T.L.'s to a banking system. The initial capital of such a corporation could be provided partly by the government and partly by private enterprise. Its function would be specifically to finance commercial and industrial development in both the urban and rural areas. Its modus operandi should be on similar lines to the existing development corporations serving, largely the European commercial and industrial sector. Clearly the operation of such a corporation will require the involvement of not only private sector capital but expertise. To this end in conjunction with the establishment of a development corporation it seems vital to provide a high powered advisory body perhaps on the same lines as the Small Industries Advisory Service. The skills for such a body clearly exist within the private sector. The body would not only be involved in assisting the African entrepreneur on an individual basis but should also have a training function in which it could provide a wide range of short courses in the major functional areas where lack of expertise is proving a major restraining factor.

The successful creation of viable industrial and commercial development depends on access to freehold title and if areas are set aside within the T.T.L.'s where title could be obtained it seems possible that industrial and commercial enterprises may be attracted to the T.T.L.'s with the aid of the development corporation, given the rising incomes and therefore spending power that can be created through intensified agricultural development. An important question here is one of the role of the white entrepreneur. Clearly given the possibility of freehold title and significantly enlarged markets there would be obvious attractions to the establishment of retail outlets in the Tribal areas. This would create problems because the

African entrepreneur would be unable to compete (in the same sense that TILTRADE causes problems now for the rural African retailer). It does however seem to me that if the opportunities are to be fully seized and maximum benefit derived white capital must not be prevented from entering the tribal areas. The only solution to this problem appears to be on the basis of some sort of partnership between african and european businessmen. It does not seem unreasonable to suggest that European private sector investment in the tribal areas would be acceptable provided control of the organisation was in that hands of african businessmen. Thus if african businessmen formed themselves into syndicates, with the aid of the development corporation they could obtain a majority shareholding in the venture. There are obvious difficulties revolving around recouping capital invested, profitability of the enterprise etc. but it seems a development that should be encouraged. It would be possible of course at a later date for european ownership to be phased out altogether. Despite the problems, the spur to development that would be provided by direct european involvement on a controlled basis such as this would be very important. I understand that a similar scheme to this is under consideration in respect of the existing TILTRADE outlets.

Moving now to the question of a banking system within the tribal areas, it is clear that such a development is a sine qua non of the sort of economic development that we have been talking about. Possibly more significantly however it represents a means by which the tribal population could make an important contribution to their own development. The Banking network would, as has been indicated, have to be based on the mobile principle and there would clearly have to be a number of major branches at strategic (growth) points throughout the T.T.L.'s. It would also seem that a major public relations exercise would have to be mounted to sell the idea to the Chiefs and Headmen. The mechanics of the establishment of an african Bank in the T.T.L.'s could follow the same basis as the Development Corporation with Government and the private sector contributing the initial capital. Alternatively an extension of partnership concept could be applied here with the initiative being taken by the existing commercial banks. The existence of a banking system would make it possible for tribesmen, employees of various government departments working in the areas and businessmen to deposit funds thus providing the bank with the means to finance african businessmen, the co-operative societies and so on. With the growth of commercial enterprises within the T.T.L.'s in the specially designated areas the financial resources of the bank would be expanded and thus its lending capacity. In a very real sense then the T.T.L.'s would be helping themselves to develop.

This whole question that we have been discussing here in terms of the creation of a corporation coupled with a body specifically designed to dis-

seminate information and training to the African business sector and a T.T.L. banking system impinges on the question of creating an increased flow of skills from the African sector. Not only is the creation of this flow of skills necessary to sustain and improve the position of the African as an entrepreneur but in order also to fill the skills gap in the economy as a whole. This problem can only be overcome by expanding the educational and training facilities available. The commission of enquiry has already recommended the establishment of a Technical College in the Midlands and the scale of technical and commercial training available must be increased. The finance for such facilities will have to come basically from the State but private enterprise must also contribute since in a very real sense they will be making an investment from which they receive a return in the form of increased availability of skilled labour.

The growing numbers of skilled Africans employed will provide not only a higher rate of growth but supply the African entrepreneurs of the future so necessary to develop the opportunities that could be created within the tribal areas by the increased incomes that would flow from the agricultural development of these areas. The employment creating effects could prevent the tribal areas sinking into poverty which is a direction in which they are headed with the growing population pressures.

It may appear to many of you that what is being suggested here is impossible and certainly without the support of external funds originating from organisations such as the World Bank I would agree that it is, certainly on the scale required. It may also appear to you that the approach is too simplistic — that funds injected into the African areas either in the form of straight loan finance or an investment in infrastructure, training facilities etc. must show a direct and fairly immediate return. You may argue that funds spent on training facilities, infrastructural development etc. is not justified given the attitudes of the tribesman and his abilities to apply modern methods but I will remind you that what we require here is a social and economic revolution and without a massive injection of funds we are not going to get it. It is of significance in this regard to point out that of the total Tribal Trust Land area less than 10% is actually under cultivation. Out of an African population of 6 million people 55% are under the age of 17 and of the total population 60% live in the T.T.L.'s. One estimate has suggested that in 20 years time the population of the T.T.L.'s will exceed 7 million — that is about double the present number. There thus exists the seeds of poverty and degradation and I will remind you, ladies and gentlemen, that time is not on our side in this regard

## CONCLUSION

There is a tendency to think that because the problem is so large and seemingly insoluble any efforts to overcome it will fail. I repeat again with-

out a political settlement and access to overseas capital the problem is enormous and certainly the capacity to make the investment, in human capital in particular, which is necessary does not exist. The manpower demands that some of the developments that I have been talking about would require are also enormous. However the development of the tribal areas and the growing participation of the African both as a wage earner and entrepreneur are vital if we are to avoid a disastrous situation in the future.

These problems, ladies and gentlemen, will not go away if we ignore them and if I make no other point I would like to emphasise yet again the need for a definitive overall long term plan geared to the problems of African participation in the economy.

#### NOTES

1. C.S.O. monthly digest of statistics — January 1975.
2. C.S.O. monthly digest of statistics — January 1975.
3. Land Tenure Act (1969) — PART III, Section 23.
4. An Economics Survey of Zowa and Chitomborgwizi African Purchase Areas — M. G. Paraiwa, Economics and Markets Branch, Ministry of Agriculture.
5. Kambuzuma Hotel and Mushandira Pamwe Hotel.
6. Report of the Commission of Enquiry into Further Education in the Commercial and Industrial Fields.
7. Agricultural Finance Corporation Act — Section 22(3).
8. Land Tenure Act (1969) — Section 42(1).

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