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The Development of African Private Enterprise

A Report by

Theodore Geiger

and

Winifred Armstrong

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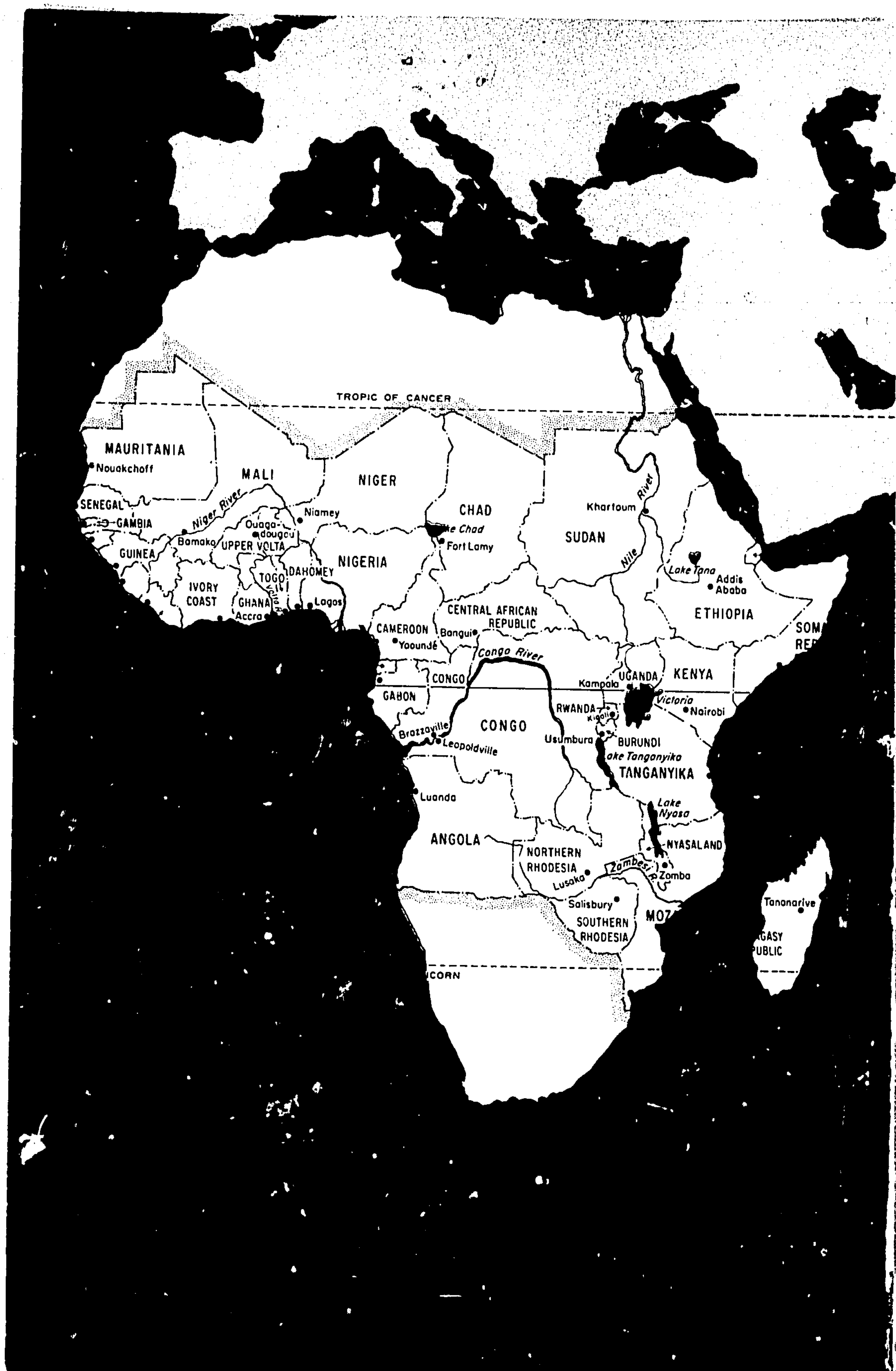

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Contents

Preface

This study analyzes the main problems which impede the emergence and development of modern forms of indigenous private economic activity in the countries of tropical Africa, and describes the measures for mitigating them which could be undertaken by African entrepreneurs themselves, by their governments, by the European, American, and other private companies operating in Africa, and by foreign governments and international organizations providing aid to African countries. Its purpose is to present a reasonably comprehensive survey of the present problems and future prospects of African private enterprise, but not to treat its many different aspects in exhaustive detail nor to attempt an extensive post-mortem of the failures of a number of past programs and policies. An effort has been made to draw upon and to integrate the knowledge and insights derived in recent years not simply from economic research but also from other social sciences into the highly complex processes of African development in general and the evolution of African entrepreneurship in particular.

With the time and personnel available, it was not possible to devote comparable attention to each of the 30-odd tropical African countries situated between Cancer and Capricorn. Research was concentrated on eight independent countries in various parts of tropical Africa, whose problems relating to African enterprise are representative of those prevailing throughout the region, and which are of particular interest owing to the differences in their recent political and economic experiences. These countries are Ghana, the Ivory Coast, Kenya, Liberia, Nigeria, Senegal, Tanganyika, and Uganda. Though several others were visited briefly, the field research was conducted largely in these eight countries.

This study concentrates primarily upon African private enterprise in industry, distribution, and the service trades. Though by far the largest proportion of African private entrepreneurs are in agriculture, their problems can more effectively be dealt with in the context of rural development as a whole, and they are treated only incidentally here. Private enterprise is defined broadly in this study to include all significant forms of nongovernmental productive activity in contemporary tropical Africa—individual and family proprietorships, partnerships, limited liability companies, cooperatives, trade union enterprises, joint service associations, etc.

The study was undertaken by Theodore Geiger, Chief of International Studies of the National Planning Association, and Winifred Armstrong, Consultant on African Affairs. Both have previously conducted extensive field research in African countries and have written on other aspects of African development. In addition, Miss Armstrong spent five months in Africa during the fall and winter of 1962–63 collecting data especially for this study. Dr. Geiger was responsible for writing the study, for the final selection and organization of the material, and for the broad analysis, interpretation, and general conclusions. Miss Armstrong was responsible for providing most of the empirical data on African entrepreneurs and governmental and private assistance programs; she also participated in the analysis and interpretation, contributed many of the specific recommendations, and suggested revisions in the successive drafts.

The NPA Committee on Overseas Development sponsored the study, provided invaluable assistance to the authors in obtaining data and interviews, reviewed the manuscript in draft, and made many helpful suggestions for revisions. The authors also had the benefit of the advice and comments of a Research Advisory Committee composed of distinguished social scientists and development specialists. The study was financed by funds made available under the research program of the Agency for International Development of the U.S. Department of State by means of a contract between the U.S. Department of Commerce and the National Planning Association. However, the opinions, conclusions, and recommendations contained in this study are the responsibility only of the authors and do not necessarily represent the views either of the U.S. government or of the National Planning Association and its associated Committees.

The authors wish to express their gratitude to the many people in Africa, Europe, and the United States, both in governmental and in private activities, who gave so generously of their time and knowledge to assist the preparation of this study.

JOHN MILLER
Executive Secretary

Foreword

The NPA Committee on Overseas Development was established in 1962 to sponsor research studies and policy recommendations on the problems involved in accelerating the advancement of the less developed countries. Through its program, the Committee hopes to improve understanding of the nature of these problems and of the ways in which private enterprise and other private institutions in the United States can cooperate with one another and with the U.S. government in more effective efforts to assist the less developed countries.

This study of *The Development of African Private Enterprise* is the first research report to be published under the Committee's program. It deals with a crucial aspect of African development, important both to the African countries themselves and to the United States and other nations assisting their advancement. The Committee has reviewed the original research outline and the draft of the report, and recommends that the study be published by the National Planning Association. While individual members of the Committee do not necessarily concur in all of the authors' conclusions and recommendations, they were generally agreed that the report makes an outstanding contribution to improved understanding of the problems involved in fostering the development of African private enterprise and of the practical measures which could be undertaken to accelerate this process.

February 1964

JOHN R. WHITE
Chairman, Committee on
Overseas Development

Committee on Overseas Development

INTRODUCTION

Why African Private Enterprise?

Tropical Africa has a much shorter and more limited experience of private economic activity than does any other comparable region of the world. The forms of economic activity in traditional African societies were—and still largely are—communal in nature, carried on mainly for the purpose of ensuring subsistence levels of living, and distributing incomes in accordance with customary rights based upon status and not upon ownership or productivity. To most Africans, even today, private enterprise is a form of economic activity in which primarily foreigners engage. In these circumstances, it is legitimate and understandable that Africans should ask: "Why should private enterprise be of interest to us? How will it help us to achieve our social and economic goals?"

Before attempting to answer these questions, it would be well to define what we mean by private enterprise, particularly in the African context today. The benefits of private enterprise do not arise by virtue of any particular form—individual, corporate, or cooperative—which it may take. Rather, these benefits are derived from certain characteristics which are shared by the many different kinds of private economic activity that exist in various parts of the world. These essential characteristics are that private enterprise is a self-motivating and largely self-directing activity which yields direct and obvious benefits to the entrepreneur. Private enterprise does not have to wait until it is initiated by the government or other superior authority, nor does its day-to-day operation depend upon detailed instructions from government officials. Assuming that an entrepreneur has conformed to the laws and regulations for the protection of society and the national interest and has paid his taxes, a significant portion of the results of his efforts directly accrues to the benefit of himself, his family, and his business associates.

Defined in this way as a self-starting, self-directing, and self-rewarding activity, private enterprise covers many different forms of nongovernmental and decentralized economic operations—large companies similar to those found today in Western Europe and North America; smaller partnerships and individual and family proprietorships, such as predominated at an earlier stage of Western economic history; producers' and marketing cooperatives; and other types of joint enterprises in which initiative and directing authority are largely exercised by the participants. In this study, the terms private enterprise and private entrepreneurship will be used broadly to refer to these different forms of nongovernmental, decentralized economic decision making and activity, and to the men and women who participate in them as owners and stockholders, managers and supervisors.

This definition is not meant to imply that economic decision making and activity by the central government are not necessary and desirable. Quite the contrary is the case not only in the less developed countries but also in the developed nations of Western Europe and North America. In both types of countries, the national government needs to and does play a role of great importance, although the nature and extent of this role vary signficantly between the two. The part which African governments have to play in the development of their countries is discussed in the last section of this Introduction. Here, we wish only to stress that, while the economic role of the government is essential, there are certain benefits to African development which indigenous private enterprise can provide that are not likely to be forthcoming either at all, or as soon, or to as great an extent, if reliance is placed solely or even mainly on government economic decision making and activity.

The Problem of Motivation

Basically, the benefits of private enterprise in a modern or modernizing economy arise from the nature of human motivations. Modern psychology has in the 20th century scientifically defined and systematically explored the motivational processes of the individual which had long been known in a general way and usually expressed in theological or common sense terms. The deepest, strongest, and most persistent human motivation is that of protecting and satisfying the needs and desires of the self. However, the needs and desires of the self never exist in isolation but always in the context of physical realities and of the needs and desires of other people, i.e., of social realities. Hence, in all types of societies, as the individual matures from infancy to adulthood, he learns to control and channel these powerful drives of self-interest in accordance with the limitations and possibilities of the natural world in which he lives and the needs and rights of the other people with whom he lives. This process of maturation is reinforced by another deeply rooted, though not always as powerful, human motivation—the need to win the approval and avoid the disapproval of other people.

Thus, as the individual matures, he learns to conform to and identify himself with the social groups and institutions to which he belongs. This maturation process of self-control and social identification makes possible the existence of organized human societies, with all the benefits they bring of peace, protection, and productivity.

In the traditional African society, as in other organic folk societies throughout the world, virtually all of the social, economic, and cultural institutions and relationships combine to maximize and enforce the identification of the individual's self-interest with that of the family, the clan, the village, and the tribe in which he participates. By the time he is an adult, he thinks and functions largely—though never completely—as part of such organic social groups. Yet, the psychic energy which makes it possible for him to function in this way derives only from the basic drive of self-interest which has been "socialized" through this process of identification.

In Transitional Societies

This kind of powerful and absorbing social identification continues as long as the traditional society and the traditional economy remain intact. But, once their constituent organic social units are undergoing profound transformation, as in tropical Africa today, the process of social identification becomes weaker, less thoroughgoing, and more diffuse, and the individual is impelled to emerge more and more from the social group in a variety of ways.

First, the introduction and spread of modern forms of government and of modern ways of working and living together—in other words, the economic, social, and political development to which African countries are committed today—require people to function as individuals vis-à-vis the government and vis-à-vis one another. As a taxpayer, a man has direct relations with the government; and he is also personally responsible for obeying the law, and personally takes the consequences if he does not. When he becomes a commercial farmer, an employee of a government agency or a private company, or an entrepreneur himself, his income depends more and more upon his own personal performance and less and less upon his inherited status as a member of an organic social group. The market in which he sells his products, the organizations for which he works, his fellow employees, suppliers, customers, business associates—all tend increasingly to treat him as an individual and to hold him personally responsible for fulfilling his obligations.

The second way in which the process of social identification in transitional societies becomes less intense is through changes in the nature and variety of the social institutions with which the individual identifies. In all societies, individuals belong simultaneously to different social groups and institutions. In the traditional society, these various groups are generally like successively larger circles that fit naturally into one another. However, in transitional societies, new and changing groups and institutions come into existence which make partly conflicting claims on the individual and sometimes compel him to choose among competing loyalties. This gives the individual both greater freedom and greater responsibility. It also increasingly opens to him possibilities for winning approval sometimes by conforming and sometimes by asserting his individuality.

For example, in Africa today, the traditional—often polygamous—extended family, usually embracing three generations of collateral relatives, is gradually being transformed into the modern monogamous nuclear family, limited to the husband, wife, and their children. The individual no longer spends his entire life—physically and psychologically—within the stable status relationships of the large traditional family, but he leaves one small nuclear family at an early age to found another, which in turn will change its character as his children reach adulthood and establish nuclear families of their own. In addition, the individual increasingly participates in, and partially identifies with, many new social institutions—in childhood, the school; as an adult, the office or the factory, the trade union, the business or professional association, the political party, the church, the club, and others. These new identifications tend to be weaker, more diffuse, and less enduring than those of the traditional society.

Thus, the individual's participation in the institutions of a transitional society in process of modernization is constantly shifting and changing, and the multiple partial identifications involved are often in competition with one another—the school versus the family, the political party versus the trade union or the business, and so on. Also, these relationships tend to be impersonal and rationalized, particularly in governmental and economic processes, in contrast to the highly personal and affective relationships of the traditional society. At the same time, the individual continues to participate in many of the institutions of the declining traditional society, which may result in conflicts of loyalties and values between the new and the old.

In consequence of this process of differentiation—as the sociologists call it—in a modernizing society, there is an increasing tendency to lessen the intensity and to make more diffuse and ambiguous the identification of the individual's self-interest with the groups and institutions in which he participates. More and more, he both feels himself to be, and is required to act as, a separate, self-responsible individual whether he wishes to or not. The basic drive of self-interest is less and less externalized in and absorbed by social institutions, and the individual becomes more conscious of his own self-interest as distinct from the sometimes competing interests of the various social units in which he participates.

This fundamental change is responsible for the problem of choosing effective economic policies and means in modernizing and developing societies, like those of tropical Africa today. Development means that people must work harder and more conscientiously in order that the scarce resources of money, materials, and human skills can be used more and more productively so as to raise the living standards of a growing population. People are increasingly willing to do so to the extent that they can directly perceive that such behavior advances their own self-interests as well as those of their country. Essentially, there are two contrasting ways of coping with this problem—the first, by recognizing that the drive of self-interest is an immensely powerful force which, in one or another of the forms of private enterprise, can be constructively enlisted in the service of national development if the proper incentives, pressures, and regulations are provided; the second, by trying to ignore or suppress it, or to force a total identification of it with the nation as a whole, analogous to that which existed naturally in the homogeneous traditional society.

In Modern Private Enterprise Societies

Most countries of the world today have implicitly or explicitly chosen to follow the first way by means appropriate to their particular historical and cultural conditions. The best-known example, of course, is the experience of Western Europe and North America in gradually developing what are the most productive economies, the highest living standards, and the freest societies anywhere in the world today. The development of these countries has been far too complex a phenomenon to be discussed here. But, two of its major characteristics may be noted which are particularly relevant to the subject with which we are concerned.

The first is the emergence of certain general values and loyalties which in time transcend and coordinate—though they do not supersede—the particularistic loyalties characteristic of transitional societies in process of modernization. For a government to operate efficiently and an economy to grow, there must be a consensus regarding the general values and goals of the society, and people must be willing to work conscientiously and in a socially responsible manner for their achievement. The concept of the public good or the national interest becomes a general criterion by which to measure and judge the behavior of individuals, groups, cliques, and parties acting in their own particular interests. Certain general standards of political and economic morality are needed to create mutual trust and confidence in governmental and economic affairs. In Western Europe and North America, the evolution of these and other general values and standards took many centuries, and each of the great developments in Western thought and culture contributed to it—the Renaissance, the Protestant Reformation and Catholic Counter-Reformation, the Enlightenment and the American and French Revolutions, and the rise of nationalism and of popular democracy. These gradual and profound changes in attitudes and ideas were stimulated by, and in turn helped to foster, the commercial, industrial, and technological revolutions which have successively transformed the economies of Western Europe and North America and so greatly increased their productivity and living standards.

The second characteristic has been the development of methods by which these general values and standards have been made effective in action. An example of this process, which is relevant to Africa's present and prospective concerns, is the way in which the laissez-faire capitalism of the 19th century has been transformed into the socially responsible private enterprise systems of contemporary Western Europe and North America. Africans, as well as people in other less developed countries, insist quite rightly that they want to modernize their political and economic systems without passing through a stage of unrestrained pursuit of private gain and exploitation of human beings, like the early decades of industrialization in England and the United States, with 14-hour days, seven-day workweeks, dangerous and unhealthy working conditions, and child labor. And, African countries can certainly avoid such a stage by learning from the experience of the West in working out, particularly during the past three or four decades, the means for eliminating these and other 19th century abuses.

In part, this has been a voluntary achievement of the social groups and institutions most directly concerned. Under the influence of general values and standards, political leaders, civil servants, businessmen, trade unionists, and others have increasingly come to recognize that socially responsible conduct on their part benefits the society as a whole and hence serves their own particular interests as well. In part, also, this process has involved the development of new concepts of the responsibilities and functions of the government. The major reliance continues to be placed upon private initiative, but the government is also expected to play an active role in supporting, supplementing, and regulating private economic activities so as to ensure reasonable price stability and an adequate rate of economic growth, to prevent the abuse of private economic power, and to enforce the rights and help to overcome the disabilities of underprivileged groups.

Thus, the developed, private enterprise countries of Western Europe and North America have in the 20th century demonstrated that, by encouraging the strong motivation of self-interest to manifest itself in socially responsible private enterprise, high and rising productivity and levels of living can be achieved in ways increasingly consistent with the national interest, with religious and humanistic standards of ethical behavior, and with other important social values. We do not wish to suggest that this process of reconciliation has been easy or that it has been completed. There are still many unfinished tasks in the developed, private enterprise economies of the West, and new difficulties inevitably appear as old problems are solved. Nor are African countries likely to adopt precisely the same means as the West in accomplishing their own work of reconciliation. We wish only to point out that the results so far achieved demonstrate that greater economic and social progress can be made through encouragement of responsible private enterprise under appropriate government policies and programs, and social and individual restraints, than in any other way.

In Communist Societies

In contrast, the countries which have chosen or been forced to adopt the method of ignoring or suppressing the basic motivation of self-interest have experienced much less satisfactory results both materially and socially. The two leading examples are, of course, the Soviet Union and Mainland China. For nearly half a century, the Soviet Union has been engaged in a continuous, intense effort to persuade and force the Russian people to make a total identification of their own self-interests with those of the nation as conceived by the ruling communist party. Considerable economic growth has occurred under this relentless totalitarian effort. But, considering the human energies and the material resources devoted to it, growth could have been greater and achieved with much less suffering and sacrifice had the Soviets been willing to recognize that the kind of complete identification they have been seeking is less and less possible as the society and economy develop and become more diversified.

The reasons have already been indicated in the description presented above of the process of differentiation in a transitional society. Both traditional social institutions, such as the family and the village, and modern institutions, such as the school, the factory, and the trade union, compete with one another and with the nation—in communist societies, as embodied in "the state" and the ruling political party—for the loyalty of the individual, and hence weaken and diffuse the process of social identification. In addition, the general values in any complex modern society—not only in a communist society—are too abstract and impersonal to command total identification from all or most individuals continuously. In the communist countries, devotion to the "world revolution," dedication to building "the perfect socialist society"—these general goals may inspire the necessary effort and self-sacrifice in a small number of individuals throughout their lives and in most of the people for short periods of time during national emergencies or intensive propaganda campaigns. But, they cannot motivate all of the people all of the time to work conscientiously and for long hours in state-owned and directed factories and collective farms without regard for other values and loyalties and for their own self-interests.

The results of such a totalitarian effort have been twofold. On the one hand, there has been a persistent lag in efficiency and productivity owing to inadequate and ambiguous individual and group motivations. On the other hand, the state and the ruling political party have had to resort to force and repression in order to compel individuals and social groups to overcome these lags. Nearly half a century of such efforts in Soviet Russia has produced as much, if not more, human suffering and loss of life than accompanied 19th century industrialization in Western Europe and North America and with much less economic progress to show for such sacrifices, particularly in agriculture. Today, the cost of trying to force such an unattainable total identification of individual and group interests with that of the nation is gradually being recognized in the Soviet Union and especially in its European satellites, though not yet in Mainland China. But, as their continuing lag in productivity and efficiency demonstrates, relaxation of the totalitarian effort will have to go a great deal further before the motivation of self-interest will begin to produce the substantial benefits of which it is capable under appropriate economic incentives and government policies.

The Benefits of Private Enterprise to African Development

In choosing their development strategies, African countries today can avoid the abuses of 19th century capitalism and the oppression and waste of 20th century communism. African countries can, at an early stage of their development, enlist the strong motivation of private enterprise in the service of national goals and thereby achieve faster economic progress without sacrificing humanitarian values. The limited extent to which indigenous private enterprise has so far developed in Africa and the absence of a doctrinaire laissez-faire rationale, like that of 19th century Europe and North America, mean that African countries do not have to go through a long and difficult process of changing socially undesirable business attitudes and practices inherited from the past. The lack of commitment either to communist totalitarianism or to pure *laissez faire* makes it possible for African countries to obtain the advantages of private enterprise while avoiding its abuses. These benefits are of several kinds and increase continuously as the economy develops.

Increasing the Availability of Scarce Development Resources

Through private enterprise, an African country can mobilize indigenous resources of money, skills, and human energy that would not otherwise be available to it. This is because the motive of self-interest and the satisfaction of being one's own master are capable continuously of inducing increasing numbers of people to use their money for productive purposes, to work diligently, and to improve their skills.

With each passing year, more and more Africans are acquiring money incomes and modern skills from various types of agriculture and from employment in government agencies and projects or in foreign-owned enterprises. Thus, they are already contributing through their work to African development; and, in addition, African governments are mobilizing through taxation significant portions of their incomes for expenditure in the public sector on development projects. But, an even larger portion of these money earnings and human energies could be channeled into development purposes if Africans were also encouraged to work for themselves in various forms of private enterprise.

In order to start or expand an enterprise of his own, a man and his family are willing to save, instead of consuming, a portion of their income that otherwise would not be available for productive investment, and—more important—to work conscientiously and for longer hours than most people are willing to do in other types of employment. Today and for the foreseeable future, African countries are, and will continue to be, confronted in their development efforts by shortages of the necessary money, skills, and diligent effort. By encouraging appropriate forms of indigenous enterprise, rather than relying solely or mainly upon other ways of organizing economic activity, African governments can eventually mobilize a significantly larger volume of such resources relative to the total potentially available.

Expanding Employment

The establishment and expansion of increasing numbers of private enterprises automatically create additional employment opportunities which in many cases would not otherwise exist. There is a growing concern in many African countries that large numbers of semieducated young people are leaving the rural subsistence economy faster than jobs are being created for them in the urban modernized economy. In consequence, unemployment has been growing in the cities and towns. The small and medium-size private enterprises, such as are mostly being established in Africa today, tend to be labor-intensive and hence require more workers in proportion to capital investment than do the larger, more capital-intensive public enterprises. Even in the developed economies of Western Europe and North America, total employment in the small and medium-size enterprises substantially exceeds the total employment in the large companies. Thus, African private enterprise can significantly expand the opportunities for productive employment beyond what would otherwise be possible.

Fostering Economic Independence

The development of African private enterprise will also accelerate the achievement of economic independence by African countries, which has been a major objective of their political strategy. African countries anticipate that from a third to a half of the financial resources required for their development plans will have to be obtained from foreign sources—private, governmental, and international. This is a larger percentage than is envisaged by most other less developed countries. In addition, African nations are more dependent today upon the help of foreign experts, technicians, and managers than are most countries in other parts of the world. As African governments recognize, this reliance upon foreign funds and skilled personnel is not only expensive but also uncertain, because their availability and continuity cannot be counted upon to the same extent as can those of indigenous resources. Moreover, this dependence tends to limit the freedom of action of the recipient countries. To the extent that the proportion of foreign capital and skills can gradually be reduced and the relative decline replaced by indigenous capital and skills, the economic independence of African countries and their assured access to development resources will be increased. Indigenous private enterprise provides a way of hastening this replacement beyond the rate at which it would occur through reliance solely or mainly upon other forms of economic activity.

Improving Efficiency

The scarcity of development resources in African countries means that every effort needs to be made to reduce waste and inefficiency to a minimum. When a man works for himself, using his own funds and skills, he has a greater incentive to make the best use of his time, equipment, materials, and labor than if he works for a state-owned enterprise. It is his own resources that are being wasted and not those of a large, impersonal government organization with which he cannot feel as great an identity of interest. True, many small enterprises established by beginning African entrepreneurs are inefficient and poorly managed, owing to inadequate training and experience. But, these deficiencies also characterize many of the larger public enterprises for the same reasons.

In the longer run, it is generally less difficult to correct inefficiency in a private enterprise than in a state-owned and managed operation. A private entrepreneur may waste his own resources of money and of time through lack of knowledge or indolence, but in that case he himself suffers the consequences, and he has a strong continuing incentive to overcome his deficiencies. In contrast, if an official wastes the resources or time of a government enterprise, it is not his personal loss unless his performance is so poor that he is discharged for inefficiency. Often, political considerations make it difficult, if not impossible, to institute corrective measures in government enterprises; and they generally enjoy protected or monopoly positions which make them immune to the beneficial effects of healthy competition. Thus, in the longer run, there are stronger incentives for efficient performance in a competitive private enterprise than in other forms of economic organization.

Encouraging Innovation and Initiative

Finally, private enterprises are more likely to adopt technological and managerial innovations and to take advantage quickly and imaginatively of new economic opportunities. Technological change and the grasping of new economic opportunities as they appear are two essential aspects of the process of development.

Under conditions of competition, private entrepreneurs have a strong incentive to adopt technological and managerial innovations and to seek out and undertake the new economic activities which are continually appearing in the course of economic development and upon which further economic growth depends. Public enterprises are generally protected from competition, tend to be fixed in their ways, and can make decisions to adopt new technological innovations or expand their activities into new fields only after rather cumbersome bureaucratic procedures. True, government enterprises have much greater financial resources available for adopting innovations and undertaking new economic opportunities than do indigenous entrepreneurs in African countries today. But, this advantage does not usually offset their lesser incentives and flexibility. Over the longer term, the ability of African entrepreneurs to innovate and diversify will grow as their resources and skills increase, and in time will be commensurate with their greater propensity for taking the necessary initiative and risk.

Private Enterprise and Government

In describing the ways in which private enterprise can contribute to African development, we have no intention of minimizing the role which governments must play in stimulating, guiding, and supporting the process of economic growth and social change. Indeed, these potential benefits of private enterprise are not likely to be realized unless African governments are both willing and able to carry out certain major functions which are essential for development.

In any modern economy, and particularly in a developing one, there are important needs for economic resources which cannot be met by the interaction of supply and demand factors in a competitive market economy—not only national defense but more particularly education, health, overcoming the deficiencies of underprivileged groups in the population, accelerating the growth of backward areas within the country, and similar "social overhead" capital formation. There are also major needs for "infrastructure"—e.g., roads, harbors, and other transportation and communication facilities; energy, power, and water supplies, etc.—which indigenous private enterprise is unable to construct because of the large capital, advanced skills, or low rates of return involved.[1]

In all African countries, the development of agriculture requires large-scale government investment and technical assistance in order to help the farmers to increase their productivity and skills so that growth can eventually become self-generating. In nonagricultural sectors, it is also generally necessary for African governments to provide financial and technical assistance to help indigenous entrepreneurs to start or expand manufacturing, distributive, and service activities which require more capital or greater skills than they possess today. In some cases, too, industrial projects may be so large and so complex that African governments may have to play an active role in establishing them, alone or in partnership with private enterprise, indigenous and foreign.

In addition, government policies and programs of many other kinds have to be devised and implemented for providing adequate incentives and guidelines to private entrepreneurs in agriculture, industry, commerce, finance, and services so that their activities will be consistent with the achievement of national development goals. The government must also adopt and responsibly administer appropriate regulations and safeguards which, on the one hand, can ensure competitive conditions and flexibility in the use of resources within the economy as a whole and, on the other hand, can prevent the abuse of economic power by irresponsible individuals and organizations in both the private and the public sectors. Most of these essential government programs and policies are formulated, coordinated, and carried out through the process of development planning and implementation.

All of these government functions are necessary for economic growth in Africa today. However, the way in which the government conceives and carries them out and its attitude toward the private sector strongly affect the willingness and ability of private entrepreneurs to make their own contributions to the development process. Private enterprise is in some respects extremely hardy and in other respects quite delicate and easily discouraged. It is like many plants, which will spring up in almost any soil, no matter how stony and infertile,[2] but will grow to maturity and produce their fruits only in reasonably favorable conditions. Thus, the government has to carry out

[1] It should be pointed out that African governments also lack the financial resources and skills required for large infrastructure investments, but they are much better able to obtain them from abroad than are African entrepreneurs.

[2] Perhaps nowhere in the world today is this characteristic of private enterprise better illustrated than in the Soviet Union. After nearly half a century of communist rule, the great majority of the economically active population has been born and educated under a communist system. Nevertheless, the Soviet government is continually confronted with spontaneous manifestations of private enterprise. Not only do they always spring up again but, where private economic activities are permitted to continue in the Soviet Union, they commonly result in higher productivity than is attained by comparable operations conducted by collective farms and state-owned factories and distributive organizations. The outstanding example is provided by the small plots allotted to each peasant family for its own use; despite the much smaller investment, their productivity is substantially greater than that of the large collective farms raising the same products.

its indispensable economic functions in ways which explicitly recognize the need to stimulate and encourage private enterprise and which do not intentionally or inadvertently nip it in the bud or stunt its growth.

No African government today is deliberately trying to suppress indigenous private enterprise, but quite a number are indifferent and some are opposed to it, particularly among the French-speaking African countries and, recently, in Ghana. These attitudes often reflect a lack of knowledge about modern, socially responsible private enterprise and the persistence of obsolete Marxist clichés, acquired during student days in England, France, and the United States, about 19th century laissez-faire capitalism. But, there is also in most African countries a positive commitment among members of the governing elites to socialism which, in many cases, was also formed at Western universities or during periods of residence in the Soviet Union and elsewhere. At the same time, African political and intellectual leaders have been striving to define and assert a distinctive "African way of life" or "African personality," based upon the values and institutions of the traditional society as modified by the conditions of the contemporary world and the needs and potentialities of the future. One result of these parallel processes has been the emergence of an "African socialism" different from the conventional Marxian socialism of the West.

The concept of African socialism is still open and fluid, and hopefully will never be solidified into orthodox dogmas, as has the communist concept of socialism. Increasingly, the content of African socialism has been shifting away from a doctrinaire insistence upon state ownership of the means of production to an emphasis upon humanitarian concern for improving the welfare of the people by methods that are consistent with preservation of the traditional African values of communal responsibility, sharing, mutual aid, and sociability. This is the major reason why all African countries have been stressing the cooperative form of private enterprise as a major instrument for the development of agriculture, industry, distribution, and services. Increasingly, too, African leaders are recognizing that other forms of private enterprise can also contribute to improving the well-being of the people, in some fields and in some ways more effectively than cooperatives. With greater knowledge and experience of these modern forms of socially responsible private enterprise—e.g., individual and family proprietorships, partnerships and, particularly, limited liability companies—the indifference or hostility to them of some African countries will decline and, hopefully, will be replaced by a positive willingness to foster their development by the kinds of policies and programs analyzed in this study.

It is important for Africans to recognize that all modern forms of private enterprise serve other social values—in addition to the traditional values embodied in cooperatives—that are indispensable for realizing the humanitarian goals that are increasingly coming to represent the essence of African socialism. As explained above, private enterprise is a most effective means for mobilizing the resources of energy, capital, and skills required for economic growth and, hence, for raising the living standards of the people. Private enterprise does so largely in a voluntary manner which does not require coercion and repression by the government or the ruling political party. All modern forms of private enterprise foster, on the part of the people, self-reliance, initiative, self-discipline, and the capacity for responsible individual decision making and activity. They create a plurality of different interest groups and institutions which can counterbalance one another and help to preserve the internal freedom and flexibility of evolving African societies. In contrast, the indefinite expansion of state-owned and operated enterprises would inhibit the development of these desirable characteristics and, in addition, would strengthen the tendencies that exist in all types of complex modern political and economic systems toward authoritarianism, bureaucratic disregard of the welfare of the people, and the danger, as Lord Acton warned, that increasing power will increasingly corrupt a small ruling elite. These tendencies, inherent in the nature of state ownership of the means of production, constitute an even more fundamental objection to its indefinite expansion and perpetuation than does the comparative inefficiency of public enterprises. This may be tolerable in the shorter term, as in tropical Africa today, because alternative forms of enterprise are unable as yet to undertake necessary economic activities.

In sum, granted the slender resources of African countries and their still limited capacity for entrepreneurship, the most effective way of achieving African social and economic goals is through an appropriate combination of private and governmental activities which support and reinforce each other. Such a combination needs to be flexible so that the roles of public and private enterprises can be adjusted to take account of the increasing capabilities of African entrepreneurs to finance and manage economic activities. A flexible, pragmatic policy on the part of African governments is particularly important because African private enterprise is only at the beginning of its evolution. As the traditional society and subsistence economy are increasingly eroded in the process of development, more and more Africans will seek of their own accord to become private entrepreneurs in agriculture, industry, commerce, finance, and the service trades. If the government ignores them, and especially if it tries deliberately to deter them, not only will their contribution be much smaller, but scarce development resources of human energy and productive capital will be wasted in the process. However, if African entrepreneurs are encouraged and helped by their governments, they will gradually make a large, growing, and indispensable contribution to achieving the social and economic goals which are the real essence of African development. A major purpose of this study is to indicate the ways in which African governments and African entrepreneurs can work more effectively together in advancing their common interest in the future of their countries.

I

African Entrepreneurship: Background and Development

Tropical Africa—the region south of the Sahara and north of the Zambesi River—today comprises over 30 countries.[1] With the exception of Ethiopia and Liberia, these countries have achieved political independence only since 1956, or will achieve it in the near future. But, though they are today among the newest nations in the world, they nonetheless have a long history. The purpose of this chapter is to sketch briefly as much of that history as is relevant to understanding the problems and possibilities of stimulating modern forms of private economic activity among Africans, and to outline the extent to which such developments have already occurred in these countries.

Historical Background

Despite innumerable and significant social and cultural differences in the past histories of different parts of tropical Africa, there have been certain fundamental characteristics that have been common to the region as a whole. As far back as African history can be traced, the basic form of social organization was the family, combined into clans and tribes, and the basic form of economic organization was the family or village subsistence economy. In most of Africa, these forms of economic and social organization represented a remarkably stable and effective adaptation to the limitations of the physical environment. Left to themselves, their rates of social and cultural change were in consequence almost immeasurably slow.

Evolution of the Traditional Society

Based on a system of shifting cultivation, subsistence agriculture—using tools no more advanced than the digging stick or mattock—was able to produce sufficient food to support the relatively sparse population, and to provide a small "surplus" for petty trade and the maintenance of the tribal hierarchies of elders, headmen, chiefs, witch doctors, and priests. In addition to food, the subsistence economy also provided most of the raw materials necessary for shelter, clothing, utensils and containers, cult objects, etc. In most cases, these products were made by specialized groups of artisans within the local community. Each member of the community received a share of the

[1] See Table 1.

TABLE 1

The Countries of Tropical Africa

Country	Capital	Former Colonial Power	Estimated Population Mid-1962* (thousands)	Area (thousand sq. miles)
		West Africa		
Cameroon	Yaoundé	UN Trust: France & United Kingdom	4,326	183
Dahomey	Porto Novo	France	2,200	45
Gambia†	Bathurst	United Kingdom	316	4
Ghana	Accra	United Kingdom	7,148	92
Guinea	Conakry	France	3,357	95
Ivory Coast	Abidjan	France	3,375	125
Liberia	Monrovia	None	1,290	43
Mali	Bamako	France	4,305	465
Mauritania	Nouakchott	France	770	419
Niger	Niamey	France	2,995	489
Nigeria	Lagos	United Kingdom	37,213	357
Portuguese Guinea‡	Bissau	Portugal	549	14
Senegal	Dakar	France	3,280	76
Sierra Leone	Freetown	United Kingdom	2,450	28
Spanish Guinea†	Santa Isabel de Fernando Poo	Spain	249	11
Togo	Lomé	UN Trust: France	1,559	22
Upper Volta	Ouagadougou	France	4,500	106
		East Africa and the Horn		
Ethiopia	Addis Ababa	None	21,600	457
Kenya	Nairobi	United Kingdom	8,595	225
Somali Republic	Mogadishu	United Kingdom & UN Trust: Italy	2,000	246
Sudan	Khartoum	Anglo-Egyptian	12,831	968
Tanganyika	Dar es Salaam	United Kingdom	9,726	362
Uganda	Kampala	United Kingdom	7,016	93
Zanzibar	Zanzibar	United Kingdom	320	1
		Central Africa		
Angola‡	Luanda	Portugal	4,936	482
Burundi	Usumbura	UN Trust: Belgium	2,600	11
Central African Republic	Bangui	France	1,250	238
Chad	Fort Lamy	France	2,720	496
Congo (Brazzaville)	Brazzaville	France	820	132
Congo (Leopoldville)	Leopoldville	Belgium	14,797	906
Gabon	Libreville	France	453	103
Malagasy Republic	Tananarive	France	5,730	230
Mozambique‡	Lourenço Marques	Portugal	6,640	302
Northern Rhodesia**	Lusaka	United Kingdom	3,500	288
Nyasaland**	Zomba	United Kingdom	2,950	46
Rwanda	Kigali	UN Trust: Belgium	2,665	10
Southern Rhodesia**	Salisbury	United Kingdom	4,010	139
Total			**195,041**	**8,309**

*Except Gambia, Guinea, Nigeria, Northern Rhodesia, Southern Rhodesia, Sudan, Togo, and Tanganyika for which mid-1963 figures are given, and Ethiopia, Liberia, Mozambique, Rwanda, Sierra Leone, and Spanish Guinea for which the latest available figures are for earlier years.

†Independence contemplated, but no date set.

‡Still under colonial rule.

**Probable date of Northern Rhodesia independence—latter half of 1964; Nyasaland independence scheduled for July 6, 1964; Southern Rhodesia self-governing, but independence not scheduled.

Source: *Demographic Yearbook 1962* (New York: United Nations); *Monthly Bulletin of Statistics*, January 1964 (New York: United Nations).

total output in accordance with his status and the immemorial customs governing the distribution of income.

There were, however, certain essential materials which could not be produced locally by most communities. Chief among these were metals, salt, and certain specialized vegetable and animal products required for religious and social purposes. These provided the initiative for the development of intercommunity and intertribal trade. The goods required by the importing communities were obtained through barter in return for a portion of their "surplus" production of food or handicrafts. In time, certain communities—usually located at or near tribal boundaries and along natural routes of travel—became trading centers. Regular markets developed not only in metals and salt, which came from long distances, but also in the locally produced foodstuffs and household goods required by the inhabitants of these centers for their own consumption.

Thus, there gradually developed two forms of traditional trading: long distance and local. Both were small in scale and represented only a fraction of the total goods and services produced and consumed by the otherwise self-sufficient family and village communities. Yet, the intercommunity and intertribal relationships which they entailed were sufficient, over long periods of time, to be a means for the diffusion of culture throughout Africa second only in importance to tribal migrations and conquests. In consequence, African traditional petty trade was an instrument of social, economic, and political change, but, because of its small size and superficial character, it was a factor which operated with extreme slowness and limited effect.

However, at an early stage, there developed in Africa a more substantial and significant form of trade which stimulated more rapid economic and political developments in the areas affected by it. This trade involved relations between tropical Africa and the more advanced societies of other regions.

One major form of this external trade developed across the Sahara Desert with the Mediterranean region. Beginning in antiquity and called by the Europeans during the medieval period "the golden trade of the Moors," it involved the movement of slaves and of gold, ivory, and other products of high value relative to weight, northward to the Mediterranean region in return for salt produced in the mid-Sahara, and for textiles, jewelry, and other manufactured products of the Mediterranean countries. Along the middle section of the Niger River, there grew up numerous centers—of which Timbuktu is perhaps the best known—which joined the trans-Saharan routes to the north with others leading to the savannah and forest country further south, whence came most of the slaves and the gold. The increasing economic specialization and growing wealth of these trading centers along the middle Niger provided the economic resources for a succession of African empires in the late middle ages and early modern period (e.g., Ghana, Mali, Songhai, Hausa). These involved feudal types of political institutions more extensive and developed than any hitherto known in tropical Africa. Similar embryonic political states also began to develop at the southern end of these trade routes, particularly in and near the Niger Delta (e.g., Ife, Benin).

The second major trade route was along the East African coast as far south as the mouth of the Zambesi River. Described by ancient Greek and medieval Arab travelers, these trading centers along the coast obtained slaves, ivory, and spices from the East and Central African hinterland and carried on a brisk seaborne commerce with Egypt, Mesopotamia, Persia, India, and eventually with southern China. However, this trade was largely in the hands of Arabs, many of whom settled in the coastal towns and islands (e.g., Zanzibar). In consequence, it did not have as great an effect upon the economic and political development of the inland African societies as did the trans-Saharan trade of West Africa.

Coming of the Europeans

The impetus to economic and political development provided by these two forms of external trade was greatly intensified in the course of the late 15th and 16th centuries by the Portuguese circumnavigation of Africa and the subsequent establishment of Portuguese, Dutch, English, French, and other European trading stations at numerous places on the West and East coasts.

In West Africa, the direction of trade was diverted southward to these European trading stations along the coast, from which slaves, gold, ivory, and African agricultural products were increasingly exported to Europe and the Americas. New African kingdoms arose in the forest country—e.g., Ashanti, Dahomey, the Yoruba states—stimulated by this trade, while the empires of the middle Niger region declined. But, in West, Central, and East Africa, this new and expanded trade also had disintegrating effects upon many of the traditional tribal societies largely in consequence of the spread of systematic slave hunting on the part of strong African tribes against their weaker neighbors. By the mid-19th century, increasing African warfare and disorder threatened the security and prosperity of the growing European trade. In order to protect their trade—and often the personal safety of their traders—and to enhance their prestige, the European powers began to exercise political sovereignty over larger and larger areas. This development was a factor contributing to the increasing imperial rivalry of the European powers which, in turn, led to the establishment of European colonial rule in all parts of tropical Africa, except Liberia and Ethiopia, during the latter decades of the 19th century.

Effects of European Colonial Rule

Prior to the establishment of European colonial rule, the expansion of external trade and of long distance internal trade had already helped to stimulate African economic and political evolution but had not fundamentally impaired the tribal society and subsistence economy of tropical Africa. The successive rise in different parts of the region of politically more developed African empires and states was both a cause and an effect of the increasing economic specialization and productivity entailed by such trade. But, when these empires waned and disintegrated, their constituent African communities generally lapsed into the traditional tribal pattern of society and into more nearly self-sufficient economic activities. Perhaps in time some of the African states founded during the pre-colonial period would have developed of their own accord into more advanced and stable political forms (e.g., Buganda in East Africa and Ashanti in West Africa). However, the establishment of European colonial rule in the second half of the 19th century put an end to such possibilities of indigenous political and economic evolution.

Be that as it may, the past hundred years of European colonial rule brought about for the first time a decisive break with Africa's traditional past. In consequence, a radical transformation of African societies and economies is now irrevocably under way. Though the withdrawal of European control, as in the Congo in the last few years, may result in a relapse into tribalism and economic self-sufficiency in the countryside, such regressions are likely to be temporary and in any event are not as thoroughgoing as the relapses which followed the passing of the earlier African empires.

However, though a century of European rule has fundamentally impaired the traditional tribal society and subsistence economy, this does not mean that many of their characteristic attitudes and institutions cannot survive for another hundred years or more, particularly in rural Africa. And, indeed, even today the bulk of tropical Africa's 200 million inhabitants still live largely within the tribal society and subsistence economy. But, these traditional forms of living and working together no longer have a future. Each year, they are less and less able to satisfy the needs, much less the expectations, of Africa's expanding population. Nor do they meet the aspirations of Africa's new ruling elites. This basic change stems from three major effects of European colonial rule—political, economic, and cultural.

At the political level, European rule imposed on African societies a political structure more developed, impersonal, and pervasive than any the region had experienced before. In the French, Belgian, and Portuguese areas, the traditional African political authorities were largely superseded (with certain exceptions, such as the marabouts in Senegal), though they often retained and continued to exercise their religious and ceremonial functions. The British adopted the so-called method of "indirect rule" through the traditional political authorities, but this has turned out to be largely a distinction without a difference. Except in northern Nigeria and parts of Uganda, the political authority of the traditional tribal elites has not survived the passing of British rule to a significantly greater extent than in the French or other areas. The new elites of independent Africa have taken over the modern political forms established by the former colonial rulers, though traditional political expectations continue to influence the behavior of modern African politicians. But, while important changes are being made in the parliamentary and other institutions inherited from the colonial period, there is no question that modern political forms have decisively superseded the traditional types of political authority in most of tropical Africa.

At the economic level, parallel changes have occurred. European political administration required much larger and more dependable revenues than could be provided from the "surplus" of the traditional subsistence economy or obtained through the customary modes of income division in status societies. Hence, modern forms of taxation were imposed by the colonial governments. Though their revenue yield was relatively small, the head tax and other similar taxes imposed directly on Africans had to be paid in money. In order to meet this obligation, Africans had to sell for cash portions of their produce or work for wages, where such employment was available. This provided a major stimulus to the establishment of a market economy in Africa side by side with the subsistence economy. But, revenue derived from such direct taxes was too small to meet the needs of European administrations. Hence, they also imposed import duties and taxes on exports of agricultural products and other raw materials, which could yield much larger revenues. In order to expand foreign trade, the European governments encouraged the establishment of commercial agriculture both by Africans and by European investors. For the same reason, concessions were given to European investors for mining, lumbering, and other extractive activities producing exportable commodities. Labor for these modern forms of economic activity was increasingly provided by Africans who had to work for wages in order to meet their direct tax obligations or who were willing to do so in order to improve their own and their families' standard of living. Thus, the major economic effect of the period of colonial rule was the decisive establishment of the beginnings of a modern market economy within the interstices of the traditional subsistence economy. For the past hundred years, the former has been steadily and inexorably eroding the latter.

At the cultural level, the period of colonial rule opened to Africans a range and variety of new ideas, knowledge, and products, and of new possibilities for individual and social advancement that went far beyond anything the region had ever known before. Awareness of Western living standards, religion, education, science and technology, fine arts, mass media and forms of popular entertainment, and a host of other material and intellectual characteristics of Western civilization gradually grew among the African populations and, particularly in the mid-20th century, have become more and more available to them. This exposure has been transforming the attitudes and expectations of increasing numbers of Africans. While many of the attitudes and institutions of the traditional society still persist even among those Africans who are most fully involved in modern forms of economic and political activity, the effects of the impact of Western culture during the colonial period are by now ineradicable.

However, the availability to Africans of these different facets of Western culture varied considerably. The most serious lag was in the field of education. Until after World War I, little was done by the Europeans to provide facilities for modern education for the Africans, either in Africa or in Europe, except for the work of the missionaries. In the 1920s, primary and a few secondary schools began to be established in West Africa, but this process was expanded to other areas and extended to the university level only after

TABLE 2

Primary and Secondary School Enrollment Compared with School-Age Population in Tropical African Countries—1960/61

Country	Primary School*			Secondary School		
	Enrollment (thousands)	Adjusted† School-Age Population (thousands)	Enroll-ment Ratio	Enrollment (thousands)	Adjusted† School-Age Population (thousands)	Enroll-ment Ratio
Cameroons (South)	69.0	284.0	24.3	1.6	205.8	0.8
Cameroun	413.0	489.2	84.5	16.0	482.4	3.3
Central African Republic	68.0	181.8	37.1	3.2	179.3	1.8
Chad	67.0	392.0	17.1	1.9	386.5	0.5
Congo (Brazzaville)	97.0	120.8	80.7	5.1	119.1	4.3
Congo (Leopoldville)	1,540.0	2,180.1	73.8	55.0	1,762.4	3.1
Dahomey	96.0	298.4	32.3	3.6	294.3	1.2
Ethiopia	177.0	4,283.3	4.1	8.5	1,810.3	0.5
Gabon	55.0	69.3	79.0	2.3	68.3	3.4
Gambia	7.0	43.7	16.1	1.7	37.0	4.6
Ghana	495.0	986.0	50.2	190.3	833.4	22.8
Guinea	93.0	442.1	21.1	7.5	436.0	1.7
Ivory Coast	245.0	465.6	52.6	10.4	459.3	2.3
Kenya	781.0	1,287.1	60.7	25.9	544.0	4.8
Liberia	57.0	259.4	22.0	3.0	109.6	2.7
Madagascar	439.0	785.4	55.9	27.4	774.6	3.5
Mali	50.0	646.1	7.8	3.8	637.3	0.6
Mauritania	9.0	109.0	8.5	0.4	107.5	0.4
Niger	24.0	419.9	5.6	1.3	414.1	0.3
Nigeria	3,083.0	6,148.9	50.1	187.0	4,271.9	4.4
Northern Rhodesia	280.0	477.5	58.7	5.5	201.8	2.7
Nyasaland	303.0	556.1	54.5	3.8	235.0	1.6
Ruanda-Urundi	266.0	705.9	37.6	6.5	596.6	1.1
Senegal	120.0	383.2	31.3	9.7	377.9	2.6
Sierra Leone	81.0	357.3	22.7	9.3	302.0	3.1
Somalia	22.0	246.8	9.1	3.3	333.9	1.0
Southern Rhodesia	484.0	603.1	80.3	8.0	254.9	3.1
Sudan	318.0	2,312.6	13.7	74.6	977.4	7.6
Tanganyika	451.0	1,815.1	24.8	17.7	767.1	2.3
Togo	83.0	215.2	38.8	2.5	212.1	1.2
Uganda	537.0	984.6	54.5	47.6	971.0	4.9
Upper Volta	57.0	530.5	10.7	3.0	523.2	0.6
Zanzibar	20.0	60.2	33.2	1.6	25.5	6.3
Regional Total	**10,887.0**	**29,140.2**	**37.4**	**749.0**	**19,711.5**	**3.8**

*Primary school enrollments in most African countries have increased substantially only in the last few years. These recent increases are reflected in the figures given here.

†Country reports adjusted to make all country figures comparable.

Source: *Final Report* of the Meeting of Ministers of Education of African countries participating in the implementation of the Addis Ababa Plan; March 26 to 30, 1962 (Paris: UNESCO, 1962), pp. 153–54.

World War II. Although African educational facilities have been greatly increased during the past 10 years, they are still far from meeting Africa's needs for educated personnel in government and in the economy.[2] The lag in education has also made it difficult for Africans to take advantage of modern science and technology and of other aspects of Western culture which could help in the process of African development.

Nonetheless, despite educational deficiencies, a century of European rule has so accelerated the pace and extended the scope of social change in tropical

[2] See Table 2.

Africa that the traditional society and subsistence economy are now in process of increasingly rapid and fundamental transformation. Because of Africa's very different historical and cultural background, it is unlikely that the new forms of living and working together, which will eventually emerge from this process, will duplicate the political, economic, and social institutions of Western society. However, there have already been and will continue to be large-scale adoptions and adaptations of Western economic institutions and techniques. The development of modern forms of private economic activity among Africans is one of the major aspects of this process of transformation and adaptation. The rate at which indigenous entrepreneurship develops, and the forms which it takes, are dependent also upon the dimensions and characteristics of the modern market economies now evolving in tropical Africa.

African Economies Today

Accurate statistics on the size of African economies are generally lacking, but estimates have been obtained for all countries of the region. These are given in Table 3 (page 22).

Even in the most advanced countries of tropical Africa, the major portion of the population is still engaged in agricultural and pastoral activities largely for subsistence purposes. Despite its rapid growth in the past two decades, the market economy in many African countries still does not involve more than 10 percent of the population on a full-time continuous basis; a rather higher percentage may be engaged in working for wages or in producing agricultural exports on a part-time or intermittent basis. Even the comparatively large numbers of African farmers in parts of Nigeria, Ghana, and Uganda producing cocoa, coffee, and cotton for export obtain a substantial proportion of their food from subsistence agriculture.

However, in most tropical African countries, more and more Africans are engaging in commercial agriculture, producing crops for export and for local consumption. Most African commercial agriculture is in the hands of small farmers, who work either independently or as members of producers' and marketing cooperatives. While there are wide variations among countries, Africans tend to predominate in the production of coffee, cocoa, peanuts, cotton, palm oil, and other tree and ground crops whose output is largely exported; and also in the raising of foodstuffs of many kinds for sale in the cities and towns. Foreign-owned plantations in West and Central Africa, and European settler farms in East Africa also produce substantial quantities of export crops, such as rubber, sisal, bananas, and citrus fruits, as well as dairy products and meat.

The extractive industries are almost completely owned and operated by foreign enterprises. In various parts of West, East, and Central Africa, European and American companies mine and export large quantities of diamonds, iron ore, copper, and other nonferrous metals. They also conduct lumbering activities on a substantial scale in the rain forest areas of various regions.

TABLE 3

Estimates of Gross National Product in Tropical Africa
(Calendar Year 1961 in Current Market Prices)

Country	GNP Total ($ millions)	GNP per Capita* (dollars)	Population† Mid-1961 (millions)
Burundi	$ 135	$ 60	2.3
Cameroon	285‡	86‡	4.1‡
Central African Republic	50	40	1.2
Chad	115	40	2.9
Congo (Brazzaville)	35	40	0.8
Congo (Leopoldville)	1,220**	88**	14.5**
Dahomey	80	40	2.1
Ethiopia	843	44	19.1
Gabon	90	200	0.4
Ghana	1,375	199	6.9
Guinea	185	60	3.1
Ivory Coast	615	184	3.4
Kenya	675	80	8.4
Liberia	160	159	1.0
Malagasy Republic	420	75	5.6
Mali	245	58	4.2
Niger	120	40	3.1
Nigeria	3,280	82	40.2
Rhodesias & Nyasaland	1,530	163	9.4
Rwanda	110	40	2.8
Senegal	525	175	3.0
Sierra Leone	175	70	2.5
Somali Republic	56††	40††	2.0††
Sudan	1,132	94	12.1
Tanganyika	555	59	9.4
Togo	105	70	1.5
Uganda	465	68	6.8
Upper Volta	175	40	4.4
Other Tropical Africa	887	57	15.5
Total	**15,643**	**81**	**192.7**

*GNP per capita for some countries is computed from population data in thousands rather than the rounded figures shown in ' 's table; where no data on GNP were available, an estimate of $40 per capita was used.

†These population figures differ from hose in Table 1 because a different source has been used. However, it should be recognized that most population figures for African countries are estimates and are not derived from actual census enumerations.

‡Cameroon: GNP data are only for East Cameroon with a population of 3.3 million.

**Congo (Leopoldville): the latest GNP data are for 1959 when the population was 13.8 million.

††Somali Republic: GNP data cover only the Southern Region with a population of 1.4 million.

Source: Statistics and Reports Division, Agency for International Development, April 30, 1963.

Petroleum deposits have been found at several places along the West coast, and large-scale production is now being carried on by a British oil company in the Niger River Delta.

Manufacturing activities are also mainly the concern of the foreign companies, though—as described in the next section—African entrepreneurs are beginning to enter the industrial sector. Manufacturing plants are engaged in the processing of agricultural commodities; the production of cement, bricks, tiles, lumber, plywood, and other materials required for construction; and the manufacture of light consumer goods, such as processed foods and beverages, textiles and clothing, etc. The service and artisan trades are widely carried on, in some countries predominantly by African enterpreneurs, individual and cooperative, and in others by Asians or other non-Africans.

In much of West Africa and in Central Africa, large-scale commercial activities—such as importing and exporting, wholesaling and department-store retailing—are still mainly conducted by European trading companies and, in West Africa, by Levantines (mostly Lebanese and Syrians), who are also engaged in retailing and produce buying in the rural areas. In East Africa, the European trading firms serve the settler market, while Indians and other Asians predominate in importing and exporting and in wholesaling and retailing for the African market. External transportation is exclusively conducted by foreign shipping companies, except in Ghana and Nigeria, which have their own shipping lines. Inland freight moves on state-owned railways or on trucks owned and operated by both Africans and non-Africans, while many of the foreign companies moving bulk commodities have their own transportation facilities.

All of the countries of tropical Africa are engaged today in economic development efforts of greater or lesser magnitude. African governments are concentrating their very limited resources of money and trained personnel on providing a minimum of health and educational facilities, and the basic infrastructure—roads, harbors, water supplies, public utilities, etc.—necessary for economic advancement. Most also stress programs to stimulate agriculture and rural community development. In many countries, the governments finance and operate new manufacturing plants, or have joint ventures for these purposes with foreign companies.

Extent of African Private Enterprise

As explained in the Preface, this study is concerned with the development of African private enterprise in manufacturing industry, distribution, services, and other nonagricultural fields. It should be pointed out, however, that today and for the foreseeable future the great majority of Africans engaged in private economic activities are and will continue to be in agriculture.

Outside the agricultural sector, African private economic activities form a still very small but growing part of the economies of tropical Africa. On the one hand, there are activities directly descended from, or sociologically related to, the petty trade of the traditional society; for example, the innumerable women who bring fruits and vegetables and homemade beer and cloth to village and town markets almost everywhere in Africa; the network of Hausa traders from northern Nigeria spread through most of West Africa and as far southward as the Congo; and the Wakamba, who have developed a unique and flourishing business throughout East Africa in the production and retailing of wood carvings and other tourist goods. On the other hand, there are already a few African "tycoons" who own their own companies, sit on the boards of directors of other African or foreign-owned enterprises, and serve as a link between African governments and the modern private sector. In between are a wide variety of producing, distributing, and service activities ranging from one-man operations to those employing substantial numbers of workers and serving nationwide markets.

Fields and Forms of Indigenous Private Activity

Outside the field of agriculture, by far the greatest number of African enterprises are in distribution. There is a profusion of small retailers in most countries, often too numerous for their ventures to be profitable. As yet, Africans in wholesaling and foreign trade exist in substantial numbers only in Ghana and Nigeria.

The service and artisan activities claim the next largest number. Many Africans are carpenters, ironmongers, shoemakers, tailors, wood carvers; smaller numbers are plumbers, electricians, painters, photographers, printers, dry cleaners and launderers, jewelers, and operators of gasoline stations and motor repair garages, hairdressing and barber shops, book stores and other specialized service establishments. At a more professional or technical level, there are some African lawyers, accountants, and pharmacists; land and building appraisers; owners of restaurants, night clubs, and hotels; newspaper publishers; and operators of supermarkets, bakeries, and travel agencies.

Transportation and construction probably engage the third largest group. Many small—and some large—local and intercity taxi, bus, and truck services are operated and managed by Africans in almost every African country. Construction businesses range from individual promoter-contractors to some African firms employing hundreds of people. Particularly in those countries where only citizens can own land, as in Nigeria, Ghana, and Liberia, Africans have made substantial amounts of money by purchasing, leasing, or constructing commercial and residential buildings.

African-operated manufacturing activities, limited with few exceptions to Ghana and Nigeria, include firms making textiles and clothing; furniture, mattresses, radios, luggage, plastic products; soap, cosmetics, and perfumes; soft drinks, tires, gravel and special clays; and other light consumer goods and construction materials.

The smallest field of activity for African entrepreneurs is banking and finance. In Nigeria and Liberia, Africans have established successful banks and, in these and other African countries, a few already own—or would like to purchase, when available—equity investments in local manufacturing and financial activities.

This distribution among various nonagricultural fields reflects, of course, the relative requirements of capital and of skills of these different economic activities. Retail distribution and the service trades require the smallest capital, make the simplest demands on technical and managerial capabilities, and are closest to traditional occupations. In addition, the opportunities for establishing successful ventures in these fields are most numerous in economies which—like those of the African countries—are at the beginning of the process of modernization and economic development. More capital and greater skills are required for the simpler processing and manufacturing activities, and the opportunities are less widespread in these fields. Larger and more complex manufacturing operations, as well as banking and finance, are much more difficult to establish and operate, require substantial capital investment and higher technical and managerial skills, and depend upon the existence of relatively large local, national, or international markets.

The vast majority of African enterprises are owned and operated by individual proprietors. Others are family owned, by father and son, husband and wife, or some other combination. There is a small but increasing number of limited liability companies, whose equity is shared among a group of friends or business acquaintances, generally Africans with modern education and training, or Africans who have been active in politics and government. A very few African companies have begun to make a portion of their shares available to employees, with the controlling interest continuing to be owned by an individual or family.

Cooperatives and associations of cooperatives are another form of private enterprise of increasing importance in almost all countries, but particularly in East Africa. The oldest, most numerous, and most successful are generally engaged in the marketing and processing of agricultural products raised by their members. Newer cooperatives are beginning to undertake artisan and service activities—e.g., transportation, building construction, wholesaling and retailing, tailoring, etc. Thrift and savings societies and credit unions are also increasingly important forms of cooperative enterprise, and have begun to help finance small productive activities. In a few countries, such as Kenya, even the trade unions are becoming initiators and owners of commercial and industrial enterprises.[3]

Women are to be found in petty marketing almost everywhere in tropical Africa, but it is only in parts of West Africa, particularly Ghana and Nigeria, that they have become owners of substantial retailing, wholesaling, fishing, and transportation businesses.

Regional Variations

These African entrepreneurial activities are unevenly distributed among tropical African countries. In general, African entrepreneurs tend to be more numerous and engaged in the larger-scale and more complex activities in the coastal countries than in the inland nations, and in those formerly under British rule than in those formerly under French rule. There are more African entrepreneurs in West Africa than in East Africa, and in the countries north of the Equator than in those to the south of it.

The development of African entrepreneurship has advanced very much further in Nigeria and Ghana than in other tropical African countries. Senegal and the Cameroons are ahead of the other formerly French-ruled nations in West and Central Africa. In East Africa, indigenous entrepreneurship has been most systematically promoted in Uganda and Kenya. The inland states of West and Central Africa are the least developed in this respect. Little is known about the Portuguese and Spanish colonies, and probably very little African enterprise has developed there.

Though these differences basically reflect the levels of economic and social development achieved by countries in tropical Africa, nevertheless there are

[3] See Appendix II, #5.

certain specific factors which can be identified. Owing to their location, the coastal states of West Africa have had the longest contact with, and have in general been more extensively involved in, the international market economy than have the inland nations. In the countries formerly under French rule, modern forms of economic activity continue to a much greater extent to be under the control of locally operated European companies than in most of the countries formerly under British rule. A similar situation persists in the Congo (Leopoldville) where, despite the disruptions of the past few years, the Belgian firms continue to dominate the economy.

Another important influence on the development of African private enterprise has been the fact that the Asians in East Africa and, to a lesser extent, the Levantines in West Africa have been largely responsible for the establishment of modern forms of distribution, particularly in the rural areas. Though they have thereby stimulated production and trade, they have not generally been willing to employ Africans or to accept them as partners or investors in commercial and other activities. This Asian and Levantine commercial predominance and their entrepreneurial exclusiveness have been resented by Africans, who have felt themselves at a disadvantage in trying to start commercial enterprises in competition with long-established non-African firms.

In addition, the presence of substantial numbers of European settlers created in East Africa, as in the Rhodesias and to some extent also in the Congo, a modern type of domestic market economy which was served almost entirely by local and overseas enterprises owned and operated by Europeans.

Selected Country Developments

The widely varying extent to which African enterprise has developed in different parts of tropical Africa may be seen in these brief descriptions of eight contrasting West and East African countries.

Nigeria. The Nigerian Ministry of Commerce and Industry estimates that there are roughly 200,000 Nigerian entrepreneurs, the great majority of whom are partially or wholly engaged in small retailing activities. Other studies indicate that approximately 25,000 Nigerians are currently self-employed in small service and manufacturing trades. Only a few hundred Nigerians own and operate modern enterprises employing 10 or more people and having gross sales in the thousands or tens of thousands of dollars. Most of these businesses, as elsewhere in Africa, are individually or family owned: the number of registered Nigerian limited liability companies is well under 1,000 and, as would be expected, the majority have registered only in the last decade. The incomes of most entrepreneurs are low: a 1959 report of the Nigerian government indicated that about 85 percent of the African traders in Lagos earned less than $420 a year—and this is probably higher than in most other parts of the country.

What distinguishes Nigeria from other countries is the range and size of enterprises run by Africans. Granted that the bottom (and largest) level of the Nigerian entrepreneurial scale resembles other African countries, the top

—while still a very small percentage of the total—includes a size and variety of activities not yet existing in other African nations. Some Nigerians do several hundred thousand dollars of business a year, and run operations employing hundreds of people, with branches in many parts of the country. The survey of 64 Lagos entrepreneurs reported in Appendix I provides some insight into the characteristics and practices of Nigerian entrepreneurs.

Nigerians have been more enterprising in seeking out a greater variety of profitable businesses than have other Africans. There is a wide range of service and artisan trades, including carpenters, electricians, painters, plumbers, shoemakers, tailors, and proprietors of motor and bicycle repair shops; fashion designers, hairdressers, barbers; photographers, printers, advertisers, record-makers. Nigerians own and manage hotels, nightclubs, and many dance bands. Most of the food, beverages, cigarettes, clothing, gasoline, and metal and plastic consumer goods sold in the cities and towns are distributed by Nigerian retailers, who operate independently but are supplied by local or foreign companies. Although Nigerians in significant numbers began wholesaling and exporting only after World War II, some now operate enterprises substantial by any standard. There are many Nigerian transportation and construction firms, large and small. Nigerians own factories and workshops making clothing, textiles, mattresses, radios, tires, gravel, drilling clay, and many other manufactured goods. Some also make their living as heads of shipping and travel agencies, insurance brokers, owners of newspapers, and as lawyers, accountants, pharmacists, and other professionals.

The Nigerian government favors a development strategy in which there is substantial government participation, but primarily as a catalyst or supplement to, rather than as a substitute for, foreign and indigenous private enterprise. Thus, there are numerous examples in all regions of the country of combinations of private foreign, government, and—less often—private Nigerian equity in both new and existing enterprises. However, there are also government-sponsored corporations competing with well-established indigenous enterprises.

In addition to a series of direct steps to assist Nigerian entrepreneurs, the government has for several years encouraged, persuaded and, in some cases, pressured the foreign firms to employ and train Africans for higher positions, including technical and managerial levels; and it has consistently expanded educational facilities in recognition of the fact that, without education, specialized training is almost impossible.

For some years, both the federal and the regional governments have acted in a variety of ways to assist African businessmen. They have investigated and made reports on the kinds of assistance needed. They provide information to entrepreneurs regarding foreign trade, taxation, and business and other regulations both of Nigeria and of other countries with which their entrepreneurs might wish to deal. They keep Nigerians informed about prospective domestic and overseas suppliers of goods and equipment, and overseas businessmen informed about prospective Nigerian importers and distributive agents. They publish monthly trade journals and other relevant publications.

Through development and finance corporations and loan boards, the government has provided loans, sometimes with, more often without, technical assistance. As part of the current development plan, the federal and regional governments have undertaken programs to expand both foreign and indigenous enterprises, the latter primarily small scale.

Ghana. Though not to the same extent as Nigeria, Ghana also differs from the rest of tropical Africa in having already developed a small but significant number of sizable and successful African entrepreneurs, engaged in a variety of businesses; operating at substantial rates of turnover, growth, and profit; reinvesting a major proportion of profits; and conducting training and incentive programs for their employees.

The 1963 census of industry estimates that there are over 100,000 enterprises of all sizes, of which 1,200 employ more than 10 people. Most Ghanaian entrepreneurs are small retailers, whose net income is only a few pounds sterling a week, and whose education stopped after a few years of primary school. But, a number of Ghanaians own plants manufacturing such consumer goods as furniture, handbags, and suitcases; perfume and cosmetics; and soft drinks, baked goods, and other processed foods and beverages. Some operate commercial fishing boats and poultry farms. Others run printing presses, book stores; taxis, buses, and trucks; motor repair shops, gasoline stations, and other service establishments. There are Ghanaian construction firms, and export, wholesaling, and retailing enterprises in which the annual turnover ranges between $30,000 and $150,000 a year, with several doing even better. There are even some second generation businesses.

Several factors account for the greater development of indigenous enterprises in Ghana than in other African countries, except Nigeria. More Ghanaians have had more education for longer; it is the only country in tropical Africa with more than 10 percent of its school-age population attending secondary school; and there are currently well over 3,000 Ghanaians in universities, nearly half in Ghana, the rest overseas. Ghanaians have been engaged in commerce longer than most other Africans. The more successful Ghanaian entrepreneurs have themselves begun to understand their problems and have been trying to do something about them, individually and collectively. Some Ghanaian entrepreneurs have instituted training, incentive and, in at least one case, equity sharing schemes among their employees, thereby endeavoring to attract better educated and more productive labor. More and more Ghanaian entrepreneurs are recognizing the necessity of reinvesting a regular portion of profits in their businesses, and some are putting themselves on salaries so as better to regularize and calculate the funds drawn from the enterprise.

Ambitious to develop and control its own economy, and with more resources of personnel and finance than most African countries, Ghana has experimented with and discarded, modified and maintained a number of policies and programs which, though broader in scope, affect the growth of entrepreneurship. More than any other English-speaking country in tropical

Africa, Ghana has been stressing public enterprise not only in infrastructure but also in manufacturing, distribution, and even in agriculture. High compulsory reinvestment and import purchase taxes, strict exchange controls, compulsory savings, alternate encouragement and discouragement of joint ventures between Ghanaian and foreign private companies, periodic denunciations of private enterprise and reaffirmations of Marxist clichés in the officially controlled press, uncertainty regarding the future expansion and policies of government enterprise—these and other political and economic developments have tended to discourage or postpone investment decisions by both Ghanaian and foreign entrepreneurs. At the same time, the President, his ministers, and the civil service have repeatedly asserted that foreign private investment is needed and wanted, whether in combination with the government or on its own. Also, small indigenous enterprise has been designated as one of the main sectors by which the country is to be developed. Although the Industrial Development Corporation—which provided loans to Ghanaian and foreign private firms starting or expanding industries—has been disbanded, a National Investment Bank has recently been established to provide loans, equity investment, and technical advice to both public and private enterprises.

The larger and more efficient Ghanaian businessmen have been particularly worried about the effects on their activities of the government's intention to encourage only small indigenous enterprise and to widen the scope and variety of state-run industries. As of June 1963, there were 72 private African and foreign-owned and 11 state-owned factories, with 23 more state factories under construction or planned. Although most of the latter are in fields of little interest to indigenous private enterprise, and the government has repeatedly asserted that it would not give special favors (e.g., import licenses, import duty relief, purchasing contracts, etc.) to state-owned enterprises, Ghanaian entrepreneurs are increasingly concerned about their future.

Liberia. Liberian private investment in domestic activities is largely concentrated in residential and commercial real estate, transportation, and rubber farming. Some Liberians are also engaged in poultry farming and deep sea fishing, and in the operation of bakeries, dry cleaning establishments, laundries, automobile service and repair stations, and workshops making doors, window frames, and other house construction materials. More—but still not many—Liberians own retail shops of various sizes; the largest foreign-owned importing and wholesaling company reports that it has credit accounts with about 30 such Liberian retailers. There are, of course, many more small Liberian traders, but they believe that their possibilities for expansion are inhibited by the hard working, better capitalized Levantine merchants who predominate in Liberia's distribution system to a greater extent than elsewhere in West Africa.

Except by special exemption, the transportation business is reserved for Liberians. In June 1961, there were over 1,500 taxis registered in Monrovia and environs, operated by five principal taxi companies and a number of individuals. Some Liberians directly manage bus and trucking services; but in a considerable number of cases, Liberians have rented their trucks to the foreign companies for weeks or months, and the latter supply the drivers and maintenance. In other cases, Liberians have employed non-Liberian Africans as managers of their transport enterprises or, under special exemptions, have entered into partnerships with foreign companies.

A major reason for the small number of active Liberian entrepreneurs is the fact that Liberia's educational system is still in the early stages of development. In 1960, fewer than 2,000 students were in the secondary schools and in 1961 it was reported that only 142 passed their secondary graduation examinations. Although there are other Liberians studying abroad, this is a very small reservoir on which to draw for government, private foreign firms, and indigenous enterprises.

The country's first development plan is still in preparation. However, the Liberian government has clearly stated its intention to continue its policy of developing the country predominantly through private enterprise, indigenous and foreign.

Senegal. As in the rest of French-speaking Africa, there are few indigenous enterprises of any size or substance. The head of one large French commercial company operating throughout the region estimated that there are fewer than 1,000 African entrepreneurs of all kinds with one or more employees in all of the former French West African territories, although in Senegal, as elsewhere, there are thousands of petty retailers. Among the successful Senegalese entrepreneurs are a printer, a furniture maker, a bottler, an ironmonger; a representative of several foreign exporting companies; a few owners of buses and trucks; and a boat-building cooperative. The Union for the Defense of African Economic Interests, a weak organization of African traders, was formed both to educate its members in better commercial practices and to represent their interests before the government. The Union claims a membership of roughly 1,000, divided among the seven provinces.

Even the development of private enterprise in commercial agriculture has been inhibited in many parts of Senegal by the power of the marabouts—traditional leaders with both religious and quasi-political authority. Many marabouts have become wealthy, but tend not to invest their money in the country. Farmers are required to turn over to the marabouts specified amounts of their crops, and/or to provide them with certain labor services, which leaves the farmers with little or no capital for improving their own farms. The government has recently instituted a program of *animation rurale* to stimulate and assist farmers in developing their farms and communities.

In Senegal, as in other French-speaking African countries, the government gives its socialist orientation as a reason for not encouraging the growth of indigenous private enterprise. It is also relevant to note that very few Senegalese have received technical or managerial experience or training. Hence, there are few Senegalese entrepreneurs who are able without outside assistance to expand their operations beyond a one-man basis.

However, there are some officials within the government who are thinking constructively about the best ways to bring more Africans into the commercial and industrial sectors of the economy, which have long been controlled by the French and the Levantines, and about how to ensure the effective contribution of private economic activity to national development. Moreover, in the newly established manufacturing, mining, and banking enterprises in which the government shares the equity with foreign investors, Africans are being trained, usually abroad, for the highest posts. The government's Development Bank has lent most of its money for African agricultural development, and recently for joint government-foreign enterprises, but has not been interested in proposals to assist indigenous private enterprise. However, the Crédit Populaire Sénégalais (another government development fund which is now being incorporated into the Development Bank) has made both consumer and investment loans to Africans, the latter for the establishment and expansion of small enterprises in construction, furniture making, and boat building.

The French companies, for the most part, still prefer to purchase Senegalese raw materials for export, to import manufactured goods from France, and to remit their profits for investment in Europe and elsewhere rather than to develop domestic manufacturing and relationships with African suppliers and distributors. Only a few have provided training to their African employees which would qualify them for promotion to higher levels. Among the latter are the Compagnie Française de l'Afrique Occidentale (CFAO) and the Société Commerciale de l'Ouest Africain (SCOA) which have sent African employees to France for training, and have also helped to organize groups of African retailers in both Senegal and the Ivory Coast to begin to import and wholesale goods for their members (see Appendix II, #6, for an example of a SCOA-assisted group). However, Senegal's investment code now requires that new enterprises must train Senegalese employees if they are to qualify for various privileges and investment incentives.

Ivory Coast. African entrepreneurship has not been important either conceptually or functionally in the Ivory Coast. At most, there are only a few dozen African entrepreneurs other than those engaged in small retailing. Until the recent formation of a wholesale cooperative by a group of retailers, no Africans were engaged in wholesaling or importing. Few of the French companies use African entrepreneurs as suppliers and distributors, and those who do often find that the more enterprising Africans come from other parts of West Africa.

Ivory Coasters themselves suggest that they have been farmers, not businessmen, and have not until recently been interested in assuming independent roles in commerce and industry. In any case, they have had little encouragement to do so. The foreign companies in the Ivory Coast, largely French, have provided little systematic training to employees, and few opportunities for advancement above clerical and manual levels. Responsible administrative, technical, and managerial positions in private companies have been held by the French, as indeed have many of the supervisory, skilled, and clerical jobs. Ambitious Ivory Coasters with some education have generally chosen a political, not an economic, path to personal success.

Educated Ivory Coasters have been at a premium. The first secondary school in the country was established after World War II; in 1962, approximately 200 students received their *baccalauréat* (a degree equal to one or two years of college in the United States).

A few Ivory Coasters have organized potentially successful businesses—but usually on a cooperative, rather than an individual basis. The wholesaling cooperative has already been mentioned, and is described in Appendix II. There are also a foundry, and a union of African transport owners formed primarily to group freight movements more efficiently and to offer service on a more organized and larger scale.

The government has made no special effort to help indigenous entrepreneurs with loans, contracts, technical assistance, or in other ways. However, a development bank is being established which will make loans to African enterprises, as well as to other companies, undertaking new industrial ventures. Unlike its counterparts in other French-speaking countries, which are largely financed by the African and French governments, the proposed Ivory Coast development bank will be supported by the government, the Chase International Investment Company of New York, and Lazard Frères of Paris.

The Ivory Coast government's rationale for its lack of encouragement of indigenous enterprise has been the fear of creating a local "bourgeoisie" with interests antagonistic to those of the great mass of the people. However, this "Marxist" objection does not extend to private foreign investment, which has been encouraged by the Ivory Coast government as one of the major ways to obtain the capital and skills necessary for the country's development.

Kenya. Africans in Kenya have for years been engaged in petty retailing, but the Asian and European settlers have undertaken virtually all wholesaling and much of the retailing activity. However, a small number of Africans have successfully established themselves in transportation, construction, and tailoring; a few are running dry cleaning shops, sawmills and ranches, and have distributorships for beer and tobacco products covering sizable territories; and there is one African manufacturer making batteries. The activities of the Wakamba in producing and distributing wood carvings and other tourist goods throughout East Africa, and increasingly overseas, have already been mentioned.

During the last few years, the Kenya government has been encouraging the formation of industrial and commercial cooperatives, in addition to the already established agricultural cooperatives. The agricultural cooperatives are engaged in marketing and processing the produce of their members—until recently, mainly coffee and other export crops, but in the last few years also fruits and vegetables, dairy products, and hides and skins. Nonagricultural cooperatives are now being established—for example, bicycle repair. In 1963, the number of cooperatives of all types exceeded 1,000.

The Minister of Commerce and Industry of the newly independent Kenya government has for many years been determined to encourage more Africans to undertake more commercial and industrial activities at increasingly advanced levels. The government proposes to encourage African retailers to organize wholesale and import-export organizations in each district; to persuade banks to make more commercial loans to Africans, particularly through cooperatives; to encourage those European and Asian companies which have not yet done so to train and advance their African employees and, where practical, to offer them opportunities to buy shares; and to establish a number of centers to give short courses in business methods and technical skills to Africans. In consequence, the country has made a good start in programs designed to help African entrepreneurs. With funds provided by the Kenya and U.S. governments, loans have been made to African entrepreneurs by the Industrial Development Corporation working in conjunction with local committees. The new Kenya Development Finance Corporation will probably lend to or make equity investments in the larger firms, but it intends to encourage them to use smaller African enterprises as suppliers of goods and services.

Commercial extension officers are still too few in number, but it is intended that there will be at least one in each region. Training courses of several weeks duration for African businessmen are available at a number of regional centers; middle-level commercial and business courses are offered by the Polytechnic Institute; and degrees in commerce and special courses are given at the Royal College (University of East Africa) in Nairobi. In addition, the Japanese government is establishing a center for research on small industries, which will also undertake some training.

Although many foreign business firms have been slow in providing training for their African employees, several exemplary programs have been established in the last few years. These include not only on-the-job instruction in various types of modern technical, clerical, and managerial skills, but also the training of distributors who, in addition to learning their own occupation, are being instructed in methods of assisting African retailers to keep adequate inventory records, display their stock effectively, and improve their salesmanship.

Tanganyika. Only 3.5 percent of Tanganyika's nine million Africans live in the 33 townships with populations of 2,000 or over, in contrast to 60 percent of the Europeans and 72 percent of the Indians. The African population, thinly spread throughout the countryside and largely living by subsistence agriculture, provides a seasonal market. Nonetheless, the rural people are served by more than 30,000 African traders and by two thirds of the roughly 14,000 non-African retailers—the remainder of the latter are in the cities. The non-Africans handle more than two thirds of Tanganyika's total retail business. Most African retailers were estimated in 1962 to have an annual turnover of $560 to $1,400, with gross margins ranging between 15 and 30 percent.

Not one of Tanganyika's nearly 4,000 wholesalers is an African. Groups of African retailers have from time to time tried to organize their purchasing so as to benefit from wholesale discounts, but these efforts have generally failed. Most often they attribute their lack of success to the competition of the better financed, more experienced and persevering Indian enterprises. With Israeli assistance, the Tanganyika government has established a wholesale cooperative (COSATA) which will distribute largely through African consumer cooperatives in an effort specifically designed to help Africans compete more effectively with non-African enterprises.

With the exception of several entrepreneurs in transportation and construction, there are very few Africans in any business other than retailing. Until the last two or three years, there have also been virtually no Africans employed by the private European and Indian firms in positions requiring administrative, technical, or managerial skills—and relatively few even in the government. Only in the long-established agricultural marketing cooperatives have Tanganyikans been able to attain managerial experience, and it is significant that several ministers in the present government have come from the cooperative movement.

One major reason for the failure to train more Africans was the fact that few Africans reached the higher levels of education. In 1956, only 139 students passed their university entrance requirements; and 607 completed 10 years of education. These figures were multiplied several times by 1962, but there will be a huge gap between the supply of and the demand for qualified personnel in Tanganyika for many years.

Cooperatives are favored in Tanganyika as the major method of bringing Africans into both the commercial and the industrial sectors of the economy. The cooperative form of private enterprise is officially regarded as consistent with traditional African values. In consequence, although individual and corporate forms of African enterprise will also be assisted, they will not be as strongly encouraged as cooperatives.

As a result of government stimulation and assistance, new African cooperatives have been established in such nonagricultural fields as tailoring, carpentry, construction, transportation (taxis and trucking), operation of gasoline stations, dairying, and even mining. These cooperatives have memberships ranging from 15 to 200. However, insufficient thought has been given to determining the industrial and service fields in which artisans' cooperatives are likely to succeed, and to the minimum and maximum number of members that a cooperative needs and can support. For example, the new carpenters' cooperative in the small city of Mwanza on Lake Victoria has over 100 members; and there is local competition from individual African carpenters as well. The plight of a tailors' cooperative resulting from inadequate planning is described in Appendix II.

In contrast, the record of the marketing and processing cooperatives in the agricultural field is encouraging. Not only are many of them flourishing, but more and more of the long-established tobacco and coffee marketing cooperatives have been setting up curing and processing plants. The cotton cooperatives are now in process of buying out and operating all of the country's 19 ginneries, hitherto mostly Asian owned.

Despite the emphasis on cooperatives, the government also makes efforts to assist private African enterprises. With government encouragement, a number of retailers' joint service associations have been formed during the past few years to obtain the advantages of combined purchasing. African entrepreneurs have for several years received loans from a special fund administered by the Ministry of Commerce with financial support from the U.S. government. Additional commercial extension officers are to be appointed by the government, and a business training course is being established at the new university in Dar es Salaam. The program of villagization, under which rural Africans are being encouraged and assisted to move together to form villages, may also create opportunities for African enterprise.

Uganda. Based on a careful survey made in 1953, the Ministry of Commerce estimates that there is today a total of 17,000 registered and unregistered traders in Uganda, of whom 70 percent are Africans and the remainder mostly Asians. Of the African traders, only 20 percent were reported in 1953 to earn a net annual profit of $700; another 60 percent earned approximately $140 a year. In the past 10 years, their earnings have probably increased as the volume of internal trade has grown and the proportion handled by Africans has risen from 10 percent prior to World War II to several times that proportion today. However, the vast majority of African traders run very small operations, and their profits are low owing to small markets, slow turnover, and failure to consider overhead in calculating costs.

Africans are also engaged in transportation, brickmaking and construction, shoemaking and repairing, tailoring, corn milling, butchering, and other service and artisan trades. Several successful African entrepreneurs own newspapers and private schools.

Since 1954, the Uganda government has been a pioneer in Africa in initiating programs to protect, stimulate, and assist African entrepreneurship. In recent years, the three main government agencies for assisting African entrepreneurs have been the Uganda Credit and Savings Bank, the Uganda Development Corporation, and the African Trade Development Program of the Ministry of Community Development.

The Uganda Credit and Savings Bank, established in 1950, conducts an active and imaginative campaign for mobilizing African savings, and uses its assets, among other purposes, to provide financial assistance to African entrepreneurs and enterprises which, for legal or economic reasons, cannot qualify for loans from the commercial banks. The Bank also administers two revolving loan funds for African entrepreneurs granted by the United States, about half of which have been allocated for agricultural purposes. The Bank uses local committees of national and local government officials to screen applicants and to follow up on loans, and has its own staff of debt collectors. While the record of repayment on all loans (including mortgages and commercial loans) made to Africans by the Bank is good—the rate of default is only about 10 percent—the delinquencies of small African traders approach 50 percent.

The Uganda Development Corporation (UDC), established in 1952 to finance government and foreign-owned industrial enterprises, has set aside $200,000 from its profits for a Small Industries Development Reserve Fund to make loans to African entrepreneurs. As yet, there have not been enough sound applications from Africans for industrial and other ventures to utilize fully this fund. The UDC has a staff which evaluates all loan applications before they are granted, and visits borrowers on a fairly regular basis to check on their operations and offer support and advice. The UDC plans eventually to sell shares in some of its 20-odd subsidiary or associated companies to the Uganda public.

The African Trade Development Program is carried out largely by commercial extension officers (at least one in each province). These officers provide advice to African entrepreneurs, arrange trade shows, give short training courses, and are attempting to encourage the formation of African traders' associations and of purchasing groups which could take advantage of wholesale discounts. Under this program, the government has built shops and showrooms worth $350,000 in centers throughout the country for rent to African entrepreneurs. In addition, the Uganda government gives a 10 percent preference in its purchasing to locally incorporated firms.

Since independence, the government has continued these programs to assist African entrepreneurs, but has been troubled by the fact that the Constitution forbids discrimination, positive or negative, among Uganda's citizens, who include Asians and Europeans long established in the industrial and commercial sectors. Yet, without special government efforts and assistance, African enterprise is not likely to develop rapidly and efficiently. In the past, African resentment of Asian dominance in commerce has been reflected in sporadic boycotts of Asian and other non-African firms. The government wishes to prevent such manifestations and also to foster African enterprise for positive reasons, without violating the Constitution.

Regardless of this dilemma, the efforts of the Uganda government to develop African enterprises have been outstanding among African countries and merit more detailed study than is possible here. If they have not yet created a large and diversified group of successful African enterprises, the reason lies more in the intrinsic slowness and difficulty of the process than in any deficiencies of the program.

It is clear from this survey that modern forms of indigenous private economic activity are only beginning to be developed in the countries of tropical Africa, except for Nigeria and Ghana. Yet, the extent and variety of African private enterprise that has already evolved in these two countries indicate that, in favorable circumstances, Africans want and are able to assume the responsibilities of conducting their own businesses successfully. Hence, they should be encouraged and assisted to do so because, as explained in the Introduction to this study, it is only with the active participation of Africans functioning as private entrepreneurs that the African nations will attain the fastest and fullest development consistent with achievement of their economic and social goals. In contrast, the absence or rudimentary character of indigenous private enterprise, if indefinitely continued, is likely to lead only to increasing frustration and discontent within economic systems failing to make adequate use of their potential resources of human energies and productive capital.

This point is also relevant to the other types of private enterprise already existing on a more extensive and developed scale in many African countries—those conducted by Levantine residents and Asians and Europeans born or long settled in Africa, and by the large European and American companies operating in the region. The private economic activities of these groups constitute assets of enormous importance to African development not simply because they represent already existing productive facilities, but also because they are the major reservoirs of modern knowledge and skills now in existence in African economies. As such, they can contribute very significantly both to African development in general and to the stimulation of African enterprise in particular.

African entrepreneurs complain that the Asians and Levantines have impeded their own advancement owing to their established positions and superior competitive capabilities in wholesaling and retailing. This objection is valid as far as it goes, but there is more to the problem than it indicates. Abolishing the competition of the non-Africans will not solve the problem. Rather, a constructive solution can be sought in two ways. The first is to encourage and assist African entrepreneurs to improve their own competitive abilities so that they can adequately cope with the situation and thereby benefit both themselves and the economy as a whole. The second is for African governments, through appropriate incentives and regulations, to induce their Asian and European citizens and Levantine residents to conduct their economic activities in ways which would increase their existing contributions to African development, particularly by using African entrepreneurs as suppliers of goods and services, and by training their African employees for and promoting them to positions involving more advanced technical and managerial skills. The role of the European and American companies in fostering African economic development and stimulating African entrepreneurship is analyzed in Chapter III.

II

Characteristics and Problems of African Entrepreneurs

If African private enterprise is to make the contributions of which it is potentially capable to the achievement of African social and economic goals, it must overcome the limitations and difficulties which now inhibit its development even in the most advanced African countries. Such problems have been characteristic of private enterprise in the early stages of its development everywhere in the world and, in this sense, are not unique to Africa. As in other parts of the world during comparable periods of their development, the emergence of modern forms of private economic activity in Africa is an integral part of the vast process of social transformation through which the countries of the region are, and will for many years be, passing. In consequence, African entrepreneurship today exhibits an often contradictory blend of traditional and modern attitudes and of pecuniary and nonpecuniary responses; its performance is limited by still latent personal capabilities and skills, by small markets, and by scarcity of financial resources. However, as is demonstrated by the progress and contributions of private enterprise in the developed nations, these problems can be overcome in time, provided appropriate efforts are made by the entrepreneurs themselves, by their governments, by the foreign companies with which they come in contact, and by the foreign governments and international agencies assisting in African development.

This chapter surveys the main social and economic characteristics and problems of emerging African enterprise against the background of the changing environment of the African countries, and discusses the ways in which African entrepreneurs can help themselves and one another to improve their performance.

Sociological Aspects

Africans go into business for many of the same reasons as do people in other parts of the world—because they hope to earn more money to support their families and send their children to school, because they prefer to be independent or like the challenge of being responsible for their own work, because their relatives urge them into it, and because they have too little of the kind of education necessary for governmental and professional employment.[1] Sometimes, Africans use their savings to start a business for

[1] See, for example, the responses to Questions 1 and 15 in Appendix I.

reasons of prestige but lack the persistence or the skills to conduct it in ways that can ensure its success. Thus, though African entrepreneurs are "economic men," their motivations are no less complex and no less interwoven with noneconomic considerations and constraints than are those of businessmen in the United States, Brazil, or India. Where they do differ is in the extent to which objective, pecuniary calculations govern decisions and in the specific kinds of noneconomic motivations which condition economic behavior.

African entrepreneurs today live "between two worlds"; but, unlike Matthew Arnold's, the one is far from dead and the other is rapidly being born. On the one hand, African entrepreneurs are to a greater or lesser extent still participants in the relationships and values of the traditional society. The bonds of the family, of the lineage group, and of the tribe are still strong, and denial or evasion of their claims often results in personal shame and rejection by the local community. The traditional regard for status still affects African self-estimation, and the traditional nonproductive uses of economic resources and of time still influence the ways in which Africans dispose of their money and spend their waking hours. On the other hand, the African entrepreneur is engaged in a modern form of economic activity, which is in turn a unit in a growing national economy increasingly involved in a highly complex international economic system. His ability to maintain and expand his enterprise depends in large part on his willingness to accept the unaccustomed discipline of management responsibilities and to respond appropriately to the unfamiliar signals of the market. His activities increasingly involve him in impersonal, rationalized relationships with colleagues, customers, and competitors in contrast to the personalized, affective relationships of the traditional community.

Modern types of employment, the spread of education, the example of successful foreign, and also African, entrepreneurs, and the "demonstration effect" of increasing knowledge of European and American living standards and personal aspirations have all contributed to the desire of Africans to own and operate modern economic enterprises. But, the effects of these influences are conditioned by the persistence of traditional attitudes and values. Though the successful African entrepreneur is highly regarded, the average African businessman has hitherto not enjoyed a status in his own society as high as that of his counterparts in North America and Western Europe, for the highest social prestige is still largely shared between the old elite of chiefs and elders in the countryside and the new elite of political leaders, civil servants, professionals, and intellectuals in the urban areas. Nor, for their part, do most African entrepreneurs have the conscientious commitment to business enterprise and the sense of its social importance which characterized their counterparts in more advanced countries at similar periods in their development. Though the spirit of enterprise is certainly not lacking among Africans, it has not become the overriding justification for individual behavior which distinguishes Max Weber's typological "entrepreneur" or Joseph Schumpeter's "innovator." So exclusive a preoccupation with enterprise probably did not characterize the majority of successful entrepreneurs during their development in Western Europe and North America, and certainly does not today, when social responsibilities and other forms of personal fulfillment are also stressed by businessmen. However, the casual commitment to work, with little relationship between individual productivity and self-esteem, which has been characteristic of so many Africans in all types of occupations, is not conducive to the achievement of national development and higher living standards.

Only a few institutions and values of traditional African society prepared Africans in a positive way for the motivations, attitudes, and restraints which they require for successful performance as modern entrepreneurs. Some features of the traditional society constitute obstacles to successful entrepreneurship; others, while not directly blocking it, impair the effectiveness with which Africans perform in modern economic activities. However, much of the life of the traditional society has neither a positive nor a directly negative influence on the willingness and ability of Africans to engage in entrepreneurial activities; it is simply irrelevant to the range of experience encompassed by modern entrepreneurship, touching it not at all or in no significant way. In addition, certain aspects of African experience during the period of colonial rule have also had a negative effect on African capacity to meet the requirements for successful entrepreneurship.

Influence of the Family

The ambivalent influence of traditional values on an African entrepreneur is perhaps strongest, and is certainly most clearly evident, in the relationship between his family and his business. In Africa, as in other traditional societies, the primary obligations are to the family as the basic social unit—and the family often extends to include third uncles, fifth cousins, and sometimes literally hundreds of people. Regardless of the specific type of traditional African extended family to which he belongs, the African expects and is expected to share his output or income in certain customary ways with the other members, to defend their interests, to respond to their appeals for assistance, and in general to regard their claims upon him as of the same order of priority as his own self-interest. Most Africans are reluctant to forgo the emotional support derived from the warmth and security of traditional family relationships. Also, in many cases, the family has provided all or part of the funds needed by the entrepreneur to start or expand his business. Hence, both psychological and financial needs combine to perpetuate at least some of the traditional family ties, even when the entrepreneur may no longer physically reside in the family village or compound.

Most Africans born and reared within such a family environment try to meet traditional obligations. Indeed, one of the major criteria of success in contemporary Africa is the extent to which an entrepreneur can assist numerous members of his family, village, and even tribe to eat and dress better, live in more modern houses, send their children to school, find jobs, and enjoy increased leisure. Africans expect and are expected to share their success in these ways, and for them to refuse to do so would be to risk rejection by the family and the local community. At the same time, the larger and more successful entrepreneurs, particularly in the urban areas, increasingly desire—and are increasingly urged by their wives, children, and friends—to reserve for themselves more of the modern rewards and symbols of rising incomes: a substantial town house, expensive clothing, a TV set and an automobile, secondary and university education for their children, travel and entertainment, etc. Thus, "living between two worlds" also means "keeping up with two Joneses"—one traditional and the other modern.

One important economic consequence of the persistence of traditional family obligations is the expectation that African entrepreneurs will provide jobs for their relatives, and African enterprises are characteristically staffed by a large proportion of relatives. The obligation and willingness to provide for relatives often go beyond the economic need of the enterprise for labor, and employed relatives may not possess the skills necessary for efficient performance. Moreover, there is a tendency to regard the capital invested in the business, even if it comes solely from the proprietor's own resources, as available to meet the financial needs of other members of the family—to pay a fine or settle a lawsuit, to send a young cousin or nephew to school, to help start a business for another member of the family, etc. Thus, capital may be withdrawn from the enterprise for extraneous purposes, however worthy they may be in their own right, to the detriment of current operations or future expansion. Large numbers of African enterprises have failed for such reasons.

A more subtle effect of traditional attitudes and obligations is that they strengthen African reluctance to enter into partnerships with nonmembers of the family or tribe, or to entrust outsiders employed in the business with important responsibilities. While other factors also tend to discourage mutual trust among unrelated Africans, the suspicion of outsiders is a basic characteristic of the traditional society. Even where African entrepreneurs can see the advantages of entering into partnership with an outsider or of employing him in a position of responsibility, they may be deterred from doing so not only by their own lingering doubts, but also by their fear that the other members of the family will continually complain against, and perhaps sabotage, the arrangement. For the same reasons, the outside partner or employee often has a weak sense of loyalty and obligation to an associate or employer with whom he has no traditional relationship. Many Africans who invested in various kinds of joint ventures have lost their capital owing to the dishonesty of nonrelated partners and employees, as well as to poor management and other causes. These attitudes and experiences have been major factors in the slow growth of partnership and corporate forms of enterprise, and of African investment in equity shares of African-managed companies.

Despite these influences, there is a growing number of African entrepreneurs who are both willing and able to make the modern distinction between personal responsibilities and business obligations, and who are finding ways of reconciling traditional family demands and modern business requirements. Relatives' needs for economic assistance are increasingly regarded as claims against the personal resources and time of the entrepreneur and not as automatically entitling them to employment in, or a portion of the assets of, the business. Indeed, some African businessmen interviewed in the course of the study stated that they would employ only trained or trainable relatives; others asserted that they were opposed to the employment of relatives in their own businesses and to the diversion of their capital—though not of their profits—to family purposes.[2] As the spread of urbanization increasingly weakens the ties of the traditional extended family, and more and more Africans reach maturity without experiencing its psychological conditioning, the ambivalent attitude of many African businessmen today will be resolved in favor of using stricter economic criteria in making business decisions.

Influence of Traditional Values and the Colonial Experience

While the pervasive influence of family attitudes and values is the major way in which the traditional society conditions emerging African entrepreneurs, other influences of the traditional society are also important. Economic historians and sociologists have laid great stress upon the role of abstinence, frugality, and thrift in capital formation in Western Europe and North America during the early stages of commercial expansion and industrialization and on the special sociological characteristics of deviant or low-status individuals and groups which stimulated them to become successful entrepreneurs (e.g., the overseas Chinese, the Indians in Southeast Asia and East Africa, the Levantines in West Africa and South America, etc.). The specific Protestant ethic of hard work and saving, and the lack of other avenues for personal fulfillment of particular disadvantaged minority groups may have contributed to entrepreneurial motivations and advancement in certain countries. However, the commitment to economic achievement as a major measure of self-evaluation, the choice of saving over consumption, and the willingness to engage in physical labor and to submit to work disciplines have been essential requisites for modern economic advancement everywhere in the world.

Traditional African society provided no sanctions of these kinds. Productive labor was not regarded as good in itself but only as a means to obtain the necessities of life and to provide the symbolic forms of nonproductive wealth (e.g., houses, cattle) which were the outward signs of high social status. Leisure, display, and lavish consumption (relative to the productivity of African subsistence economies) were, in contrast, highly valued.

Certain aspects of the colonial experience also served to perpetuate such traditional attitudes and values though, as explained in Chapter I, the impact of the West has been in many other ways the major factor in trans-

[2] See Question 7 in Appendix I.

forming and superseding them. Colonial administrators, too, did not work with their hands, lived on a conspicuously lavish scale, tended to regard businessmen even of their own nationality with condescension, and appeared to attach great importance to social and recreational activities. Education available to Africans at home and in Europe during the colonial period—and persisting in large measure even today—tended to reflect British and French preferences for the learned professions and for literary culture. The strong sense of commitment to political activities generated by the independence movement is only beginning in most African countries to stimulate a corresponding sense of commitment to economic activities, whether in private or in government enterprises. It is only as the post-independence opportunities for political and governmental careers are filled and as recognition grows that continued national independence and development require economic as well as political skills and participation, that commerce, industry, and finance will attract the more dynamic and innovating personalities among Africans.

Another heritage from the colonial period is the as yet inadequate realization that modern economic and governmental activities require certain work disciplines and standards of morality. When Africans first became involved in modern forms of activity, it was either as employees of foreign-managed plantations, mines, and commercial establishments or as taxpayers to or employees of a foreign-dominated government. In either case, a strong sense of loyalty was not generated, nor were African employees and taxpayers likely to identify their own interests with those of their European employers or European political rulers. Pilfering, dragging one's feet, inadequate care of machinery and equipment, high rates of absenteeism and turnover, tax evasion, bribery, and other forms of irresponsible or undisciplined behavior were not, from the African point of view, regarded as undesirable, and in some circumstances even acquired the status of virtues—for example, when done to advance family interests, or express opposition to colonial rule.

Nor did the casual economic transactions of the traditional society—sharing, barter, direct and immediate bargaining—prepare African entrepreneurs for the modern disciplines and planning required to fill orders for goods and services by a specified time, in specified quantities and qualities, and at fixed prices. This lack of knowledge of the requirements for operating a modern business and the inadequate recognition of necessary standards of business ethics have all too often resulted in misrepresentation of capabilities and goods, failure to pay debts and make deliveries, and other harmful practices.

Nevertheless, despite the continuing strength of attitudes and practices derived from the traditional society and the period of colonial rule, more and more Africans are learning to conform to the disciplines and standards required for successfully engaging in modern forms of economic activity. This development attests to African adaptability, as well as to the motivating power of rational economic incentives and to the molding force of market factors. The rewards of entrepreneurship increasingly attract Africans. Of those so attracted, increasing numbers are learning from day-to-day experience to differentiate between the kinds of behavior they must avoid and those actions which they must undertake in order for their efforts to be successful. Every change in attitude or practice induced by these experiences predisposes the entrepreneur toward additional modifications in his behavior. This process of transformation is necessarily slow, but it is well under way in the economically more advanced African countries and has already begun in all but a few of the others.

Characteristics of the Dynamic African Entrepreneur

It is often assumed that the pyramidal classification of African entrepreneurs—into a large category of small retailers and petty purveyors of services at the base; a much smaller middle stratum of wholesalers, importers and owners of workshops, transport operations, and other service establishments; and a very small top group of comparatively large manufacturers and specialized commercial and service firms—represents not simply a convenient conceptual schema but also an actual historical progression The small shopkeeper is said to reinvest his profits in expansion and diversification; eventually he becomes a wholesaler or importer or starts a factory; and finally crowns his career by becoming a financier and director of many companies. True, there are Africans who have started with a $5 stock of goods carried about the streets on their heads and have risen through this sequence of progressively larger and more complex activities. But, this does not mean that many shopkeepers will eventually become tycoons, or that many of today's small number of African manufacturers and corporate directors embarked on their careers by tending stalls in the marketplace.

In fact, the Africans engaged in the most modern forms of economic activity or the largest-scale operations generally have considerable education by African standards—at least primary and some secondary or vocational schooling. Often, they have turned to business after working for some years as skilled or clerical employees of government agencies and foreign business firms.[3] The lack of opportunity for advancement in such jobs and the prospectively greater rewards of entrepreneurship have attracted them to business activities. The significant point is that they have turned to entrepreneurship after having tried other, equally modern occupations. In general, these larger and more successful entrepreneurs, aware of the requirements of operating a modern business, are *ipso facto* recognizing the traditional attitudes and practices which impede economic progress, and are willing and able to mitigate their negative effects, if not to abandon them entirely.

In contrast, although many small African entrepreneurs say that they want to improve and expand, the overwhelming majority of them are likely to remain relatively stagnant for the rest of their lives precisely because

[3]See Appendix I (Summary Tabulation, and Questions 2 and 5) and Appendix II.

their deficiencies of education and experience limit their capacity to understand the requirements of modern forms of economic activity and to modify traditional attitudes and practices accordingly. These basic sociological characteristics, more even than the specific economic inadequacies and problems discussed in the next section, set the limits to the development most African entrepreneurs are likely to achieve.

In consequence, the efforts of African governments, foreign companies, and international aid agencies to stimulate and assist African entrepreneurship will be more productive if they are concentrated on the small group of African entrepreneurs—perhaps as yet no more than 1 or 2 percent of the total—who have already demonstrated the willingness and capacity to innovate, to improve, and to expand. To scatter funds and technical assistance personnel among comparatively large numbers of entrepreneurs who have shown little or no ability to meet modern economic disciplines and business standards is, in large part, to waste these very scarce development resources. The great mass of African entrepreneurs are not likely to make effective use of such assistance unless they can obtain it only as a reward for their own efforts at self-improvement. In the development of a nation and of an individual, it is true that "the Lord helps those who help themselves." The example of the small number of dynamic African entrepreneurs, aided in a variety of ways to become more successful by well-conceived assistance programs, will in time spur on increasing numbers of the others to understand and to make the effort required to qualify for such help.

Economic Aspects

The sociological impediments to the growth of African enterprise are largely beyond the reach of deliberate government policy measures. They will be transformed or eradicated by basic social and economic changes over comparatively long periods of time. In contrast, the economic characteristics and problems of emerging entrepreneurs surveyed in this section are in the main susceptible, directly or indirectly, to policy measures applied by governments and by private enterprise itself.

Economic analysis commonly points to inadequate resources of skills and capital as the major factors inhibiting African development, including that of private enterprise. This basic problem of economic development everywhere is too familiar to require extended treatment here. However, there are certain aspects and qualifications of the African situation which can usefully be discussed.

Inadequate Saving, Capital, and Credit

In low-productivity economies still at or only slightly above subsistence levels, both the absolute and the relative capacity for indigenous capital formation is quite limited. However, African capacity to save is usually greater than indicated by estimates of per capita income and by savings and investment ratios. Individuals and families are often able to save comparatively large percentages of what, by developed country standards, appear to be ridiculously small money wages and incomes. In part, of course, this is owed to the fact that virtually all rural families have substantial incomes in kind from subsistence farming, as do also some urban families from supplies obtained from relatives in the countryside. In part, however, it is a constructive consequence of the nature of the traditional extended family. Though each individual's saving may be tiny, the number of relatives contributing to a particular venture may be large enough to make the total sum of respectable size by African standards. There would be a great deal less private African investment than has already taken place were it not for this ability of Africans to accumulate savings despite low levels of productivity and income.

In one sense, African savings are among the most liquid in the world, since they are often held in the form of small cash hoards. Precisely for this reason, however, they are—in terms of the needs of a modern economic system—nonliquid and nonproductive; they remain idle and cannot be mobilized through banking and investment mechanisms for the use of other entrepreneurs. Modern banks have been unfamiliar institutions to most Africans; their functions have not been understood; and their operations have appeared to be impersonal. Until recently, too, virtually all banks in Africa were foreign owned and largely foreign staffed. Most banks made no effort to encourage African savings nor to explain the kinds of services a bank provides; and, until recently, few branches were established in which Africans could conveniently deposit their money, even if they wished to do so. For these reasons, most Africans did not deposit their unneeded funds in savings or commercial banks. However, in the former British West African territories, Postal Savings systems were established before 1890 and grew by 1960 to almost 600,000 accounts totaling $28 million. But, these deposits had by law to be invested in British government securities and hence were not, until very recently, available for productive investment in Africa.

In the last few years, a number of private African-owned banks and joint private African-foreign banks have been started in Nigeria and Liberia. Several of the British banks have also begun to establish branches outside the major cities and chief seaports. Some of these banks have instituted imaginative campaigns to interest Africans in savings and other kinds of deposits, with increasingly encouraging results. In addition, a few institutional forms of saving—insurance companies, medical and pension funds, etc.—have been started and have been investing their funds in Africa as well as in Europe. In these and other ways, African savings are increasingly being encouraged and mobilized in forms which will make them more and more available for local investment.

As a result of such efforts, savings in the commercial banks in Ghana increased sixfold between 1950 and 1960, and by 1962 had reached nearly $33 million; in Nigeria, from 1952 to 1962, bank savings (90 percent African) increased almost tenfold to $62 million, with close to 200,000 accounts. Post Office savings accounts in these two countries have also increased in number, but not proportionately in amount, as many Africans who formerly used postal savings have transferred to the banks, where interest rates are higher and deposits can be withdrawn more easily. In the Ivory Coast, where almost no effort has been made to encourage African savings, one bank—which claims to have the largest amount of African savings—reports total African deposits of $120,000. In Liberia, two of the five major banks claimed about 1,500 depositors each. In East Africa, the Uganda Credit and Savings Bank, described in Chapter I, now has more than 56,000 depositors, with holdings of more than $4 million, an average of $74.00 per account.

For small entrepreneurs, the initial capital investment usually comes from savings derived either from wages earned in working for the government and foreign companies or from the proceeds of commercial agriculture, especially the raising of export crops. Some got their start by obtaining a small stock of goods on credit from importers or wholesalers. Other small shopkeepers began by working as apprentices for established traders, who provided them with all or part of their initial stock or with a lump sum payment upon completion of their term of service. These personal savings and other sources of initial capital may be supplemented by drawing on family savings. In general, the small beginning entrepreneur, particularly if he is going into retail trade, is not likely to be able to borrow much, if any, of his initial capital investment either from government lending agencies and development banks or from the commercial banks and other private financial institutions.

With a few exceptions, the commercial banks have not yet begun to play an important role in financing African enterprises engaged in manufacturing and service activities. The foreign banks have been understandably reluctant to finance new African entrepreneurs without collateral or experience, and they have reserved their funds for the export trade and for local subsidiaries and branches of European firms. Since independence, a few foreign banks have been more willing to provide capital and credit for African manufacturing and service activities. However, the liquidity requirements of commercial banks limit the percentage of depositors' funds which can be tied up in long-term loans for capital investment. Medium-term borrowing from the commercial banks for operating capital purposes is restricted by the fact that few Africans possess sufficient collateral. For these reasons, credit from the commercial banks to African manufacturing and service enterprises tends to be short term, which generally does not meet entrepreneurs' needs. Suggestions for easing this problem are made in later chapters.

Though there probably is more indigenous private capital formation in African countries than is commonly believed, the total is far from adequate to enable Africans to take advantage of the opportunities for new and expanded entrepreneurial activities which the growth of other sectors within

African economies is making possible. In the public sector in many countries, especially in parts of West Africa, the expansion of infrastructure and social capital investment has created demand for many kinds of materials and operating supplies, as well as for construction, transportation, and other services. Consumer demand has been rising in consequence of increased payments of wages and salaries, and the spread of commercial agriculture. This growing demand for both capital goods and consumer goods and services is largely met by imports or by foreign firms and entrepreneurs operating in African countries. One major reason why African enterprises are supplying only a small portion of this increasing demand for goods and services is inadequate capital and credit, though it is not the only reason.

Among medium-size and large African enterprises engaged in manufacturing, importing and wholesaling, transportation, and construction, business profits constitute a growing source of new investment capital for these new opportunities. But, such reinvestment is still quite small, and even the dynamic African entrepreneur is heavily dependent upon outside sources of investment capital. Assuming that other obstacles were also to be removed, greater facilities for borrowing investment capital would permit many more African entrepreneurs to expand and diversify their activities, and would enable many more would-be entrepreneurs to start a business. The effect of inadequate capital is most harmful when it restricts the opportunities of precisely those Africans who have already demonstrated both the capacity for entrepreneurship and the desire to develop themselves further.

A common characteristic of African enterprises—individual, corporate, and cooperative—is that they suffer from a shortage of working capital even more than from their inability to obtain additional investment capital. This arises partly from the scarcity of short- and medium-term credit available to Africans. But, in many cases, it is also the consequence of the undercapitalization of the enterprise itself, and lack of knowledge about the continuing and contingent expenses for which the entrepreneur must plan. African entrepreneurs tend to invest too large a proportion of their capital in machinery, equipment, and facilities or, in the case of retail and wholesale enterprises, in shops and warehouses and often in a too large or poorly selected initial stock in trade. Too small a proportion is reserved to finance day-to-day expenses—purchase of raw materials and operating supplies, labor costs, financing of inventories of finished salable goods, display and advertising, customer credit, etc. The result is often an inability to utilize existing equipment as efficiently as possible or to meet growing demand by increasing production with existing equipment, or, in the case of retailers, to change the composition of their stock to meet consumer preferences. It also results in delays in filling orders; in failure properly to repair and maintain machinery and equipment; and in inordinate time and energy spent by owners and managers in trying to obtain additional credit to finance operating needs. While shortages of operating capital are common in all less developed countries—and characteristic of many small enterprises in developed countries—African difficulties in this respect are on the whole more widespread and harder to overcome than in most other regions.

Inadequate Skills and Inefficient Methods

Inadequate skills constitute a more serious—though less intractable—problem than inadequate capital, for skill can often substitute for capital, and in itself is a major source of increased productivity and growth. From the point of view of the African entrepreneur, the problem of inadequate skills has two aspects: the difficulty of finding employees who have the requisite training and experience for the particular work tasks they must perform; and the entrepreneur's own lack of training and experience for the functions he must carry on as owner and supervisor.

Except for the youngest age group, most existing African entrepreneurs have acquired their technical and managerial skills more through on-the-job experience than through formal vocational training. Technical skills, such as carpentry and woodworking, motor vehicle repair, machine operation and maintenance, and a host of other modern trades and techniques, are generally learned by working for foreign plantation, mining, and commercial companies, or in government agencies and public works programs. Clerical skills are also learned in these ways. However, there are many other skills required for successful entrepreneurship, and opportunities to learn them either through formal education or through on-the-job training are much more restricted. These are often more important for the success of the enterprise than are the technical skills.

Included in this category are a number of functions which are particularly important for the many enterprises too small to hire an employee qualified to carry them on, and which must, therefore, be performed by the proprietor or manager himself. Chief among these are bookkeeping and cost accounting. It has been estimated that more than 90 percent of small African enterpreneurs keep inadequate records or none at all, and cannot determine whether they are operating at a net profit, or which are the profitable and the unprofitable parts of their businesses. Knowledge of inventories often depends only upon physical viewing of the stock. In larger enterprises engaged in manufacturing and wholesale distribution, the African entrepreneur or manager may have inadequate knowledge of the types and sources of machinery and equipment suited to his needs, of the methods of organizing and supervising the work force, and of virtually all aspects of merchandising and marketing.

Individual differences, of course, play a very important role in determining the extent to which such deficiencies in education and training handicap the entrepreneur. Shrewdness, common sense, and a "good head for business" can often more than make up for the lack of formal instruction or training in management techniques and business methods. Africans possess these qualities as much as do members of other human societies; and those with no aptitude for entrepreneurship are eventually eliminated by competition and the disciplines of the market economy. Nevertheless, when due allowance is made for the capacity of natural aptitudes to substitute for deliberate instruction and training, it is still true that inadequate managerial skills are the cause of a great deal of inefficiency and waste in African economic activities and of the loss of considerable private and public capital directly or indirectly invested in African enterprises.

Many African entrepreneurs have mixed feelings about employing non-Africans, who could supply the knowledge and skills which they or their African employees lack, even when they can afford to hire them. Their reluctance arises in part from their doubts of the loyalty of foreigners, and in part from a lack of confidence in their own ability to maintain adequate supervisory authority over non-Africans who are better educated and more experienced than themselves. There is, moreover, a mutual reluctance to enter into a relationship in which there may be significant disparities in concepts of appropriate managerial and personnel methods, and in business morality. Expatriate partners and employees are found in only a few of the larger African enterprises engaged in the more advanced and complex economic activities.

As explained in Chapter IV, the inadequacy of African managerial and technical skills is a major factor in the failure of many public and private programs for providing loans and other credit facilities to African entrepreneurs, particularly newcomers and those engaged in small-scale activities. It is also the main economic cause of the comparatively large percentage of business failures and of defaults on loans and credit extensions. Loans from publicly financed development banks and corporations, as well as credit made available to African enterprises by commercial banks, importers and wholesalers, and manufacturers, are not generally accompanied by technical assistance programs. Even where the borrowing entrepreneur honestly intends to service and repay his obligations, he may be unable to do so because he has not used the funds productively owing to inadequate knowledge and skills.

It is difficult for a development corporation or a commercial bank to provide—along with its loans and credit extensions—technical assistance in bookkeeping and cost accounting, merchandising and marketing, and other required skills and techniques. Instruction in these collateral requirements for effective use of loans and credits is not within the normal functions of the lending institutions, and they ordinarily do not have regular employees whose time could be spared for providing training and continuing consultation to borrowers. Such technical assistance programs require staffs that include a wide diversity of skills and techniques, and for the lending institutions to employ the necessary instructors on a full or part-time basis would substantially increase their operating costs and, hence, their interest and service charges. Practicable ways in which technical assistance programs can be closely tied to the provision of loans and credit to African entrepreneurs are discussed in Chapter IV and Appendix III.

Progress in overcoming the inadequate skills of many African entrepreneurs will automatically reduce the prevalence of inefficient methods. There are many causes of the comparatively low productivity and relatively high costs of African enterprises—the sociological factors noted above, absence of economies of large scale, choice of the wrong equipment and techniques, weakness of the distribution system, etc., as well as the use of inefficient managerial, technical, financial, and clerical methods within the enterprise. Such methodological deficiencies occur in virtually all aspects of operations—in production and raw materials handling, in merchandising and inventory practices, in recordkeeping, in standardization and quality control, in marketing and customer relations, in financing, in labor-management relations, etc. These deficiencies may be unimportant in certain types of African enterprises (e.g., small retail and service establishments) or may be offset in whole or in part by low labor costs and small profit expectations. Again, the large African enterprises engaged in the more complex and modern activities are generally freest of correctible methodological deficiencies. However, for many African enterprises, particularly those which have to compete with imported goods, or with products locally manufactured by foreign firms or marketed by non-Africans (e.g., Levantines and Asians), the use of inefficient methods is a serious handicap.

The Distribution System and Competition

The small size and sporadic character of demand in African markets also constitute serious limitations on the rate of development of African entrepreneurial activities. The large majority of the population of tropical Africa still lives in the countryside and its needs continue to be met primarily by the traditional subsistence economy. The market economy is limited to the towns and cities, to those rural areas engaged in the production of commercial crops for export or urban supply, and to workers in the countryside employed in government, mining, lumbering, transport, and manufacturing. Year by year, the subsistence economy shrinks and the market economy grows; but the process is a slow one.

Within the domestic market economy, demand is limited by low productivity and small incomes, and is affected by the variable international economic factors governing the prices and volumes of commodities exported. In addition, domestic market demand rises during the dry season and slackens off when the rains come; it tends to be strong during the periods when commercial crops are moving abroad and weakens at other times of the year. Many Africans, even in and near urban areas, are only occasional buyers. In parts of Africa, fixed retail prices have not yet superseded bargaining between seller and buyer.

These and other features of the African market help to account for many of the characteristics of the distribution system. In general, the African distribution system is labor intensive; provides few, if any, services to customers; invests as little as possible in maintenance of premises and merchandise displays; and is only beginning to utilize advertising and sales promotion. The vast majority of little retail shops and market stalls carry small stocks, consisting of only a few related lines of merchandise, and by and large have a low turnover and small profit margins.

Virtually all retailers are supplied by wholesalers because, with the exception of locally grown foodstuffs, a large proportion of commodities sold is imported. Importers supply wholesalers, who in turn supply subwholesalers, and there may be several of the latter before the African retailer is reached. Where locally manufactured consumer goods are not marketed directly by the large foreign-owned retailing firms, they tend to be distributed through the chain of wholesalers and subwholesalers, rather than directly by the manufacturers to small African retail outlets.

These characteristics of the African distribution system are familiar features of wholesaling and retailing activities generally in the earlier stages of economic development. Typical also is the fact that Africans are only beginning to engage in importing and exporting operations, except in Nigeria and Ghana, where there are numerous successful African importing firms. Until the last few years, virtually all imported goods were handled by the large British, French, Belgian, Dutch, and other European merchant firms, or by Levantine and Asian entrepreneurs. Distributorships for imported brand-name consumer goods and for virtually all capital goods have also been almost exclusively handled by non-African enterprises. Recently, however, a number of West African entrepreneurs, generally wholesalers, but including a few retailers, have begun to establish their own direct contacts with suppliers in Western Europe and the United States.

Typical also of the earlier phases in the development of a modern distribution system is the heavy dependence of African retailers, wholesalers, and importers upon credit. As already noted, virtually all African enterprises suffer from too little working capital. As far as the distribution system is concerned, most of the available credit is obtained from suppliers; retailers depend upon subwholesalers; subwholesalers depend upon wholesalers and importers; and they in turn depend upon overseas supplying firms or local manufacturers and banks. The numerous retailers at one end of this chain have much more difficulty in obtaining credit than do the comparatively large wholesalers or importers at the other. In consequence, retailers are generally very limited in the amount of credit they can extend to African consumers who, however, usually expect to defer payment for their purchases. The result is often an overextension of consumer credit by African retailers—one important cause of the high percentage of failures to meet obligations at all links of the credit chain, particularly at the retail end. This increases the cost of credit; interest rates tend to be high and terms short; and in the end the consumer bears the heaviest share of the burden in the form of higher prices.

The underdeveloped nature of the distribution system and the limited knowledge and experience of African wholesalers and retailers restrict competition largely to price and credit terms to purchasers. Other aspects of competition—quality and diversity of goods, repair services, advertising, display and sales facilities, etc.—are only beginning to be practiced among

African entrepreneurs, and are still limited mainly to the large West African cities. Price competition tends to place Africans at a disadvantage as compared with non-African wholesalers and retailers. The Levantines in West Africa and the Asians in East Africa are often able to offer better prices, credit terms, and more diversified stocks owing to their greater efficiency, their easier access to credit, and their long-established contacts with importing and overseas supplying firms.

As African entrepreneurs acquire experience and establish good reputations with suppliers, banks, and customers, they are beginning to overcome these advantages enjoyed by their non-African competitors. This process has gone furthest in Nigeria and Ghana, particularly at the retail level, and in consequence there has been a tendency for the large European trading companies to concentrate more of their activities in wholesale distribution and importing, and increasingly to establish manufacturing operations. For example, the United Africa Company—hitherto the largest retail distributor in Ghana and Nigeria—has been selling its retail outlets to Africans on easy purchase terms, and retains only its large modern department stores (Kingsway) in the major cities; in addition, it has been investing in an increasing number of manufacturing ventures in these countries. In East Africa, African entrepreneurs have much greater difficulty in competing with Asian merchants and traders and have required considerable assistance from African governments and other sources to establish themselves wherever significant market opportunities exist. However, in a few areas, Africans are beginning to compete effectively at the retail level with Asians, and the latter are starting to engage in manufacturing, though they have not yet commenced to move out of distribution.

It may also be noted that African enterprises in manufacturing and the service industries face serious competition in establishing themselves in markets where non-African enterprises or imports already predominate. An additional difficulty faced by new manufacturers is the fact that African consumers are notoriously brand-conscious, which reinforces the preference for imported goods. However, African manufacturers are usually better able to meet competition than are African wholesalers and retailers because their resources are larger and, more important, their generally more extensive education and wider experience enable them to cope more effectively with their non-African rivals.

Protective tariffs can usually offset the price advantage of imported goods, but consumers may be willing to pay higher prices for imports when their quality and serviceability are superior. In all less developed countries, such differences in quality and serviceability often exist when local manufacturing has just begun. While patriotic appeals and "Buy African" campaigns may have some effect in changing consumer preferences, the acceptability of locally manufactured products can be ensured only as they achieve quality comparable with imported products. Prohibitively high protective tariffs and import licensing may keep out foreign manufactures and force consumers to buy poorer quality local goods, but in the long run this policy only makes it more difficult for local products to win consumer acceptance. Assistance can more usefully be directed toward helping African producers manufacture better quality goods.

Labor Supply, Productivity, and Labor-Management Relations

Problems in the field of labor are not in general among the major difficulties faced by African entrepreneurs today. Even when African entrepreneurs complain, for example, of low labor productivity or poor employee attitudes, the difficulty often turns out on examination to arise from inefficient management methods or inadequate management understanding of workers' motivations.

With respect to labor supply and recruitment, distinctions must be made among the various categories of workers. Unskilled labor is plentiful both in the towns and in the countryside, except in a few relatively underpopulated countries (e.g., Liberia) and regions within countries. Semiskilled and skilled labor tends to be scarce in the countryside but is increasingly available in the cities in the more advanced African nations in consequence of on-the-job training in existing activities and the establishment in recent years of vocational schools and institutes providing many types of manual, mechanical, and clerical skills. In contrast, there is everywhere a shortage of what is called "middle management personnel" and of Africans with technical and engineering qualifications. African entrepreneurs have difficulty in recruiting sufficient employees in this latter category, particularly since the great majority of them do not offer opportunities for training and advancement commensurate with those provided by many government agencies and some foreign firms.

Labor productivity and related rates of absenteeism and turnover have not yet been adequately studied and, in consequence, conflicting opinions are still generally held on these subjects. Moreover, comparisons with advanced industrialized countries are difficult to make in view of the fact that both industrial technology and the social factors affecting labor behavior in European countries differ significantly from those in African countries. For example, African productivity as measured by output per manhour is generally substantially lower in most industries than in Western Europe or North America; but factories in the developed countries usually have a much higher degree of mechanization and automation. Also, the location of housing in relation to the workplace is a much more important factor in labor turnover in less developed countries than it is in England or in the United States, in part because of the inadequacy of transportation.

In Africa, as in most less developed countries, rates of absenteeism and turnover tend to be substantially higher among unskilled workers than among skilled workers. Where housing is provided at or near the enterprise, absenteeism and turnover are noticeably lower even among the unskilled workers. Similarly, the larger the enterprise and the more knowledgeable and efficient its management, the higher labor productivity is likely to be, and the lower the rates of absenteeism and turnover among all categories of workers. It is the smallness of African enterprises and the inadequacy of their methods and personnel policies that often account for problems of low productivity and of high absenteeism and turnover.

By and large, the trade union movement in African countries has been created from the top down rather than from the bottom up, as in Western Europe and North America during the 19th century. It is still a fairly exotic transplant in the African environment, and it is by no means certain that the future development and significance of African trade unions will be similar to those in the advanced industrialized countries. In many African countries, there has been a tendency for trade union initiative and activity to be increasingly regulated either by the government or by the ruling political party. Both political and economic considerations have motivated this tendency, and one effect has been a comparatively low incidence of industrial strife. In any case, trade union activity does not at this time constitute a major concern of most African entrepreneurs.

With respect to labor, perhaps the most serious difficulty encountered by African entrepreneurs is in certain aspects of labor-management relations which are heavily influenced by the sociological characteristics discussed in the first part of this chapter. Two problems merit specific mention: the unwillingness of most African entrepreneurs to delegate responsibility to African personnel of supervisory grades, and the failure of many African entrepreneurs to encourage and help African employees to obtain the training required to improve their skills and upgrade their job eligibility. Resources and facilities for providing worker training may be lacking, particularly in the smaller enterprises; but they are often available at nearby vocational schools, productivity centers, government institutes, foreign firms, etc. Most African entrepreneurs have shown little willingness to arrange for their employees to participate in these programs, and to promote them to higher positions if they have managed to acquire the necessary skills on their own. Similarly, African entrepreneurs are prone to complain that their middle-level employees show too little willingness to assume delegated responsibilities, but often they have never given these employees a chance to exercise the initiative of which they may already be capable. It is in these aspects of labor-management relations that African entrepreneurs need to make much greater efforts than they have hitherto been willing to undertake.

Self-Help and Mutual Aid

Succeeding chapters will deal with the kinds of help for overcoming these and other problems which are being and could be provided to African entrepreneurs by foreign enterprises operating in Africa, by African governments, and by foreign governments and international organizations conducting assistance programs in the African countries. However, of equal importance are the efforts which African entrepreneurs are willing and able to make to help both themselves and one another. Such efforts are necessary in themselves and also to enable African entrepreneurs to profit from assistance programs undertaken by governments and foreign companies.

Mutual aid and cooperation are a basic principle of traditional African societies. In consequence, it is not surprising that African entrepreneurs have been associating themselves in various ways to meet more effectively the problems which they face. In some cases, such cooperation takes the form of adapting or imitating a traditional method of association; in other cases, it has resulted in creation of new types of mutual aid arrangements or in the adoption of Western forms of businessmen's organizations.

Among the organizations of indigenous origin or inspiration in West Africa and in parts of East Africa, the tribal and lineage associations are by far the largest and most widespread. In many of the larger towns and cities, Africans from the same tribal areas, villages, or lineage groups have formed associations for the purposes of mutual help, protection, and sociability. Although these associations are not primarily designed to help entrepreneurs, they sometimes assist members who wish to start or expand a business to obtain capital, and the members tend to favor one another in hiring employees, forming partnerships, procuring supplies and services, and directing business to one another.

More specifically organized for capital accumulation and occasional entrepreneurial assistance are various indigenous forms of thrift and credit societies, such as the Yoruba *esusu* in Nigeria.[4] In Kenya, the so-called "companies," formed by Kikuyu and other tribes, are associations of Africans engaged in distribution and transportation activities, but these have tended to be transitory in consequence of disagreements over profit sharing, and inadequate or dishonest accounting.

Of greater and growing importance in West Africa are the so-called "trade associations." These are not African forms of the typical American or European businessmen's trade association, but are groups of African entrepreneurs engaged in similar economic activities, who have formed an organization to provide themselves with necessary services on a cooperative basis, such as bulk purchasing of materials and supplies, arranging for loans, hiring transportation, representing members before government agencies, etc. The expansion and development of these African businessmen's joint service trade associations could make a most important contribution to stimulating and strengthening African entrepreneurship.

Cooperatives

Among Western forms of association for mutual help adopted in African countries, by far the oldest and most widespread is the cooperative. Cooperative enterprises of many kinds exist in tropical Africa—processing and

[4] An *esusu* is an association with a limited number of members, each of whom makes a fixed monthly contribution. The total is paid out monthly to each member in turn. Similar institutions exist in traditional societies in other parts of the world for saving comparatively large amounts of money to be used to purchase consumer goods or, sometimes, for investment.

marketing cooperatives in agriculture and related activities, artisans' cooperatives in service trades and small manufacturing operations, wholesale and importing cooperatives, retail consumer cooperatives, credit unions, etc. African governments are placing major emphasis upon the establishment and improvement of cooperatives not only because of their economic advantages but also because they are believed to embody social values similar to those of the traditional society—e.g., communal responsibility, mutual help, sharing, sociability, etc.

As in other parts of the world, the marketing and processing cooperatives in agriculture are the most numerous and the most successful. Particularly in East Africa, there are many outstanding cooperatives of this type, which process and market cotton, coffee, tobacco, and other agricultural products, and purchase operating supplies and agricultural and other equipment for their members. In many cases, these cooperatives were started before independence at the initiative of, and with financial help from, the colonial governments, and were guided during their formative years by cooperative extension officers, and sometimes by paid European managers. Today, the largest and most successful agricultural cooperatives manage their own affairs with their own trained African personnel. Some also operate retail shops, extend credit to their members, provide training and instruction, and engage in general welfare activities, such as helping to build local schools, financing scholarships for members' children to study at technical institutes and universities, etc. While many agricultural cooperatives are still struggling to establish themselves, and others have failed owing to inefficient or dishonest management, inadequate resources, or members' indifference, the numerous successful examples indicate that this type of cooperative meets a real need in the African situation and is an effective means for increasing the productivity and improving the welfare of African farmers.

In contrast, the experience with other types of cooperatives has been less satisfactory not only in Africa but throughout the world. In general, cooperatives in commerce, manufacturing, services, and other nonagricultural fields encounter greater difficulties in their formative periods, and tend to disband more readily as the economies in which they operate grow and become more complex. Artisans' cooperatives engaged in manufacturing and services are often useful means of introducing industrial and other skills in the early stages of development. But, in time, the more dynamic members begin to chafe at the limitations on their activities and incomes imposed by the rules of the cooperative, and eventually they may strike out for themselves, leaving the organization to struggle on with its least enterprising and efficient members. Or, as the economy grows, the competition of larger-scale private or public enterprises may put the cooperatives out of business.

In addition to these and other problems faced by artisans' cooperatives everywhere in the world, there have been special difficulties arising from inadequate planning in a number of African countries. Artisans' cooperatives have been too large or too small for the markets they are supposed to serve; or they have been located in places where there was too much competition from other types of enterprises or which were too distant from their normal clientele. Some have been started in specific industrial and service fields which are not suited to the cooperative form. Many have been inadequately financed, equipped with the wrong types of machines, or composed of members lacking the necessary technical, clerical, and managerial skills. Nor have government financial assistance programs and extension services yet been adequate to help artisans' cooperatives overcome these and other difficulties. In consequence many recently established artisans' cooperatives have been struggling to survive or have already been dissolved. Since artisans' cooperatives in industry and services can play a useful role particularly in the early stages of development, it is important that they be organized on the basis of adequate feasibility studies, that their size and location be carefully planned, and that the financial and technical help they require be available.[5]

Businessmen's Organizations

Western forms of businessmen's organizations also exist in the African countries. Most large commercial centers have a chamber of commerce and industry, and there are national federations of employers, institutes or associations of management, and similar organizations. They were in most cases originally established by European businessmen conducting operations in Africa, and many of them still effectively limit their membership to Westerners. Hence, African entrepreneurs have formed their own organizations where they have not been able to acquire membership in the existing institutions or where these were oriented primarily toward serving the needs of the non-African members. However, African-organized associations have in most cases been weak and largely ineffective. Since the interests of the African and non-African business communities are increasingly converging, the maintenance of separate organizations would be detrimental to both groups. The differing levels of experience among African and European entrepreneurs will, however, require considerable adjustment of and additions to the activities of integrated organizations in order to meet the immediate needs of the African members.

Chambers of commerce and industry perform several useful functions. They represent the business community vis-à-vis national and local governments on a variety of legal, administrative, and economic policy matters. They are in some countries an important means by which the private sector participates in national development planning and in other government activities, such as import licensing, exchange controls, tax enforcement, manpower planning and training, etc. They provide various services to their members, e.g., information on markets, technological improvements, and government activities, etc.; technical assistance in product and market

[5] See Appendix II, #4 and #11, for examples of an artisan and a transportation cooperative.

development, standardization and quality control, merchandising and marketing, etc.; and training in a variety of managerial and technical skills.

Employers' federations are more specifically concerned with problems of labor-management relations, and generally involve dealings with the government, both because the latter usually regulates wages, hours, recruitment and conditions of work and is concerned with the economic development and monetary implications of workers' productivity and incomes, and because the embryonic trade unions are in many countries either affiliated with the ruling political party or closely supervised by the government. In addition, the federations of employers provide training and advisory services, and have represented their members at international conferences.

The institutes or associations of management and similar organizations are more recent developments than the chambers and federations, and are composed of persons having managerial or executive responsibility in both the public and private sectors. Their principal functions are to disseminate information on the improvement of management methods and techniques, and to provide a forum for discussion of management problems.

Both the traditional and the modern types of African entrepreneurs' organizations provide means whereby the members can help themselves and one another. But, except for many of the agricultural cooperatives, these organizations tend to be weak and poorly managed. There is a great deal of room for improvement in these self-help and mutual aid activities, particularly in those, which—like the trade (joint service) organizations—have evolved specifically to meet African needs and have considerable promise for the future. Improvements in the institutions themselves, and in the ability of their members to make more effective use of them, depend not simply upon outside help but also upon the initiative of African entrepreneurs in suggesting and carrying out the necessary changes.

Recommendations

The problems and limitations of African entrepreneurs, discussed in this chapter, are being overcome in a variety of ways. Knowledge of how others have succeeded and experience in coping with one's own problems are in the long run the most effective teachers. But, in the shorter term, there are a number of specific steps which could be taken by African entrepreneurs, individually and collectively, to accelerate this process of learning and self-improvement. The following suggestions indicate the main ways in which African entrepreneurs could help themselves more effectively:

- African traders and small manufacturers should be encouraged, where feasible, to form trade (joint service) associations and to improve those already operating. It is easier for a trade association than for an individual to obtain loans and credit, and more economical for it to make bulk purchases of materials and operating supplies. It can also undertake collective efforts in marketing, publicity, representation to public authorities, practical research, and obtaining technical assistance from governmental and private sources. If the trade association serves as a reference for members to obtain loans, it will be in a good position to urge improved business practices on its members, such as keeping books, maintaining bank accounts, meeting financial obligations, etc.

• Nationwide associations of distributors handling similar goods could be organized to constitute a network of agents and distribution outlets, and to carry on publicity for the products of both overseas and local manufacturers. Without such a network and without a recognized bank credit status, African wholesalers and retailers have difficulty in representing overseas manufacturers, whose distributorships have been largely given to non-African firms.

• National and local chambers of commerce and employers' federations provide channels for information and advice—often desired but not easily accessible—to individual enterprises on markets, manufacturers, contracts to be awarded, trading and industrial sites, legislative and fiscal matters, etc. African entrepreneurs should take part in local and national chambers of commerce, federations of employers, and institutes of management. In some countries, these institutions now include only non-African businessmen. It is to the mutual benefit of both Africans and foreigners to belong to the same institutions, which can represent the common interests of the private business community as a whole on a variety of legal, administrative, and legislative problems, and can participate in national development planning.

• Any or all of these three types of businessmen's associations could stimulate trade marking, quality inspection, standardization, and consumer education. In addition, such institutions could offer courses in retailing, marketing, accounting, and other skills required by their African members.

• African entrepreneurs should use the advice of officials of government ministries and of development centers or banks in establishing these associations. There have been a number of associations formed over the past decade, but rarely with a precise conception of or limitation on their activities, and the inexperience of most Africans in the management of their own businesses has often been transferred to and compounded in the management of these associations.

• African entrepreneurs should make much greater efforts to train and advance their African employees, providing them with instruction where possible, or giving them the opportunity to attend outside courses. At supervisory levels, African employees should be included, where relevant, in discussions of management decisions so as to broaden their understanding of business practices and encourage them to take on increased responsibilities. Many African entrepreneurs, whose businesses have expanded, complain that they are hampered by having to carry on so many functions themselves; yet only a very few African entrepreneurs have deliberately tried to train their employees for increased responsibilities.

• Small entrepreneurs would benefit by taking short courses in bookkeeping, accounting, merchandising and stock control, display, customer services, and other aspects of operating a modern wholesale, retail, or service establishment. Where such courses are not already available, entrepreneurs should take the initiative in requesting the local chamber of commerce, trade association, institute of management, or other appropriate organization to present such courses on a regular and planned basis. Where such courses are given, it would be wise if they were planned on the basis of discussions with the African entrepreneurs regarding the subjects they most need and the hours that are most convenient. It has been evident in previous programs for small entrepreneurs that those presenting the courses and those receiving them have often been so far apart in their understanding of the nature of the problems that there has been little communication. Such courses of necessity must be of short duration, since small entrepreneurs cannot leave their businesses for more than a short time, and since they will probably best absorb only a few ideas and techniques at a time, which they can then try out.

- Regional, national and international trade fairs held in African countries have been very successful according to African entrepreneurs who have participated. These fairs have afforded them an opportunity to demonstrate to domestic and foreign buyers the availability and quality of their products. In turn, they have become aware of a wide variety of products which could be used in their own activities. African entrepreneurs should suggest, encourage, and participate in these fairs.
- Efforts should be made to facilitate the establishment of private development banks, investment and mutual funds, and other financial devices whereby the growing number of Africans in government and business with modest sums to invest can be enabled to contribute through equity participation to the development of African productive enterprises. In the absence of adequate security markets, such institutions could increasingly help to mobilize investible capital. However, honest and experienced management is essential, and may have to be provided by foreign banks and financial institutions or by government development banks for an initial period.

III

The Role of Foreign Companies in Stimulating African Entrepreneurship

Excluding agriculture, the largest portion of the modern private sector in tropical Africa today consists of activities conducted by foreign business firms, principally European, and by Levantines, Asians, and other non-Africans resident in these countries. In consequence, private foreign enterprise is a major factor in the development of African enterprise.

By far the most important way in which a foreign company influences the development of local enterprise is through the normal conduct of its day-to-day operations, regardless of what they may be—manufacturing, wholesaling or retailing, finance or services. This point is so obvious that it is often overlooked in discussions of the role of private foreign investment in a less developed country. Yet, it is of such fundamental importance that it may be useful to describe briefly the nature of this process.

The relationship between the activities of a foreign company and the stimulation of African enterprise may be most clearly seen in manufacturing industries, where the effects are greatest in both scope and magnitude. A foreign company manufacturing in an African country hires labor to staff its operations, thereby increasing both employment and incomes. It must train this labor to perform a variety of tasks ranging from unskilled manual work through semiskilled activities of various kinds to highly skilled operations involving mechanical, electrical, clerical, and managerial competence. The pool of skills available in the country is thereby enhanced, and some of the people so trained may leave the foreign company to establish their own businesses. In addition, the foreign company requires raw and semiprocessed materials, components, and subassemblies for the products which it makes; and it needs operating supplies of many kinds—fuel and power, lubricants and maintenance materials, office supplies, containers and packaging materials, etc. Generally, it also requires ancillary services, such as construction, transportation, wholesaling and retailing, marketing and advertising, legal and auditing services, etc. In turn, these services usually require certain materials, finished products and operating supplies, and their needs contribute to expanding local market demand for goods and services.

It is these "backward and forward linkages," as A. E. Hirschman calls them, that are of central importance for the stimulation of local enterprise as well as for the growth of the economy as a whole. Initially, particularly in countries as little developed as those of tropical Africa, a foreign company will import the production inputs and operating supplies which it requires, but eventually a point is reached at which it becomes economical either for the company itself or for other enterprises to produce more and more of them locally. Similarly, many foreign companies have found that they had themselves to provide some, if not all, of the ancillary services, particularly construction, transportation, and distribution. However, a point is sooner or later reached at which it becomes more economical to utilize local purveyors of these services. This process is really nothing more than the progressive division of labor and increasing specialization of economic activities which Adam Smith identified two centuries ago as the mechanism of economic growth and productivity gains.

The timing of this transition from imports and company self-sufficiency to reliance upon local procurement depends fundamentally upon the growth of the market. If the company's own need for a raw material or a component constitutes in itself a large enough market, then the company may itself undertake to produce the required input. Or, if the particular material or component is already being produced locally, the foreign company may help the indigenous entrepreneur to expand and regularize his production and improve its quality to the point where he can become a dependable supplier of the company's needs. If there is no local production of the desired material or component, and if the potential market is already or is likely soon to be large enough, the foreign company may seek out a local entrepreneur willing and able to initiate production and may assist him to do so in a variety of ways. Similarly, the foreign company may stimulate local entrepreneurs to supply the necessary ancillary services.

Foreign companies engaged in distribution, transportation, service, and financial activities obviously generate fewer and smaller needs for production inputs and ancillary services than do those engaged in manufacturing, extractive industries, and plantation agriculture. Their needs for technically skilled labor and for operating supplies are also generally smaller. However, their effects on indigenous enterprise are substantial in these respects. And, they may make fully as great a contribution as do manufacturing companies to the development of local clerical and administrative skills, the expansion of incomes, and the availability of capital and credit.

While the growth of the market determines the nature, size, and timing of such shifts from imports and company self-sufficiency to local production and procurement, there is also scope for deliberate policy choices to accelerate or retard this process. Such choices are open, on the one hand, to the governments of the less developed countries and, on the other hand, to the foreign companies concerned.

In recent years, some less developed countries have sought to hasten this process by passing legislation requiring that more and more production inputs and ancillary services must be procured locally in accordance with a specified time schedule. This policy has been constructive and helpful where it was realistically related to the size of the market either already existing or almost certain to develop in the next few years. It has been wasteful and harmful in situations where the actual and potential size of the market was not large enough to sustain an economical volume of local production. So far, no African country has been guilty of the latter miscalculation. But, the basic relationship between economic growth and the size of the market underscores the importance for the many African countries with small populations and low incomes of proposals for regional free trade and other cooperative arrangements in tropical Africa.

Similarly, the foreign companies engaged in this process have a range of policy choices open to them. They may decide to continue to import their production inputs and operating supplies and to provide themselves some or all of their ancillary services, even when these have become available locally as a result of developments stimulated elsewhere in the economy. Or, the foreign companies may passively wait for such developments to occur and then avail themselves of the goods and services as and when local entrepreneurs or other foreign enterprises can provide them. Finally, the foreign companies may decide to play an active role in this process at the appropriate time by deliberately seeking out and helping local entrepreneurs to undertake production of the goods and services required. Thus, the policy of foreign companies is an important determinant both of the timing and of the scale of such new economic developments. Companies following an active policy will contribute sooner and more substantially to economic growth generally and to the development of local enterprise in particular than those which continue to rely upon imports and company self-sufficiency or which follow only a passive policy.

Obstacles to Mutually Beneficial Relations Between Foreign Companies and African Entrepreneurs

Before describing what foreign companies are now doing—and what more they could be doing—to stimulate African entrepreneurship, it may be well to consider the obstacles which inhibit the development of mutually beneficial relationships between foreign and indigenous enterprises.

As already noted, the basic limits of these relationships are set by the size of the market. But, even where the market is already or is likely soon to be large enough to warrant local production of the goods and services required by foreign companies, there are additional obstacles that inhibit the establishment of mutually beneficial business relationships.

Insofar as these obstacles arise from the side of the African entrepreneurs, they largely reflect the sociological characteristics and the economic inadequacies analyzed in Chapter II. These limit the willingness and ability of African entrepreneurs to provide goods and services of the required quality, in the required quantity, and at the required time. Through various forms of assistance, the foreign companies can help African enterprises to improve their performance in these respects, provided there is adequate understanding on both sides of the necessary changes and provided both parties are willing to make the effort required. But, even the best efforts of a foreign company cannot ensure that a prospective African supplier will be able to provide the desired goods and services reliably and at an economical price. Inadequate capital and credit, inefficient methods and lack of skills, and African inexperience with the strict and continuous disciplines necessary for quality control and the dependable fulfillment of delivery schedules can nullify the best intentions of a foreign company. Another inhibiting factor has been the poor credit record of many African entrepreneurs and the consequent difficulty of obtaining a credit rating for those potentially reliable enterprises with which a foreign company is contemplating a business relationship.

Awareness of these difficulties has until recently been a major factor in the reluctance or refusal of foreign companies to use African entrepreneurs as suppliers of goods and services. Some of the few foreign companies that have been willing to take the risk involved have had some disappointing experiences with African entrepreneurs and have, for the time being at least, discontinued their assistance programs to stimulate new African enterprises although they continue to purchase African goods and services.

While these characteristics of African entrepreneurs constitute major deterrents to development, they also indicate the specific ways in which foreign companies can help to speed up the process. In other words, there is a reciprocal relationship involved. The refusal of foreign companies to use African suppliers of goods and services still further inhibits the latter from acquiring the necessary attitudes and skills. Conversely, the willingness of foreign companies to take the risks involved and to provide assistance to African entrepreneurs is a major factor stimulating the changes in attitudes and the improvement of skills which are prerequisites for African progress.

Until a few years ago, it could not be said that in these respects the record of the foreign companies was particularly noteworthy. With a few exceptions, foreign companies operating in tropical Africa did not follow a deliberate policy of trying to stimulate and assist African entrepreneurs to become suppliers of goods and services even where the size of the market might have justified such a development. In fact, some foreign companies and former colonial governments on occasion discouraged the establishment of indigenous enterprise. It is only in the last few years, when political independence was achieved or was imminent, that a significant number of foreign companies in tropical Africa have begun to enter into continuing business relationships with African entrepreneurs, and that some companies have gone even further and instituted positive programs for assisting African entrepreneurs to improve their performance in such business relationships. Today, there are a growing number of foreign companies, principally British and American, which are making the kinds of efforts that are both desirable and practicable. In contrast, throughout French-speaking Africa, the French companies that are today engaged in activities of this kind are still very few indeed.

Some African entrepreneurs have complained that the competition of foreign companies is too strong to allow indigenous enterprises to get started or to prosper. These complaints are understandable insofar as they reflect the disparities in resources and skills between African and foreign enterprises. But, such disparities have not prevented many African entrepreneurs from establishing themselves in various fields, and it is precisely the greater resources and skills of the foreign enterprises which enable them to generate "backward and forward linkages" and to provide assistance to African entrepreneurs so that they can take advantage of new economic opportunities. Some examples of what might be considered "unfair competition" on the part of foreign companies certainly do exist. But, responsibly managed foreign enterprises that are concerned about their own long-run interests are not likely to yield to the temptation to make short-term profits by unscrupulous methods at the expense of indigenous competitors.

In part, however, African complaints about competition from the foreign companies arise from dislike of any kind of competition. This attitude, too, is understandable in the light of the fact that economic competition played no part in traditional African societies, which stressed cooperation and communal responsibilities in economic life. Hence, economic competition is an unfamiliar phenomenon to most Africans, and they are not aware of its benefits either to themselves or to the economy as a whole. For this reason, it is probably advisable for foreign companies to exercise greater restraint in choosing the methods by which they compete with African enterprises than would be necessary or desirable in their home countries.

Finally, it must be pointed out that the competition which most directly affects the majority of African entrepreneurs is not that of the large foreign producing or financial companies, but that of the Levantine and Asian importing, wholesaling, and retailing enterprises. Despite their handicaps, however, African distributors are learning to establish themselves in the face of competition and are demonstrating increasing ability to cope with it, owing both to growing awareness of business requirements and to help from African governments and foreign sources.

Company Policies and Programs to Assist African Entrepreneurs

A growing number of foreign companies have nevertheless begun to develop mutually beneficial business relations with African entrepreneurs. The process has gone furthest in West Africa, particularly in Nigeria and Ghana, because the market is larger there than elsewhere in tropical Africa and African entrepreneurship is more highly developed.

Help to African Manufacturers

One good example of a foreign firm that has assisted African producers is the United Africa Company, which has made an effort to market locally produced goods in its large Kingsway department stores in Nigeria and Ghana. Such local manufactures include furniture, textiles, and bakery products made by Nigerian companies, and textiles, luggage, canned goods, bottled beverages, and other products made by Ghanaian enterprises. The Shell-BP Petroleum Development Company, Ltd. obtains drilling clay from an African producer.[1] A successful Nigerian tire retreading firm sells tires regularly to foreign companies operating their own transportation services. Other foreign companies hire African-owned transportation facilities.

Such successful relationships have often required the provision of various forms of assistance to the African enterprise by the foreign company. First, help has been provided to the African entrepreneur in selecting the type of equipment best suited to his needs; and sometimes the foreign company has arranged for the placing of the order with capital equipment manufacturers in Western Europe or the United States. In order to facilitate credit to the African purchaser, the foreign company itself has, in some cases, placed the order for equipment, supplies, and shipping and has sometimes provided the funds required to purchase the equipment; this has generally taken the form of a loan to be repaid in installments from the proceeds of sales of the finished products to the foreign company. When the equipment arrives, technicians from the foreign company may assist the African entrepreneur in installing the machines, in organizing a production line, in eliminating the inevitable "bugs," and in setting up the required quality controls and production schedules. Even after the operation is under way, the foreign company may continue to work with the African entrepreneur in improving the efficiency and reliability of the production process, in establishing an adequate system of records and accounts, in finding additional markets for his products, and in other ways.

Orders or guarantees of orders from foreign companies to African producers can serve as a basis for obtaining a loan from a commercial bank or other financial institution. Such loans have been used either for purchase of capital equipment or as operating capital for carrying on the business.

Sometimes foreign companies have undertaken to help in training or upgrading the employees of a new or existing African entrepreneur in the various production, clerical, and other skills required by the latter to fulfill his obligations to the former. Foreign companies occasionally provide technical assistance to African entrepreneurs in setting up their books, preparing legal documents, and organizing and supervising secretarial and clerical staffs. However, a reasonable fee may have to be charged for such services. There are also cases in which technical or advisory assistance has been provided by the foreign company even when it is not the main purchaser of the products to be manufactured by the African enterprise or no business relationship may be involved. For example, the Westinghouse Electric Company "godfathered" a radio producing company in

[1] See Appendix II, #2.

Nigeria; and the United Africa Company assisted a West African phonograph recording firm to arrange for the processing of its tapes in Western Europe.

Another device, used particularly in the construction industry, is subcontracting. While such arrangements may be necessary for the foreign company to be awarded government construction contracts, they can and do also result in the African subcontractors learning more advanced building techniques and more efficient business methods. Several of the large European and American construction firms have used African subcontractors for particular portions of large projects. One example is the firm of Richard Costain, Ltd., which has bid jointly on a number of construction contracts with a northern Nigerian enterprise.

Help to Agricultural Producers

Assistance has also been provided in the agricultural field. The Firestone Plantations Company in Liberia has over the past decade distributed free of charge approximately one million rubber tree seedlings to some 1,800 Liberian rubber farmers, and has provided free technical advice on cultivation and tapping methods and other problems encountered by Liberian producers. It has also made small loans for equipment purchases to some Liberian rubber growers; these were repaid from the proceeds of their rubber production, generally processed and marketed through Firestone's facilities.

Some of the British tobacco companies in West and East Africa have given seedlings and fertilizers to African producers and have guaranteed to purchase all of their output. In some cases, the tobacco companies have made loans to farmers under government guarantees. The Tanganyika Packers, Ltd. (a subsidiary of the British firm of Oxo, Ltd.) obtains 90 percent of its meat requirements for packing and canning from Tanganyikan farmers, whom it has assisted, in conjunction with the Tanganyika Department of Agriculture, to produce cattle of improved quality.

Help to African Distributors

However, it is in the use of African entrepreneurs as distributors and as suppliers of ancillary services that the most progress has been made. Among the most notable examples are the British-American Tobacco Company in Nigeria and East Africa and several of the large British and American oil companies (e.g., Shell, Esso, Mobil, etc.) throughout the region. These companies have been making a determined effort to market their products through African retailers. In Ghana and Nigeria, several companies market their entire stocks through African retailers; and they have also begun to do some retailing through Africans in Liberia, East Africa, and a few of the French-speaking West African countries. The difficulty has been to find Africans who are willing and able to operate retail shops and automobile service stations. Generally, the companies sell the facilities or lease them to Africans, who operate them as independent enterprises. Some of the oil companies have extended credit for the initial purchase of gasoline and other petroleum products marketed by the African retailers; others have required cash payments. While the initial experience was sometimes discouraging—one American company reported 20 percent bad debts during the first year of such a program in the Ivory Coast—subsequent results have been steadily improving as the African entrepreneurs have gained and shared experience and the companies have learned better techniques of selection and training. The Africans have also learned that owner-operated retail establishments are generally better run and more profitable than are those with hired managers.

These foreign companies have generally found that it is desirable to require prospective African retailers to take training courses. Mobil has a large program which covers the technical and clerical aspects of service station operation and also includes a course in business administration. The British-American Tobacco Company subsidiaries in Nigeria and East Africa have several organized courses which cover such activities as ordertaking, delivery planning, stocktaking and inventory control, market assessment, advertising and sales promotion, customer credit, price and mark-up policy, bookkeeping and accounting, and other aspects of conducting an efficient and profitable retail operation. In addition, some of the chambers of commerce and institutes of management have begun to offer similar courses to African retailers.

The United Africa Company and several other wholesaling and foreign trading firms in English-speaking West Africa have in the past few years withdrawn, with considerable loss, from the retailing and wholesaling of produce and hardware (i.e., metal and plastic household goods and other "hard" consumer products). These commodities make up a large part of the goods sold by African retailers who, in some cases, have taken over the facilities of the foreign companies on easy purchase terms. In addition, the United Africa Company has established throughout Nigeria 22 wholesale centers for the distribution of staple commodities to existing and new African retailers. Owing to insufficient capital and slow transportation, many African retailers have been unable to maintain adequate stocks, and these wholesale centers will help to ensure a reliable supply of goods. The United Africa Company also has established a Traders' Advisory Course in which African retailers can obtain training in the many facets of operating a successful retail business. Other British importing and wholesaling firms provide similar courses.

The use of African wholesalers has naturally developed more slowly, but there are already several beginning efforts in this field. For example, John Holt and Company, one of the major foreign trading and wholesaling firms in West Africa, has also relinquished its retailing operations in produce and hardware, and has organized two companies in Nigeria to provide wholesale services to associated groups of African retailers. Initially, these wholesaling ventures are being managed by John Holt, which owns the majority interest, but in a few years it is hoped that both equity and management will be taken over by the African participants. In the Ivory Coast, the Société Commerciale de l'Ouest Africain (SCOA)—one of the large French importing concerns operating in West Africa—is assisting a wholesaling enterprise formed by 50 African retailers; SCOA has provided 30 percent of the equity and the services of four executives who are training African counterparts.[2]

Joint Ventures

A good deal of attention has been devoted in recent years in some African countries (and particularly in the more advanced countries of Latin America and Asia) to the possibility of joint ventures between foreign and indigenous entrepreneurs. The foreign participants are able to supply three essentials which African entrepreneurs lack or which they possess to an insufficient degree: capital, technical and managerial skills, and established relationships with suppliers and customers overseas. African participants can help to overcome the handicaps under which exclusively foreign-owned enterprises are increasingly laboring in post-independence Africa by conferring "national" character on the joint venture and by their greater knowledge of local conditions and their ability to deal with African governments and politicians.

There have been a number of successful examples of such joint ventures in Latin America; and a variety of efforts have been made from time to time in Africa to form joint companies among African and foreign individuals, companies, cooperatives, trade unions, and other organizations. Most of these efforts are still too new for their success or failure to be evaluated. Some—though not all—past efforts in Ghana and Nigeria have failed, largely because neither partner knew what to expect of the other nor what the other expected of him.

Though a successful joint venture can yield substantial mutual benefits to the participants, the conditions necessary for its success are not always present or, if they are, need to be much more clearly understood by both partners. It is advisable, for example, for the indigenous partner to provide more than a token portion of the capital, but very few African entrepreneurs are able to do so. In a number of joint ventures, the practice has been adopted of allowing the African participants to make partial down payments and to meet the rest of their obligation out of profits as they accrue. Because laws governing business arrangements are not yet well defined in many African countries, and because African business methods and business ethics are often at variance with European and American practices, it is highly desirable, when entering into partnership arrangements or joint corporate ventures, to have a clear understanding at the beginning between the foreign and the African participants regarding the selection and payment of directors and employees; when and how profits are to be divided and the proportion to be reinvested; and the methods by which decisions on policy matters are to be reached. Unless

[2] See Appendix II, #6.

these differences are clarified and agreement reached, continued disputes are bound to impair the efficiency of the joint enterprise, and may in some cases cause it to fail.

The wide disparities in business philosophy, profit expectations, and management methods which exist today between foreign companies and African entrepreneurs tend to limit the possibilities in the immediate future for establishing successful joint ventures. Until the development of African entrepreneurship has brought about a greater area of agreement in these respects, the joint venture device will continue to be a less promising means for stimulating and helping African enterprise than are the other kinds of relations between foreign companies and African entrepreneurs described above.

Activities of Foreign Banks and Financial Institutions

Until recently, the foreign commercial banks, insurance companies, and other financial institutions operating in African countries limited their activities almost completely to serving the needs of the colonial and independent African governments and the foreign commercial and manufacturing companies. Even today, the great bulk of their activities continues to be of this kind.

However, as noted in Chapter II, several of the British and American banks—notably in Nigeria, Ghana, and Liberia—have now begun to give serious attention to ways and means by which they might serve the banking needs of African entrepreneurs. While the number and total amount of their loans to Africans are still small, these foreign banks are now working with promising entrepreneurs to improve their understanding of the nature and limitations of bank credit; to help them to prepare loan applications; to provide advice on the use of borrowed funds; and to assist them in setting up proper bookkeeping and cost accounting methods. Unfortunately, however, as indicated in the preceding chapter, most African entrepreneurs need a much greater range of technical assistance and managerial advice than can be provided by commercial banks and other private financial institutions. In addition, the cost of administering large numbers of small loans, such as are required by the great majority of African entrepreneurs, is generally prohibitive for commercial banks and private financial institutions.

Undoubtedly, if the foreign banks are to expand substantially their services to African entrepreneurs in the next few years, the cooperation and assistance of African governments and international aid agencies will be required to help overcome the limitations implicit in the African situation. One device would be a government or international guarantee of all or part of such loans. For example, the Bank of Monrovia, an affiliate of the First National City Bank of New York, was able to institute a three-year loan program to Liberian entrepreneurs on the basis of a guarantee provided by the Development Loan Fund (incorporated in 1961 into the

U.S. Agency for International Development). The Bank agreed to lend up to $1 million, with half of this total guaranteed by the Development Loan Fund. Before the program expired, the Bank lent in excess of $800,000 to rubber planters, shoe repair, dry cleaning and other service establishments, and distributive enterprises. More loans could have been made had there been additional worthwhile applications; but many prospective borrowers wanted money for unrealistic projects or to buy consumer goods.

In Nigeria, Ghana, and Uganda, there have also been successful government-supported or guaranteed loan programs operating through the commercial banks. However, most have been for home construction and for consumer credit, primarily to the employees of government agencies, public enterprises, and foreign companies. Under these programs, the governments have paid a fee to the participating banks in order to help cover the costs of administering the many small loans involved.

Based on recent experiences, the commercial banks could adopt a variety of techniques to increase African creditworthiness and decrease the percentage of defaults. For example, most banks avoid, if possible, initially crediting the borrower's account with the full amount of the loan and, instead, make portions of it available as the need arises or in accordance with an agreed-upon schedule. Another technique is for the bank, on the borrower's behalf, to pay directly to the manufacturer or supplier that portion of a loan which is to be used for the purchase of machinery, equipment, and supplies. A few banks have allowed borrowers to pay off their debts by providing services; in Nigeria, for example, a printing establishment supplied stationery and forms to the bank in payment for a loan.

In determining which loan applications to approve, some banks have found it useful to seek the advice of committees consisting of local businessmen, government representatives, and other local leaders who know the applicants personally and can advise on their creditworthiness and entrepreneurial abilities. This device also tends to discourage defaults on loans, since African entrepreneurs are generally reluctant to "lose face" among their immediate neighbors and business associates. The addition of African staff and the expansion of local branches have also enabled the banks to make more knowledgeable assessments of proposed borrowers and their projects. In addition, some banks are beginning to refer African borrowers to development centers, government extension officers, and other sources of technical assistance.

With respect to long-term capital loans, experience has shown that the record is considerably better in cases where the entrepreneur also provides a substantial portion of the total capital required and some collateral. This tends to strengthen the borrower's willingness to conform to the stated purposes of the loan, and discourages applicants who, with the best of intentions, may be seeking to promote unrealistic proposals.

A significant contribution to African development is being made by the investment affiliates of several British and American banks. For example, the Barclays Overseas Development Corporation and the Chase International Investment Corporation have invested in several African development banks and in joint government-foreign private enterprises. The Commonwealth Development Finance Corporation, a private British investment firm, participates in the equity of the African Loan and Development Company of Southern Rhodesia, which lends exclusively to African enterprises.

Through these and other banking and investment activities, the foreign banks and other financial institutions are beginning to contribute more effectively to the development of African enterprise within the limits of reasonably sound banking principles and financial safeguards. In time, a substantial portion of the foreign-owned banking and financial facilities in Africa should—and doubtless will—be devoted to serving the needs of African private enterprise. Greater willingness on the part of the foreign banks to engage in flexible programs along the foregoing lines, and increased support and cooperation from African and foreign governments can significantly accelerate this development.

Training and Promotion of African Employees

An important source of indigenous entrepreneurship is the African staff of foreign companies, banks, and other business firms. For many Africans, a period of service with a foreign company has aroused interest in becoming an entrepreneur; has provided some knowledge of business methods and requirements; has imparted clerical, technical, and possibly even supervisory skills; has sometimes been the source of investment capital saved from wages and salaries; and, in cases where former employees have entered government service, has resulted in closer cooperation with, and a more constructive attitude toward, indigenous private enterprise on the part of African governments. Hence, the policies of foreign companies affecting the training and promotion of their African employees have been, and will continue to be, an important factor in the growth of African enterprise.

There is a positive correlation between the opportunities for training and promotion offered to African employees by foreign companies and the number and size of capable and progressing African entrepreneurs. In Nigeria and Ghana, where foreign companies first began to employ and train Africans, there is today the largest number of independent African enterprises. In French-speaking African countries, and until only a year or two ago in East and Central Africa, little effort was made by most foreign companies to train their African employees and to promote them to positions of higher responsibility as they acquired the necessary qualifications. These are precisely the areas with the smallest number of capable African entrepreneurs. Although the opportunities are now theoretically more numerous, it is only the exceptional foreign firm outside English-speaking West Africa that has adopted a systematic policy of training Africans for positions requiring higher manual and technical—much less managerial—skills. Some foreign companies claim that skills and opportunities will automatically "sift down" to the African employees at the lower levels; others assert their willingness to employ Africans at higher levels if and when qualified applicants appear. But, without training and experience, and without the incentive of demonstrable opportunities for advancement, qualified African personnel do not "appear."

The experience of those British and American companies, principally in West Africa, that have trained and promoted Africans indicates that a positive policy and a systematic program for these purposes are indispensable requirements for finding and attracting Africans with a potential for advancement. Mention may be made of the United Africa Company's employee training school, which provides courses in mechanical and electrical skills, and from which the most promising participants are sent to England for further training, and sometimes for work experience, in manufacturers' plants. The U.S. and British oil companies operating in West Africa also follow positive policies in this regard. Firestone and the foreign companies mining Liberian iron ore have trained large numbers of Liberians in clerical and secretarial work, in woodworking, machine maintenance and repair, electrical and mechanical trades, motor vehicle repair, house building, operation and maintenance of earthmoving and construction equipment, etc.

A particularly noteworthy example of a systematic training program in a country which as yet has very little indigenous entrepreneurship or African skills is FRIA (Compagnie Internationale pour la Production de l'Alumine) in Guinea. FRIA is owned 48.5 percent by the Olin Mathieson Chemical Corporation and the remainder by a consortium of European companies, mainly French. This is Africa's only existing combined bauxite mining and alumina processing operation. FRIA started its African training program in 1960, two years before its plant became operational. The FRIA training program ranges from basic literacy instruction to courses in the numerous mechanical, electrical, and maintenance skills required in its complex mining and processing operations. The initial training program enabled the company to meet its needs for skilled labor and has also helped it to identify Africans with potential for advancement to administrative and supervisory responsibilities. Training for such managerial positions is now being provided under a new plan involving on-the-job instruction supplemented by several two- to four-month full-time training courses. In addition, general courses are given in physics, chemistry, mathematics, and other subjects to selected workers demonstrating the necessary interest and aptitude in order to broaden their understanding of their current and future assignments. In Northern Rhodesia, the Rhodesian Selection Trust—46 percent of whose shares are owned by the American Metals Climax Company—is also carrying on an ambitious program of training African employees at its copper mines.

Less progress has been made by these and other British and American companies in training Africans for the higher levels of managerial responsibility than for positions requiring technical, administrative, and supervisory skills. Considerably more education than most Africans have obtained is generally necessary for successful performance at the middle and upper management levels. The small number of Africans with university degrees or the equivalent have until very recently been attracted to careers in the government where, since independence, there has been great pressure to Africanize the civil service, and where status has generally been higher than in private employment. Yet, despite deficiencies in formal education, a number of Africans have been successfully trained for middle management positions. For example, Shell has been making a particularly noteworthy effort in this respect for some years. In 1957, when its Nigerian operation began, 7 percent of the management staff of its local subsidiary was African; by 1961, the proportion had risen to 25 percent; and Shell expects that, by 1965, 55 percent of its subsidiary's management personnel will be African.

The experience of these companies provides a number of useful guidelines to other foreign firms willing to follow their example. The first step in devising a training program for African employees is an analysis of the specific functions required in existing and prospective jobs to be filled by Africans and of the capabilities of the individual Africans employed by the company. Such an analysis may indicate the need to divide or regroup existing functions so that training courses can be devised which will provide the necessary qualifications, and a hierarchy of progressively more skilled jobs can be established. Unless based on such systematic job and capabilities analysis, training programs are likely to be haphazard and without permanent benefit to the participants or the company.

Based on such surveys of needs and capabilities, "in house" training programs, utilizing qualified foreign or African staff as instructors, can be devised not only to teach the skills immediately required to fill existing job vacancies but also to provide opportunities for employees to qualify themselves for higher positions at a later time by learning new and greater skills. Experience in Latin America—where such programs have been conducted by U.S. companies for many years—indicates that best results are obtained if employees are paid at regular wage rates when the training is provided during working hours, and at half pay when provided after working hours. This helps to assure good attendance and conscientious application. The range of skills will naturally cover those included in the existing operations of the enterprise or required for its planned future expansion. Programs should include both technical and clerical skills. In larger firms, instruction may be given in formal classes; in smaller firms, individual workers may be taught through advanced apprenticeship arrangements.

Particularly in Africa, where many activities requiring modern skills are necessarily small scale, individual foreign companies may not employ enough workers to warrant the expense of operating their own "in house" training programs. Several other possibilities are available. Enterprises using similar or related skills may establish a joint program under which each firm provides instructors and facilities for training in one or a few of the various skills required. Or, several firms may combine to sponsor and finance local or regional training courses or centers with their own facilities and full- or part-time instructors (perhaps some or all seconded by the sponsoring companies). A program along these lines is being undertaken in Lagos in which two managerial employees from each of 12 sponsoring foreign and Nigerian banks attend a 24-lecture workshop on bank management. African government agencies and African enterprises should be encouraged to participate in such programs and eventually to assume full responsibility for some of them.

Training in the lower levels of supervisory skills—foremen, head clerks, etc.—can be given as part of the programs outlined above. In contrast, training of Africans for managerial responsibilities requires a separate effort. Except perhaps in the largest foreign enterprises, employing a thousand or more workers, even complete Africanization of the managerial levels of the company would not provide enough students to justify an "in house" training program other than along apprenticeship lines. And, this has been the method perforce used in most instances of the training of African employees to carry on management functions within foreign companies. Though historically it was the only method used for centuries in Europe and North America, it is nevertheless slow, narrow in scope, and limited as to the number of people it can handle. At present levels of African development, the latter characteristic is not a drawback; but, hopefully, it will eventually become so. The only practicable alternative to it in the shorter term is to send promising Africans abroad for management training either at established schools or in the "in house" programs of the parent companies. This method works best in providing advanced training to Africans who already possess some managerial skills and experience. But, even in these cases, special curricula are generally required to make up for inadequate background education in economics and technology. In present circumstances, the combination of apprentice-type training for beginning managerial personnel and overseas study for more advanced and experienced African managers seems the best that can be devised.

The deficiencies of these two methods, as well as other considerations, emphasize the importance of having proper facilities in Africa for managerial training. In the long run, the most effective solution would be to establish schools of business management and public administration at African universities, analogous—though not necessarily identical—to those at U.S. universities. In the interim, one or more chairs in business management, like that initially established by Mobil at the University of Ghana, could be provided. Insofar as support of African education and training is concerned, there is perhaps no better investment that foreign firms could make than to provide funds and technical assistance for the establishment of such schools at African universities. Not only is it the most effective way to meet the companies' own requirements for Africans trained in managerial skills, but it also stimulates private enterprise generally, and fosters efficient government and economic growth.

It would also be desirable for foreign enterprises in African countries to sponsor education and training programs that involve Africans other than their own present or prospective employees. They might, for example, undertake to include in their own "in house" training programs some employees of African private enterprises—and even of public enterprises—requiring the same technical and clerical skills. Opportunities to learn special skills and techniques at the parent company's plants or laboratories in Europe or the United States might be provided to selected employees of African private and public enterprises and graduating students in appropriate fields. These possibilities by no means exhaust the variety of ways in which foreign firms in African countries can help to make technical, managerial, and professional education and training available to Africans generally.

Other Foreign Company Activities

By far the most important ways in which foreign companies can help to accelerate the process of developing African enterprise are through policies and programs involving the use of African suppliers of goods and services, and the training and promotion of African employees. However, there are a number of other activities of foreign companies which, though of much lesser importance, can nevertheless make a significant contribution to the advancement of African entrepreneurship.

Encouraging Equity Investment by Africans

One aspect of any growing economy is the development of mechanisms by which savings can be mobilized for investment purposes. Equity investments by individuals and institutions are major means of mobilizing savings in the advanced industrialized economies of Western Europe and North America. Such equity investments are commonly made through the agencies and mechanisms of securities markets—stock exchanges, brokerage and investment houses, banks and trust companies, etc.

There is a reciprocal relationship between equity investments and securities markets. The development of a securities market stimulates the demand for equity investments; and the increasing volume of equity investments in turn fosters the growth of the market instrumentalities which make possible the ready purchase and sale of securities. In tropical Africa today, both equity investment and securities markets are still rudimentary. Stock exchanges were established a few years ago in Lagos and Nairobi; while sales in the former have far exceeded expectations, the volume of transactions in both is still small.

However, in several African countries, such as Nigeria, Ghana, Kenya, and Uganda, there are African entrepreneurs, government officials, and salaried employees in government agencies and larger enterprises who are beginning to become interested in local equity investments and who could afford to use small portions of their incomes for savings of this type. Special arrangements to purchase shares in small amounts and on a regular basis would be needed to facilitate such investments. Most African corporate enterprises are too small and inadequately capitalized to warrant the sale of their shares to the public. In consequence, the greatest opportunity for encouraging equity investment by Africans is in the shares of reputable foreign companies operating locally, and of joint foreign-government ventures in which the foreign partner has an active management role. Thus, foreign companies could significantly help to stimulate equity investments by Africans if they were to sell their shares to local investors—individual and institutional.

Several foreign companies and joint ventures, particularly in West Africa, have been actively promoting the sale of their shares to African investors. In Liberia, the large iron ore mining companies have been selling shares on installment purchase terms to Liberian investors, with payments sometimes made out of dividends. Through the agency of the United Africa Company, the Industrial Investments, Ltd. (Nigeria) was established in 1963 as a mutual fund to provide opportunities for small African investors to purchase equity in 20 locally incorporated companies.

Participation in Chambers of Commerce and Other Business Organizations

In many African countries, there are still separate business associations for foreign and for African enterprises. This separation reflects both the attitudes of the colonial period and the fact that the two business communities do have different interests in certain respects. However, the area of common interest is already large and will increase as African enterprise develops.

It would be desirable to merge the separate chambers of commerce and other business organizations or, where there is no African organization, to establish them initially as joint institutions serving both the indigenous and the foreign business communities. Not only would unified institutions better meet the needs of both communities, particularly in representing them before governments, but they would also provide a means for overcoming the weaknesses of exclusively African chambers of commerce and other business organizations noted in Chapter II. The greater experience and management skills of the foreign members would substantially improve the operation of these organizations and enhance the contribution which they could make to the advancement of the African members, provided that adequate recognition is given to the latter's needs.

Aid to Education and Other Community Service Programs

All of the foregoing activities and programs of foreign companies have a direct impact in one way or another on the stimulation of African entrepreneurship. However, there are a number of ways by which a foreign company can indirectly contribute to strengthening private enterprise and economic growth in African countries.

One of the basic impediments to all development efforts in Africa is the lack of sufficient schools and training institutions, although most of those that do exist at secondary and higher levels are of reasonably good quality. While in recent years African countries have been investing from 10 to 35 percent of their budgets to expand and improve educational facilities of all types, nonetheless the majority of the African population has had no formal schooling and can still neither read nor write. African countries do not possess sufficient resources to expand their educational facilities at the rate required to make up their backlogs and keep pace with development needs.

In addition to providing education and training for their own employees, foreign companies can hasten economic growth and the expansion of indigenous private enterprise by contributing in various ways to the development of educational facilities serving African populations generally. Some companies make grants for the support of universities and specialized technical and professional schools; for example, Esso has provided funds for the technical institute in Dar es Salaam. Other firms have provided scholarships at secondary, university, and professional schools for prospective employees, children of employees, and other Africans. Officers and professionally trained foreign employees of these companies can serve on advisory boards concerned with the development of curricula, teaching materials, and teacher training, and may also be willing to undertake part-time teaching of such subjects as business management, business economics, accountancy, etc. Such activities can make a significant contribution to the expansion and constructive orientation of African educational systems.

In addition to education, there are other fields of community service in which the foreign companies have been active and have thereby been making an indirect contribution to private enterprise and economic development. A few of the larger companies have established and operate hospitals whose facilities are available not only to their own employees and their families but also to other Africans living in the vicinity. Some foreign companies support research programs in agriculture, industrial technology, tropical medicine, and other fields. Officials of foreign companies serve formally or informally as advisers to African governments on economic development, foreign trade, the preparation of legislation affecting business law, banking, taxation, and labor-management relations, and on other problems.

Recommendations

This chapter has indicated the major ways by which foreign companies can accelerate the process of developing indigenous enterprise in African countries. But, beyond the specific policies and programs discussed herein, a word needs to be said about the special interest in this process and the special responsibility for it of private enterprises from the advanced countries of Western Europe and North America.

Over the long run, foreign private investment in Africa can look forward to a reasonably secure and prosperous future as and if it becomes part of a larger and equally vigorous indigenous private sector. As we have seen, the bulk of modern industrial activity is today, and will continue for the immediate future to be, in the hands of African governments and private foreign companies. However, an indefinite perpetuation of this disproportion would not be conducive either to the most dynamic form of African development or to the future welfare of the foreign companies. Only a very substantial acceleration of the rate of development of African private entrepreneurs can create an effective balance among public and private, indigenous and foreign forms of enterprise. Hence, for those foreign companies that wish to make a future for themselves in Africa, there is no more important long-term interest than the stimulation of African private enterprise.

Recognition of this basic interest inevitably implies assumption of an important responsibility. In all sorts of ways, the foreign companies operating in Africa today help to set the standards by which African entrepreneurs can measure their accomplishments in terms both of their own economic success and of their contribution to the economic and social advancement of their countries. One good example has far more effect than a hundred eloquent speeches and exhortations to African entrepreneurs. The ways in which the foreign companies conduct their normal business relations with African suppliers of goods and services, with African workers and employees, with African clients and customers, and with African government ministers and civil servants will be major factors in determining the ways in which African entrepreneurs will conduct their own relationships of these kinds. This is all the more true because foreign firms are so conspicuous and so carefully watched in Africa today.

This special interest can best be served and this special responsibility fulfilled by the kinds of company policies and programs discussed in detail in this chapter and recapitulated here:

• As the growth of the market makes domestic production economical, foreign companies operating in Africa should seek out existing or potential African entrepreneurs who have the greatest promise of becoming reliable suppliers of the goods and services required by the companies, and should work with such entrepreneurs in appropriate ways to help them improve their capacity to meet the standards of modern business performance.

• Those foreign companies that do not already do so should train—or arrange for the training of—as many as possible of their existing and prospective African employees in clerical, technical, and managerial skills, and should promote them to positions requiring such skills as soon as they have attained the necessary qualifications.

• Foreign commercial banks should expand and improve their commercial banking services to African entrepreneurs; and, along with foreign insurance companies and other financial institutions, should cooperate with African governments and international aid agencies in joint programs designed to increase the longer-term credit facilities available to African entrepreneurs and to bring the risk and cost to the banks of providing such development credit within the limits of sound banking principles.

- Foreign companies should assist in promoting African economic growth and indigenous enterprise generally through joining and strengthening African businessmen's organizations, encouraging equity investments by Africans, support of educational development, research in appropriate scientific and technological fields, participation in community service programs, and other ways.

IV

African Governments and African Entrepreneurs

The influence of African governments is of paramount importance to the development of indigenous enterprise in three main ways. First, the general attitude of the government toward private enterprise determines whether the climate will be favorable or unfavorable to it. Second, the policies of the government indicate the economic sectors in which private enterprise will be encouraged to operate, set forth the rules and regulations to which it must conform, and affect many of the market incentives and pressures which will guide its day-to-day operations. Third, the programs of the government are the means for providing financial help, technical assistance, and other types of aid which private entrepreneurs need to establish, expand, and improve their activities. In all these respects, the initiative for decision and action lies with the government.

Role of Private Enterprise in Development Strategy and Planning

The general attitude and the specific programs and policies of African governments affecting private enterprise are usually conceived in the context of the development strategy which these countries have devised to achieve their economic and social goals. An essential feature of any development strategy is the choice of forms of economic activity which will be encouraged. In tropical Africa today, these are of three types—public enterprise, foreign private enterprise, and the various kinds of indigenous private enterprise. All countries of the region envisage the use of all three types of enterprise but in widely varying degrees and combinations.

The country which places greatest emphasis upon private enterprise, both indigenous and foreign, is Liberia, which limits public investment largely to infrastructure and to equity participation in large industrial enterprises operated by foreign companies. Except for Ghana, the English-speaking countries in West, East, and Central Africa—Nigeria, Sierra Leone, Uganda, Kenya, Tanganyika, Nyasaland, Northern Rhodesia—as well as the Congo (Leopoldville), Ethiopia, and the Sudan also assign a major role to private enterprise, but rely more heavily upon public enterprise not only for infrastructure investments but also in industry and other sectors, sometimes in the form of joint ventures involving various combinations of government capital with private foreign and indigenous capital. Ghana stresses state-owned enterprise in all economic sectors, including agriculture, though it also encourages foreign private enterprise and permits indigenous private enterprise.

Most of the French-speaking African countries place the principal emphasis upon public enterprise and private foreign investment, both separately and in combination, and assign a comparatively minor role—and, in a few cases, are opposed—to indigenous private enterprise, except in agriculture. As noted in the Introduction to this study, this attitude reflects a general lack of knowledge about the nature and benefits of indigenous private enterprise in a modern economy, and usually takes the form either of indifference to indigenous private enterprise or of a fear that private economic activity is inconsistent with the achievement of social and economic goals. Such attitudes exist to a greater or lesser degree in all African countries, and predominate in some of the French-speaking nations. A few countries are influenced by the Marxist dogma that the growth of indigenous private enterprise would inevitably lead to class conflicts. Yet, despite such views, none of the French-speaking African countries is trying deliberately to suppress the development of indigenous private enterprise and some provide assistance to it, though on a small scale. Guinea, which initially tried to rely almost exclusively upon state-owned enterprise, has recently begun to take a more favorable attitude toward indigenous private enterprise, and has been trying to attract foreign private investment under specified terms and conditions.

It is interesting to note that, despite the wide variations in the roles assigned to public enterprise and indigenous private enterprise, virtually all African countries have been seeking to encourage private foreign investment as a major source of the capital and of the technical and managerial skills required for their development. Thus, even in the most socialistically inclined African countries, whatever objection there is to private economic activity on ideological grounds is outweighed by realistic recognition of the need to take advantage of all possible sources of capital and initiative. The willingness to modify doctrinaire convictions and the pragmatic approach which many African governments have already demonstrated mean that indigenous private enterprise is likely to be more strongly encouraged as better understanding of its nature and potential benefits spreads among African leaders and the disadvantages of excessive dependence upon public enterprise become increasingly recognized.

This broader understanding and consequent willingness to rely upon a variety of types of economic activity are also likely to be fostered as experience is gained in the process of development planning which, in one form or another, is being practiced by most African countries. One of the most important benefits of development planning is that it serves as a major educational experience for the political leaders, government officials, and technicians actively engaged in the process. The necessity of formulating specific economic targets; of assessing the country's resources and of projecting their probable growth over the planning period; of balancing goals and resources and assigning priorities among them; and of formulating and implementing specific policies and programs for carrying out these decisions—these essential planning activities sooner or later result in broadening and deepening the understanding of how a modern economy works, of the particular problems which the country faces, and of the practicable ways for overcoming its difficulties and deficiencies. Hence, a number of African governments are beginning to recognize that the achievement of development goals requires that indigenous private enterprise play a significant role both in the economy and in the process of development planning.

Thus, Liberia, Ghana, Kenya, and Tanganyika already provide or are arranging for representation of the private sector in their development planning councils or commissions. Several years ago, Nigeria and Uganda established joint government and private committees to explore and report on the ways in which indigenous private enterprise could be fostered so as to participate more effectively in economic development. In Nigeria and Ghana, medium-size and large private enterprises are consulted on their individual investment and production plans and employment needs, and this information is taken into account in the formulation of the development plan for the country as a whole. In the French-speaking countries, representatives of the private sector do not generally participate in the work of the national planning commissions or councils, but the local chambers of commerce—which are quasi-official bodies linking the government with the private sector—are usually consulted in the process.

Private participation in the process of development planning will be an important factor in bringing about more general recognition of the need for and desirability of a larger role for indigenous private enterprise in the process of development itself. In turn, the development and strengthening of indigenous private enterprise will improve the ability of leaders of the African private sector to play a more effective and constructive role in the planning process. At present, limited education and experience restrict the effectiveness of many African business leaders in representing the private sector in the formulation of national development plans and programs. Hence, African political leaders, government officials, and technicians engaged in development planning will have to be especially careful to avoid overlooking the contributions which indigenous private enterprise can make to the development of their countries, and to include in their development strategy the specific government programs and policies required to assist African entrepreneurs to participate more effectively in the development process.

This chapter outlines the major types of programs and policies which African governments are conducting to assist indigenous private enterprise and indicates ways in which these efforts could be made more effective. However, many of these governmental activities are not designed exclusively for the benefit of African entrepreneurs but are equally—and sometimes more particularly—intended to assist public enterprises and even private foreign investment. Often, the major purpose of a program or policy is to accelerate agricultural development, and the assistance to African entrepreneurs in the rural areas is comparatively small or only incidental. Some government policies and programs—particularly those involving infrastructure and education—affect the economy as a whole and hence may stimulate the development of African entrepreneurship indirectly. For these reasons, it is often difficult to make sharp distinctions between those government activities intended to affect development generally and those specifically designed to stimulate private enterprise.

Financial Assistance Programs

One important need of African entrepreneurs is additional capital and credit. Virtually every country in tropical Africa has one or more institutions for providing financial assistance to private enterprise. Indeed, there is a bewildering profusion of such governmental and quasi-governmental agencies at all levels—national, regional, and local—within many of these countries. A major requirement, which African governments are beginning to recognize and remedy, is for a merging and simplification of overlapping, redundant, and sometimes competing financial assistance agencies.

Nature and Activities of Financial Assistance Institutions

In general, government agencies providing financial assistance are of two kinds. The first are integral parts of regular government departments, such as ministries of agriculture and community development, ministries of cooperatives, ministries of commerce and industry, etc. The second are autonomous institutions, or semiautonomous agencies attached to government ministries. Generally, the second are called either development and finance corporations or development banks. The development and finance corporations usually make both loans and equity investments; the development banks, at least in theory, provide only loans and operate in accordance with stricter lending criteria than do the corporations. However, in practice, it is difficult to make sharp distinctions among the various types of financial assistance agencies and programs. Some development banks invest in equity as well as make loans, and some institutions of all types try to provide limited advice and technical assistance to enterprises to which they have made loans or equity investments. Many development banks and corporations, particularly in the French-speaking countries, deal largely with government enterprises and foreign private enterprises, and joint ventures between them. While these two types of borrowers also predominate in the English-speaking countries, the financial assistance agencies there often lend to, and sometimes invest in, African private enterprises. Most countries also have separate agencies—sometimes a large number of them—to administer small loan programs. For example, in one province of Northern Rhodesia, there have been 11 separate agencies conducting small loan programs, and this profusion is by no means unique.

Development banks, corporations, and other financial assistance agencies obtain their funds from a variety of sources. In some cases, the African government provides the entire capital; in others, a portion—sometimes more than half—comes from the official or quasi-official aid agencies of European countries, particularly the British Commonwealth Development Corporation, the French Caisse Centrale de Coopération Economique, and the West German government. The U.S. Agency for International Development (AID) has also made funds available to several of these institutions, has helped in the preparation of studies regarding their feasibility and organization; and has provided both technical assistance and training for their staffs.

Development banks and corporations make loans and equity investments in, and stimulate and assist local and foreign enterprises to invest in, agriculture and infrastructure as well as in industrial, commercial, and service activities of benefit to the country's development. However, a considerable number of loan programs operate only in the agricultural field, providing funds either directly to farmers or to cooperatives, which may in turn lend all or part of the funds to their members. Some institutions also provide funds to industrial, commercial, and service enterprises; and others operate exclusively in these nonagricultural fields. In general, financial assistance agencies in the French-speaking countries tend to concentrate their African loan programs on agricultural, housing, and consumer loans, with probably less than 5 percent of the total assistance going to African commercial, service, and manufacturing activities. In the English-speaking countries, much more assistance is extended in nonagricultural fields, though even there agriculture probably absorbs over half of the total funds provided to indigenous private economic activities of all types. In general, the concentration on agriculture reflects a valid development priority.

Loans and equity investments made by development banks and corporations to public enterprises may run into the millions of dollars; those to medium-size and large private enterprises, foreign and indigenous, range from a few thousand to over a million dollars. Loans to individual African entrepreneurs and small African companies appear to range between $300 and $2,500, though some have been as high as $10,000, and a few have been even larger. Interest rates are generally between 5 and 7 percent, though some have been as high as 20 percent.

The number and diversity of financial assistance institutions in tropical Africa are too great to permit evaluation of each. Nor would it be fair to single out two or three development banks or corporations for detailed discussion. Suffice it to say, the record as a whole has been disappointing, although there are several institutions whose performance has been good, and others which have assisted some successful enterprises. In general, the experience has been one of political pressure and time-consuming procedures, and of inadequate staff and attention devoted to the substantive review of applications and to the follow-up of loans and equity investments, particularly in the small loan programs. The percentage of defaults has been very high—again, especially in the small loan programs—and a large number of small African enterprises receiving financial assistance have eventually failed. This is true even of some of the medium and large private enterprises, as well as of some large public enterprises, a number of which have been dissolved or are kept going only with government subsidies of various kinds. In some cases, individual loans have been much larger than the capacity of the borrowers to use the funds effectively, and money has either been wasted or diverted to political or personal purposes. The responsibility for such poor results does not, of course, rest solely with the financial assistance institutions; the owners and managers of the private and public enterprises receiving loans or equity investments must also bear their share of the blame.

Insofar as the financial assistance institutions have been at fault, their deficiencies have been of two kinds: those in their internal operations and policies, and those involving their external relations with African entrepreneurs and enterprises, particularly in the small loan programs. Analysis of, and suggested guidelines for improving, the small loan programs for African entrepreneurs will be found in Appendix III. The suggestions made below apply generally to all types of financial aid agencies.

Operating Policies and Problems

Many development and finance corporations have been characterized by slow procedures and by political interference and favoritism in the granting of financial assistance. In part, these problems are closely related. Detailed paperwork and time-consuming procedures are sometimes devised in an effort to prevent political and other types of undue pressure from influencing the selection of loan applicants and equity investments. Conversely, the time-consuming procedures may induce exasperated applicants to seek out legislators and government officials who can use their influence to expedite the processing of applications and to pressure the lending institutions to make favorable decisions. Procedures for processing applications are certainly essential, and some outside influence is inevitable. But, as African governments are themselves aware, both have been excessive in many cases and have been responsible for failure to process worthwhile applications in a reasonable time, or even at all, and for the waste of substantial funds lent to or invested in projects whose only merit was the influence of politicians and others backing them.

Undue outside pressure and favoritism in the granting of loans have been problems not only at the central offices of development banks, corporations, and other lending institutions, but also in their local branches and local reviewing committees. Such offices and affiliates at the local level are highly desirable, particularly in the small loan programs. But many of them have been supervised by local politicians and notables unacquainted with the economic considerations and financial criteria which should govern the use of funds; often, the main interest of the members or supervisors of these local committees has been to ensure that ample provision was made for themselves and their friends.

Recently, a number of African governments have begun to take steps to remedy these problems. Greater autonomy is being given to existing and newly established lending institutions, whose boards of directors are being organized to include responsible leaders of the private and public sectors who can help to ensure that proper criteria are used in the processing of applications. At the same time, an effort is being made to revise the operating procedures of some of these institutions so as to eliminate unnecessary paper work and to reduce the length of time required to process applications.

Another policy problem is the question of whether the income from interest and other charges of the financial assistance agencies should be sufficient to pay for their operating costs. In theory, an affirmative answer to this question is generally desirable: lending institutions should be able to cover their costs of operation. In the developed countries and in many of the more advanced developing nations, this policy can be applied in practice, particularly to institutions dealing exclusively or mainly with large, established enterprises. However, it may be self-defeating when applied to financial assistance agencies dealing with small entrepreneurs.

Because African private enterprise is only at the beginning of its development, an African lending institution dealing exclusively or mainly with small African entrepreneurs needs to engage in a variety of activities, including processing applications, providing necessary advice and guidance to borrowers, periodically inspecting their operations and examining their books, and taking steps to collect overdue interest and repayment installments. Hence, its expenses will be greater relative to its total lending than is the case with small loan programs in the more developed countries, where the processing of applications is routine, borrowers do not require extensive advisory services, and collections are more automatic. The experience in African countries has been that the lending institutions which have carried on few, if any, of these activities have incurred the largest percentage of defaults and loss of funds.

In these circumstances, it would not be advisable to insist that financial assistance institutions, particularly those lending to small or new enterprises, cover their expenses solely from interest and service charges. In many cases, these would have to be relatively high, and hence beyond the capacity of small and inexperienced borrowers to pay. If the lending institutions are doing a good job of processing applications, providing advice to borrowers, and following up their loans and equity investments, their operating costs should, if necessary, be subsidized by the governments, or perhaps by the use of counterpart funds generated through foreign aid of various types, or by other forms of outside assistance.

The deficiencies of African financial assistance institutions in such activities as processing of applications, provision of advice to borrowers, follow-up on loans and investments, and collection of overdue interest and principal payments result not only from a shortage of operating funds but also from the lack of personnel capable of carrying out such functions. Virtually all lending agencies in African countries need more and better trained staff. In most cases, they are staffed by administrative officers who have little financial, industrial, or economic training or experience. Substantive backgrounds in these subjects are necessary qualifications for effectively carrying out financial assistance functions. However, even if adequate operating funds were available to hire them, it is not likely that enough qualified people could be found in most African countries to fill the additional positions required. Hence, a number of emergency devices may have to be used to fill this need on a temporary basis—intensive training programs for existing and new personnel; the use of foreign specialists both for operations and for training; appropriate arrangements for utilizing technicians in other government ministeries and agencies on a part-time or temporary basis; and the organization of advisory panels, composed of knowledgeable African and foreign businessmen, local university economists, and other specialists, whose services could be drawn upon as needed for particular tasks.

With more adequate operating funds and personnel, it would be possible for development banks and corporations not only to respond to applications for loans and equity investments but also on their own initiative to make feasibility studies of new investment possibilities and to seek out African entrepreneurs capable of undertaking them. A few financial aid institutions have already begun to organize research and evaluation staffs for these purposes, in some cases with the help of AID and other foreign government assistance. Work of this kind would also enable development banks and corporations to coordinate their financial assistance activities with national development plans, particularly with the planned expansion and diversification of the industrial, commercial, and service sectors of African economies.

Because of the very different problems and requirements in the agricultural and the nonagricultural fields, it would be desirable to establish separate institutions to provide financial assistance to private entrepreneurs in agriculture, on the one hand, and in industry, distribution, and services, on the other. Some of the English-speaking African countries have generally followed this practice from the beginning, but most of the French-speaking countries which have development banks or corporations have not done so.

Government financial assistance agencies, particularly in the more developed African countries, should begin to explore possibilities for stimulating the formation of private and joint private-public development financing institutions. In addition to providing a portion of the capital for an initial period on an interest-free basis, the government institutions could take the initiative in bringing together interested African and foreign private investors, and could assist them to organize a private development corporation in accordance with national laws and regulations. Possibilities for establishing such institutions are now being explored in Nigeria, the Ivory Coast, and Northern Rhodesia.

In sum, the most serious deficiencies of African development banks, corporations, and other financial assistance agencies have arisen either from political interference outweighing sound economic criteria or, particularly in the case of small loan programs, from inadequate operating funds and staff. African governments have very limited resources of money and skilled personnel to allocate among a multitude of development requirements, some of greater urgency than the need to improve the efficiency of their development banks and corporations. While more African resources should certainly be devoted to this purpose, this is a problem area which is well suited to assistance from foreign governments. The United States, British, French, and German governments have already provided capital funds to African financial assistance agencies, have aided African governments to organize such institutions, have lent them some experienced foreign personnel, and have been helping to train some African personnel. Their assistance, particularly for the latter purpose, could be expanded and foreign governments could help in various ways to meet the costs of larger operating budgets for African development banks, corporations, and small loan programs.

Two general conclusions can be drawn from the experience to date of the assistance provided by development banks, corporations, and other agencies to African entrepreneurs. As explained in Chapter II, only a comparatively small number of African entrepreneurs have demonstrated the capacity to manage their operations with reasonable efficiency and to utilize financial and technical assistance effectively. Such entrepreneurs—operating mainly medium and large, but also some small, enterprises—have the greatest capacity for improving and expanding their activities. In consequence, the financial assistance institutions should concentrate their resources mainly on aiding these entrepreneurs. Development banks and corporations have too few resources of money and trained personnel to scatter them among a large number of African enterprises which have very little chance of surviving, much less of developing into efficient and growing operations.

The second conclusion is that even the comparatively small number of worthwhile entrepreneurs are not likely to use financial assistance effectively unless they are also able to obtain the many different kinds of technical assistance which they require to improve and expand their activities. The great variety of technical, clerical, and managerial skills needed cannot, however, be provided by development banks and corporations, small loan programs, and other financial assistance institutions. Even if the numbers of loan extension officers were adequate, they could not be expected to possess the many different skills required to assist African entrepreneurs, nor could development banks afford to employ the kinds of personnel needed even if they had larger operating budgets. Technical assistance should be provided by institutions established for this purpose and separate from the financial agencies, but the two should work closely together.

Technical Assistance, Training, and Education

Perhaps of even greater importance than financial assistance is the other major need of existing and prospective African entrepreneurs: that for expanded and improved facilities for obtaining technical assistance, training, and education. Virtually all African governments are conducting activities of one or more kinds in these and related fields. By and large, these efforts have been better organized and more successful than the financial assistance programs discussed above. The major problem is that African governments have lacked the resources of money and of trained personnel for conducting them on an adequate scale.

Government Extension Programs

Most of the English-speaking and a few of the French-speaking countries have extension officers of various kinds attached to their ministries of commerce and industry and of cooperatives, or other government departments, as well as agricultural extension officers attached to the ministries of agriculture and community development.

Excluding the latter, the cooperative extension officers are the most numerous. During the last few years, Nigeria has had nearly 400 cooperative extension officers divided among its four regions, Tanganyika nearly 300, and Kenya 75; the Ivory Coast, with the assistance of the Israeli government, is developing a staff to work with its 1,200 cooperatives; and Senegal is engaged in a similar effort. The cooperative extension officers in these and other countries stimulate and assist in the formation of new cooperatives, primarily agricultural marketing and processing, but also artisans' cooperatives in manufacturing and services, as well as retail, wholesale, and others. They also endeavor to visit existing cooperatives regularly; to review their accounts; to discuss problems with officers and members, and arrange for required technical assistance; and to help in obtaining and processing loans for the cooperatives and their members.

Nigeria, Ghana, Kenya, Tanganyika, and Uganda have trade, commerce, or industry extension officers, whose specific functions vary from country to country. In general, they may be responsible for registering new enterprises and helping them to get started; arranging for them to locate on industrial estates; providing information on commercial and business regulations, foreign exchange controls, import licensing, and other legal and administrative procedures; ascertaining the technical assistance and training needs of African entrepreneurs and directing them to the sources where such help may be obtained; etc. In several countries, these extension officers assist in the administration of small loan programs, both in processing applications and in follow-up.

The work of government extension officers is extremely valuable, and increasing their numbers and facilitating their activities should have a high priority in all African countries. Owing to their inexperience and lack of familiarity with modern forms of economic activity, virtually all African entrepreneurs and many cooperatives in agriculture, industry, distribution, and services need to have a readily available source of encouragement and advice. One of the most effective and comparatively inexpensive ways of meeting this need is through government extension officers in these fields. However, it is not sufficient only to increase the number of extension officers; it is also essential to improve their selection and training, to establish means for keeping them informed of new methods and significant successes and failures elsewhere in their own and other countries, and to provide them with adequate transportation, demonstration materials, and other means of facilitating their work.

Development and Productivity Centers

Even the best trained and most capable extension officers are not likely to be specialists in the many different kinds of technical, clerical, and managerial skills required by entrepreneurs. In consequence, facilities are needed to provide detailed information on and training in these subjects. In tropical Africa, Ghana and Nigeria are pioneering in the establishment of one type of facility—called either a development or a productivity center—for meeting this need. The recently established Ghanaian productivity center is being equipped to give individual advice, and short courses on 20 technical subjects important for conducting an efficient enterprise. These will include the organization and scheduling of production, quality control, inventory management, merchandising and marketing, personnel and management development, accounting and financial planning, business correspondence, and other subjects. With the assistance of AID, Nigeria is in process of establishing a smaller development center in three of its four regions to provide similar technical and managerial training and advice to entrepreneurs and their employees.

Such development and productivity centers could be effective and reasonably economical methods of organizing and maintaining a staff and physical facilities for providing training and advice to African entrepreneurs on a wide variety of technical and managerial subjects. At least one center of this type should be established in each African country, and several would be desirable in the larger and more advanced nations.

Information Services

The more modern and developed an economy, the more information is required by its constituent units, public and private, if they are to function effectively. Thus, as the countries of Africa develop, their public enterprises, private entrepreneurs, cooperatives, and commercial farmers require a larger and larger volume of up-to-date information on developments and trends within their own country and in the international economy. A large part of this information is provided by governments in both developed and less developed countries.

Nigeria has gone furthest among African countries in providing information services of many kinds. Statistics are published by the federal government on the country's economy and, in addition, either the federal or the regional governments provide regular information on export and import developments and possibilities, government programs affecting commercial and industrial development, changes in and additions to government regulations, government procurement, trade fairs and other events of commercial interest, establishment of new public and private enterprises, as well as news of economic developments in other countries of interest to Nigerians. The Nigerian Ministry of Commerce provides background information on individual Nigerian entrepreneurs at the request of other Nigerian and foreign businessmen.

Information of these kinds is of use principally to the medium-size and large enterprises, private and public. For small and beginning entrepreneurs, other types of information are more useful. For example, in Kenya, Uganda, and some other English-speaking countries, various ministries publish simple manuals and pamphlets on methods of keeping business accounts and books, operating a retail shop, how to use banking services, maintenance and repair of commonly used equipment and vehicles, and a wide variety of other subjects useful to small entrepreneurs, cooperatives, commercial farmers, etc.[1] These pamphlets are generally well illustrated, and many are printed in vernacular languages as well as in English. Large numbers of charts, posters, film strips, short films, and radio and even a few television programs have been prepared and disseminated by government departments on a wide variety of similar subjects.

Information services for both larger and smaller entrepreneurs are valuable aids to economic development and should be improved and expanded in all African countries.

Short Training Courses

Most of the English-speaking countries provide short courses in various subjects to small entrepreneurs, and several have separate courses for large and medium-size entrepreneurs who have more education and experience.

Experience has shown that the duration, location, and subject matter of these courses have to be specifically adapted to the needs and backgrounds of small entrepreneurs. Some courses are organized for one or two days over a week-end; others are held in the evenings for periods of two to six weeks. The purpose is to enable small businessmen to attend at times when they are less likely to be needed at their enterprises—in many cases, one-man operations. Care must also be taken in planning courses for small entrepreneurs to ensure that the subject matter is comprehensible, that plenty of visual aids, demonstrations, and practice sessions are included, and that enough time is allowed for questions and discussion.

For the large and medium-size entrepreneurs, who already have considerable education and experience, more advanced courses are offered, and

[1] In Nigeria, the AID mission publishes a weekly newsletter containing information on these and similar subjects.

others are planned in a few countries. For example, a seminar on industrial relations was held at the University of Ibadan; and, in recent years, the University of Ghana has offered a course on management development lasting several days. The recently established University in Dar es Salaam, Tanganyika, is organizing an Institute of Business Administration which will provide, in addition to its regular curriculum, evening classes for entrepreneurs and their employees and for employees of public enterprises.

Technical Secondary and Advanced Schools

Short courses of the foregoing kinds are designed to meet the needs of Africans already engaged in modern economic activities. Other educational and training facilities are increasingly available for young Africans who expect to become entrepreneurs themselves or to be employed by private firms and public enterprises.

Almost all African countries have at least one technical secondary school, often of good quality, and with a varied curriculum covering the major clerical, mechanical, and electrical skills, as well as bookkeeping, accounting, and other financial subjects. A few countries also have vocational training centers at which students of other schools and employees of private and public enterprises can take similar courses during their free time. Nigeria and Tanganyika have cooperative schools which give two-year courses covering the theory and organization of cooperatives, general economics, bookkeeping and accounting, marketing, and other subjects required for the training of cooperative extension officers and employees of cooperatives.

Advanced training in business administration and management has only recently begun to be provided at the university level in African countries. The University of Lagos, Nigeria, has a faculty of business and social sciences which, at the end of 1963. expected to be teaching nearly 100 full-time and 50 part-time students. The University of Ghana has a College of Public and Business Administration and, as already noted, an Institute of Business Administration is being established at the University in Dar es Salaam. The Royal College in Nairobi, Kenya, offers a university degree in commercial science. In the Ivory Coast, the Centre de Perfectionnement Supérieur offers training in management at the new University in Abidjan.

Over the long term, the improvement and expansion of technical and vocational institutions at the secondary school level, and of advanced management, engineering, and technological schools at the university level will make a major contribution both to economic development as a whole and to the evolution of indigenous private enterprise. Indeed, it is not an exaggeration to say that the future of modern forms of private enterprise in manufacturing industry largely depends upon the increased availability and competence of Africans with both secondary and advanced managerial and technological training. In consequence, the development of educational facilities for these purposes should have a high priority in the programs of African governments and in the aid activities of foreign governments and international organizations.

Encouragement of the Training Programs of Foreign Companies

As discussed in Chapter III, the training of African employees in technical and managerial skills, and their promotion to positions requiring such qualifications are among the most important ways in which foreign companies can foster African development and the advancement of indigenous enterprise. In general, foreign companies receiving loans or equity investments from government development banks and corporations are required to train and promote African employees. Apart from this special situation, however, few African governments have as yet recognized the desirability of encouraging the many other foreign firms in their countries to undertake such efforts and, where necessary, to assist them to do so.

One example of a country with a positive policy in this respect is the Ivory Coast, which offers a tax rebate to foreign firms to reduce the expense of arranging for their employees to take training courses at the Chamber of Commerce. Another is Nigeria, which requires foreign companies wishing to establish new operations in the country to agree to train and promote their African employees. In addition, however, Nigeria limits the number of foreign employees that the company can bring into the country and the length of time they are permitted to stay.

Such a restriction may be self-defeating. The positive requirement that Africans be trained and the company's knowledge that the government expects it to do so should in normal circumstances be sufficient to bring about the desired result. Moreover, it is precisely the foreign employees of a company who possess the skills and experience needed for African development and for training Africans eventually to fill their positions. Assuming good will, the decision should be made by the foreign company as to the positions which Africans should progressively fill and the timing of such changes. Premature Africanization may force the company to employ partially trained and inexperienced Africans with resulting inefficiency and loss both to the firm and to the country.

However, in most African countries, the problem is not that undesirable restrictions of this nature are being imposed on foreign companies, but rather that the governments make few efforts to induce the companies to train Africans for technical and managerial positions. This is particularly true in French-speaking Africa, where very few of the French companies are of their own volition carrying out such training programs; and positive encouragement by the governments would be desirable.

The large foreign firms, employing hundreds and even thousands of workers, will be able to finance their own training programs. However, smaller foreign and most African companies with only a few dozen employees, or even less, cannot normally afford to maintain continuing training programs, particularly where a large variety of skills may be required, but in each of which only one or two workers may need training. In these cases, it would be advisable for the government to encourage several foreign and African private enterprises to establish joint training programs, and to help them meet the cost either through tax rebates or subsidies. As noted in Chapter III, such joint training programs could in time become permanent vocational training centers, particularly with adequate government encouragement and support.

General Education and Entrepreneurial Development

The development of general education systems in tropical Africa has been seriously under way for only a decade. Greatest progress has been made at the primary school level, as shown in Table 2 (page 20), while secondary education lags very considerably behind. One consequence is that, while more and more Africans are learning to read, write, and do simple arithmetic, not enough are acquiring necessary occupational skills in the course of their education. This problem has been magnified by the fact that the curriculum at both primary and secondary levels has mainly been directed at providing a general education, often of a predominantly literary and liberal arts character.

However, in the last few years, a more determined effort has been under way in more and more countries to expand and improve the facilities for technical and vocational education and training. African development cannot be accelerated unless a much larger proportion of Africans are given opportunities to acquire the technical and administrative skills needed for modern economic and governmental activities. In the developed countries, such skills are generally obtained as part of the normal educational process, particularly at secondary and higher levels. The inadequacy of African secondary education, in terms both of extent and of content, results not only in too few secondary school graduates, but also in many graduates lacking necessary modern technical skills.

A problem also exists with respect to the much larger number of Africans who have received or are obtaining primary schooling, particularly in the countryside. Most cannot go on to secondary school because facilities are not yet available but, after completing primary school, many are unwilling to remain in rural areas and engage in customary agricultural activities. In consequence, increasing numbers are migrating to the cities, seeking the kinds of employment that accord with the income and status expectations which they believe are appropriate for primary school graduates who can read and write. But, since they generally have no other skills, many of them fail to find the kinds of jobs that they consider suitable. Some African countries are beginning to tackle this problem by including appropriate types of vocational training in the primary school curriculum, particularly modern agricultural skills, and by inculcating in the course of schooling a greater respect for agricultural activities and for those who succeed in them. They are also establishing rural training centers and small farms to which young men already in the cities can return and resume or begin productive agricultural vocations.

The expansion of vocational training in modern agricultural, industrial, and commercial skills in the primary and secondary school curricula is essential for fostering the development of African private enterprise of all kinds. Over the longer term, such changes in curricula and attitudes, combined with the growth of educational facilities generally, would result in a new generation of Africans much better equipped for engaging in modern economic activities—as entrepreneurs, managers, and employees of private and public enterprises—than are the great majority of adult Africans today.

Other Government Policies and Programs

In less developed countries, like those of tropical Africa, where the government plays so large a role in the modern sector of the economy, virtually all of its activities affect private enterprise directly or indirectly. For this reason, it is not possible within the scope of this study to discuss every government policy or program which in one way or another significantly influences the development of African enterprise. However, in addition to financial and technical assistance, and training and education programs, a number of other specific policies and activities are of sufficient importance to be briefly discussed here.

Fiscal and Monetary Policies

With the exception of the Congo (Leopoldville), no African country has been following fiscal or monetary policies which constitute major deterrents to the development of private enterprise, indigenous or foreign. In none has there yet been a significant problem of inflation or of unmanageable balance-of-payments deficits; and none has imposed prohibitive taxation on private economic activities. African countries should be given credit not only for avoiding such harmful fiscal and monetary policies—which are injurious to private enterprise and to national development as a whole—but also for using fiscal policy to provide positive incentives for private investment, indigenous and foreign.

It should be noted, however, that most of the French-speaking countries belong to the French franc currency bloc, and Liberia uses the U.S. dollar as legal tender and does not have a central bank. On the one hand, this situation has helped to discourage inflationary policies and balance-of-payments deficits. On the other, it has restricted the flexibility of domestic fiscal and monetary policies, and has enabled some foreign companies, government officials and politicians, and African entrepreneurs to transfer funds, which might otherwise have been invested in these countries, for safehaven or investment in Western Europe and elsewhere. On balance, the effect has so far been beneficial, but ultimately these countries should probably have their own currencies and central banking arrangements.

There are, nonetheless, certain ways in which existing fiscal systems have unintentionally had the effect of causing unnecessary difficulties, particularly for small African entrepreneurs. The most important of these is the multiplicity of taxes to which small entrepreneurs are liable in certain countries and local communities. In Lagos, for example, small entrepreneurs are in theory required to pay not only income taxes, registration fees, and duties on imports, but also surtaxes on the use of water and electricity (in addition to rates), real estate taxes which are substantially higher for commercial and industrial properties than for residential buildings, licensing fees, and various social security benefits. A similar situation has existed in Uganda. In both cases, it is probable that the governments intended these taxes to apply primarily to large and medium-size enterprises; certainly, many small entrepreneurs manage to evade some or all of these taxes, and the governments do not attempt universal enforcement. In consequence, the major negative effect of the multiplicity of taxes is to deter some small entrepreneurs from applying for financial assistance from development banks, corporations, and small loan institutions, which usually are required to submit reports on loans approved to the tax authorities.

In contrast, the provision of tax incentives to stimulate private enterprise is widespread and effective. Many countries have prepared lists of pioneer or development industries which they especially wish to encourage. New enterprises, both indigenous and foreign, established in these designated fields are commonly granted exemption from income tax for a period of from five to seven years, and sometime for as long as 15 years for industries with long gestation periods. In some cases, rebates are given on other existing taxes. The waiving of import duties for specified periods is also a general practice throughout tropical Africa for these designated industries.

In addition, most African countries impose protective tariffs for the purpose of enabling designated pioneer or development industries to compete with imports. However, in some cases, domestic products have initially been so inferior in quality to goods previously imported that African users have protested, usually with a subsequent improvement in standards.

Aside from objections of this kind, the main complaint regarding tax incentives made by African businessmen interviewed in the course of this study was that it often took too long to obtain government approval of import duty and other tax exemptions. For example, an African company assembling radios from imported components had to wait for a year before it obtained the promised exemption from import duties despite the fact that its radios were priced from the beginning on the assurance of prompt action so that the tariff would not have to be figured in the cost. Improved administration and processing of tax incentive programs would be desirable.

Business and Labor Codes and Regulations

Comprehensive codes of business and commercial law, and regulations governing labor-management relations, the activities of trade unions, the protection of workers and consumers, etc., have become urgent requirements only in recent years as the modern sectors of African economies have grown to significant size. In particular, the absence or inadequacy of laws governing the rights and obligations of members of partnerships and limited liability companies, procedures of debt collection and of bankruptcy, the modernization of inheritance and the making of wills, and the enforcement and dissolution of contracts directly affects the willingness and ability of African entrepreneurs to engage in productive activities, individually and jointly.

A major need in many African countries is the completion, clarification, and codification of such business and commercial law. Ghana, Nigeria, and the East African countries have made the most progress in this respect. However, other African countries lag behind, and in some there is inadequate enforcement of laws existing on the statute books. Development of comprehensive codes of business law for African entrepreneurs and the establishment of the judicial facilities and procedures for enforcing them should have a high priority in many African countries.

Most countries attempt to license business enterprises regardless of size, except for the innumerable market women and itinerant traders. This practice is desirable, for it enables governments to keep track of private economic activities not only for tax and regulatory purposes but also for the purpose of obtaining information necessary for development planning.

One respect in which the prevalence of traditional customs or the absence of modern laws, has impeded the development of African enterprises is in restricting land purchase by Africans for business purposes and its use as collateral for loans. In most countries, land potentially useful for productive purposes is held under traditional communal or family tenures or by chiefs and others, theoretically on behalf of the community. A number of countries have begun to prepare new land tenure codes and to institute registration and title procedures in order to foster the development of modern forms of private economic activity both in agriculture and in industry and commerce. For example, the Ivory Coast has recently proposed a law providing that all land not in productive use for the past 10 years must revert to the government for reallocation to individual farmers and cooperatives and to other productive users. Tanganyika now permits Africans to use land as collateral for loans and credits. Most countries, however, need to accelerate the modernization of their land laws.

Another legal area in which modernization is needed is in the inheritance of business and personal property. Traditional inheritance customs usually require division of property in accordance with matrilinear or patrilinear lines of descent. Many African countries are now establishing laws which allow an individual a choice of traditional or modern methods of passing on his property. In this way, African entrepreneurs can make and probate wills under which they can designate heirs and pass on their enterprises intact.

Labor codes and trade union regulations constitute another major factor important to African private enterprise. Many countries have already passed, or are in process of preparing, labor codes governing working conditions, minimum wages, hospitalization and vacation benefits, and other aspects of labor-management relations. Generally, these codes do not envisage benefits substantially in excess of those which enterprises generally and the economy as a whole can afford. However, these codes are often intended for large enterprises and do not take into account the inability of small entrepreneurs to meet the same wage and social benefit standards. In addition, compliance with these codes often involves a large amount of paper work, which may be burdensome for small entrepreneurs. It may be desirable for African governments to consider the adoption of separate standards and reporting requirements for small African enterprises as compared with the larger indigenous and foreign companies.

In most countries, the governments are increasingly supervising trade union activities so as to prevent wage increases from exceeding significantly the growth of productivity, or strikes from interfering with economic growth. There is also concern that the small organized sectors of the labor force may obtain a disproportionate share of the national income as compared with the much larger numbers of unorganized workers. In consequence, trade union activities are likely to be more and more closely supervised by African governments.

Other aspects of labor legislation which are being or need to be improved relate to apprenticeship and the operation of labor exchanges. Existing standards of apprenticeship in most African countries are loose and often do not ensure that apprentices will in fact acquire the skills necessary for them to fill employment needs or to become entrepreneurs on their own. African governments need to revise existing apprenticeship laws and standards so as to ensure specification of required levels of proficiency and careful examinations for certification. In addition, it would be desirable for African governments to prepare training manuals for entrepreneurs and to assist them in obtaining outside training for their apprentices. As for the labor exchanges, their regulations and standards need to be clarified in many countries so that both employer and employee can understand the requirements which each is expected to meet. In some cases, existing regulations are so protective of the worker as to make desirable standards of performance seem unnecessary. Both African and foreign employers have complained in several countries that reinstatement procedures are so lenient as to make it virtually impossible to discharge inefficient employees.

Finally, many African countries need to modernize and expand their supervision of weights and measures, safety regulations, consumer protection against harmful products and unsanitary conditions, and other rules and regulations necessary to safeguard the rights and well-being of the people.

Procurement Policies

A very substantial portion of the demand for goods and services in African economies comes from government ministries and departments at national, regional, and local levels. In consequence, government procurement policies and practices have an important influence on the development of indigenous enterprise, as do those of the foreign companies discussed in Chapter III.

In the last few years, most African governments have begun to make efforts to patronize local business firms, both indigenous and foreign. For example, Nigeria publishes lists of approved locally manufactured products which government departments are required to purchase, provided that their quality and price are comparable to those of imports. The government of Tanganyika gives a similar preference to the goods and services provided by cooperatives. In Uganda, local enterprises receive a 10 percent preference in bids for government contracts and purchases. Several of the French-speaking African countries have similar policies, but rarely make an effort to enforce them.

In order to ensure that African construction firms will be able to bid on government contracts which they are capable of fulfilling, Ghana and Nigeria have classified both African and foreign construction companies by size, and each category may bid on government construction contracts within the assigned range. Thus, the competent smaller enterprises are encouraged to bid for projects which they will be capable of completing. This practice also encourages some of the larger companies, particularly foreign construction firms, to award subcontracts to smaller African enterprises which would not otherwise be able to obtain a share of the business.

However, the benefits of these constructive policies are sometimes outweighed by other government practices which have negative effects. In Ghana and Nigeria, for example, public enterprises have been established in certain industries in which indigenous private enterprises already exist and have demonstrated their efficiency, and the former have been given preference in the awarding of government contracts over the latter. Established and efficient African enterprises in such industries as construction, printing, and palm oil processing in Nigeria, as well as in importing and exporting in Ghana, have suffered severely in consequence of procurement preference given to public enterprises in these fields. Moreover, in some cases, the public enterprises involved have proven to be so inefficient that, despite their preferential positions, they have required government subsidies or have been dissolved. Government-sponsored enterprises should be established only in those fields in which African private enterprises have not yet demonstrated their capacity to operate effectively and which are important for national development.

Many small African enterprises are unable to bid on government contracts in the absence of prefinancing by the government, or of guarantees of future payments which would enable the entrepreneurs to borrow at a bank. Sometimes, government departments have been so slow in paying their bills that private enterprises, both indigenous and foreign, have suffered considerable hardship. Efforts should be made to remedy these problems.

In many areas, African entrepreneurs have urged their governments not only to give them preference in procurement but also to prohibit non-African enterprises from filling government orders and even to restrict them in other ways, e.g., by limiting the fields in which they may operate or, in the case of retailers, the days and hours when they may be open for business. Except in Liberia and Northern Nigeria, African governments have refrained from instituting such restrictions, which would both be unfair and reduce economic efficiency in the economy as a whole.

African private enterprise, as well as African development as a whole, has been harmed by certain illegal or unethical government procurement and loan practices which have grown to substantial proportions in a few African countries. Political favoritism, kickbacks, and other misuse of funds have been significantly involved in government purchases of goods and services, the granting of loans, and the award of government contracts. By their nature, the full extent of such activities cannot be accurately estimated and it undoubtedly varies substantially from country to country. Moreover, many accusations of favoritism and bribery come from disappointed entrepreneurs who may not have received government contracts for valid reasons, e.g., because their prices were too high, their quality was too low, or their past performance records were unsatisfactory. Nevertheless, even when such unfounded complaints are discounted, political favoritism and financial malpractices have been all too prevalent in recent years in a number of countries.

However, there are now increasing awareness of and concern about this situation among African political leaders and the public generally, and steps are being taken to mitigate it. Party caucuses and party colleagues have been privately censuring ministers and party officials whose activities have become notorious. In a few countries, commissions have been established to expose the malpractices of institutions and individuals. As noted above, development banks and corporations, and other financial assistance agencies are appointing to their boards of directors nonpolitical Africans who have economic training or business experience. While—as in all countries—political favoritism, bribery, and financial malpractices will continue to some extent, there can be little doubt that most African countries are today increasingly resolved to minimize such illegal and unethical activities.

Location of Enterprises

The location of both small and large manufacturing and other enterprises in carefully selected special areas makes for better city planning, reduces the costs of the entrepreneurs, and provides increased opportunities for introducing new methods, quality inspection and standard specifications, trade marking, apprentice regulation, dissemination of information, collection of statistics, and many other activities important for modern economic growth. In consequence, many African countries have begun to establish industrial estates, as well as to designate areas specifically zoned for commercial and business activities.

Industrial estates have already been established in Ghana, Nigeria, Kenya, Tanganyika, Uganda, and Northern Rhodesia, and others are planned. Both indigenous and foreign private enterprises are availing themselves of these facilities. Though there are wide variations, many include not only sites and buildings but also water and electricity, security guards, and employees' amenities. Usually, the larger enterprises prefer to construct their own buildings, while simple and flexible facilities are often constructed by the government for rental to the smaller enterprises. Rents are initially low, rising to economic levels over a period of five to seven years. One industrial estate in Nigeria has also made an effort to provide a machinery workshop and repair facilities for small tenants, but this program has not been very effective owing to the widely differing needs of the enterprises involved.

In contrast to the English-speaking countries, industrial estates for indigenous entrepreneurs have not as yet been established in the French-speaking countries. It is to be hoped that this deficiency will be remedied because the industrial estate device is one of the best means for assisting small entrepreneurs to establish efficient and continuing operations.

However, the choice of location for industrial estates and specially zoned areas is a major factor in their success. In the case of some industrial estates and of many of the areas zoned for manufacturing and commercial activities, insufficient attention has been given, in selecting their location, to available transportation and to existing and potential markets. This has resulted in considerable hardship, particularly for small enterprises, and has been a cause of a number of business failures.

Other Government Activities

Among the many government policies and programs significantly affecting the development of African private enterprise, a number of others may be briefly noted.

Studies of manpower availability and needs over the next five to 20 years have already been carried out for several African countries and have proved useful in both governmental and private planning of development and of training and education programs. Studies of manpower needs in both public and private sectors should be undertaken by all African countries. If representatives of associations of the private firms, both African and foreign, are drawn into the assessment of the manpower requirements of the private sector, they are likely to be more receptive to assisting in the training activities necessary to fill these needs.

The advantages of joint service, trade, and other types of business associations have been explained in Chapter II. Governments can encourage the formation and proper functioning of these organizations by including their representatives in governmental planning activities and in regulatory agencies and commissions. Through mass media and commercial, cooperative, and community development extension officers, African governments can educate small entrepreneurs in the aims and methods of business associations and assist in their organization. Incentives can be provided for establishing and improving such institutions by requiring that loan applicants obtain a reference from their local association; by offering courses, scholarships, and other educational opportunities to their members; by publicizing the associations' activities in official publications and by routing inquiries about supplies of local products and the opening of local sales agencies to the associations. Governments should register existing associations, including the names, addresses, and businesses of members, and ensure that their constitutions and bylaws meet minimum standards of fairness and democratic decision making.

Local and national agricultural and industrial trade fairs held in recent years in African countries have drawn enthusiastic response and have resulted in increased business both for indigenous entrepreneurs and for foreign companies. African governments should encourage participation in and sponsorship of such fairs by African and foreign firms, local governments, and even overseas organizations.

Future Policies Regarding the Roles of Public and Private Enterprises

In some less developed countries, including a number of African nations, the expansion of public enterprise is justified not mainly on ideological grounds but in the belief that it is less difficult for the government to establish and operate public enterprises than for it to foster, assist, and regulate private enterprises. This argument may be used even where the disadvantages and limitations of public enterprises are beginning to be recognized, as they are in some African countries. Yet, while the argument may have some validity in the short term, it is not likely to be true in the long term. As African countries develop, it will be less and less difficult to encourage the formation and expansion of efficient and socially responsible private enterprises than to operate government enterprises efficiently and economically. African governments should increasingly recognize that their own small financial resources and limited numbers of skilled personnel can be more effectively used in stimulating, supplementing, and regulating private enterprises than in attempting to expand and increase public enterprises, particularly in agriculture, industry, distribution, and services.

As explained in the Introduction, indigenous private enterprise can take many forms. The importance of one of them—the cooperative form—is recognized by all African governments, even by those hostile or indifferent to other kinds of African private enterprise. Efforts to expand and improve cooperatives in agriculture, industry, distribution and other fields are necessary if the most effective use is to be made of this form of private economic activity which African governments believe is particularly appropriate to African values and needs. However, other modern forms of private enterprise—individual and family proprietorships, partnerships, and particularly limited liability companies—are equally important and should also be encouraged and assisted. While they may not embody traditional communal values, as do cooperatives, they are strongly conducive to the realization of other social values and institutions essential for African development—initiative and self-reliance, decentralized and democratic decision making, plurality of interests and organizations, etc. Moreover, they are generally capable of yielding greater economic benefits in certain fields, notably industry, than are artisans' cooperatives because the latter do not have as great a propensity for technological innovation and for expanding into new economic opportunities nor can they achieve the economies of large-scale production. In contrast, government enterprises in agriculture, industry, distribution, and services neither foster the various values achieved through cooperatives and other types of private enterprise nor are they generally as efficient and dynamic.

African governments are increasingly recognizing these comparative advantages of indigenous private enterprise and the dangers of excessive public enterprise. But, many of them are uncertain of their ability to supervise the activities of private enterprise so as to prevent its possible abuses. Where, as in African countries, indigenous private enterprise is only at the beginning of its development and undesirable practices are not yet deeply rooted, the formulation and operation of an appropriate system of government regulation of private economic activities is not too difficult. Such regulation commonly has several objectives—to protect the health and physical safety of the community; to prevent the abuse of private economic power, particularly by prohibiting the creation of monopolies which might exploit consumers through high prices or prevent the establishment of new competing enterprises; to ensure equitable treatment of workers; and to enforce necessary standards of economic morality. A great deal of experience has been accumulated over the past hundred years by the developed countries of North America and Western Europe, and in the past decade by a number of developing countries, in devising and enforcing regulations of these and other kinds. This experience is available to African countries, and the United States and European governments can provide assistance to African governments in formulating appropriate laws and regulations which meet African needs without stifling private enterprise.

True, the administration of laws and regulations governing the behavior of private enterprises requires government officials with the necessary technical training and with standards of personal conduct which discourage bribery and favoritism. But, government officials responsible for the management of public enterprises need to have equally high standards of personal behavior, and the technical and managerial skills which they require may well be more difficult and take longer to learn than those necessary to administer regulatory activities. In addition, there are the inherent disadvantages and limitations of public enterprise as compared with private enterprise—the tendency to be less efficient, to take longer to make necessary decisions, to be less venturesome in undertaking technical innovation and expanding into new economic activities, etc. Hence, in seeking to achieve their social and economic goals, African countries should not refrain from encouraging indigenous and foreign private enterprises on the mistaken assumption that they would not be able to regulate them effectively.

Public enterprises are and will continue to be needed in specific fields—notably infrastructure—for which private entrepreneurs lack the required capital, skills, and experience. But, public enterprises in agriculture, industry, distribution, and services should eventually be turned over to appropriate types of private enterprises as and when they acquire the necessary qualifications. New public enterprises should not be established in fields in which capable indigenous private enterprises already exist. Nor, where a private entrepreneur is already, or in the future becomes, willing and able to establish an enterprise required for the achievement of national development goals, should he be prevented from doing so out of fear that his activities could not be effectively supervised in the public interest.

Recommendations

Detailed suggestions have been made in the foregoing pages for increases and improvements in the policies and programs of African governments affecting the development of indigenous private enterprise. The recommendations given below are intended to recapitulate the main kinds of actions by which African governments can strengthen African entrepreneurship so as to increase its contribution to the achievement of African development goals.

• African governments, particularly in the French-speaking countries, which have assigned a comparatively minor role to indigenous private enterprise in their development efforts, should re-examine their development strategy in the light of increased knowledge and better understanding of the essential contribution which private economic activity is capable of making to more economical use of scarce development resources, to more rapid achievement of economic independence, and to more substantial improvements in living standards. In this connection, it is important that African governments clearly state their specific development priorities in and among the various economic sectors and their policy with respect to the future role of public enterprise so that private entrepreneurs, indigenous and foreign, will have the guidelines required to make their own future plans.

• African governments engaged in comprehensive development planning should enlarge and facilitate the participation of the private sector in the planning process and should encourage private enterprises to plan their own future growth within the framework of the national effort as a whole.

• African governments should accelerate and expand their present efforts to improve their financial assistance programs, giving increased attention to the needs and limitations of small entrepreneurs and to African enterprises of all sizes, especially in nonagricultural fields. The aim should be to identify those African entrepreneurs with the greatest potential for conducting efficient and dynamic enterprises in order to concentrate financial resources and personnel on assisting their efforts to improve and expand their activities. Detailed suggestions for improving financial assistance programs are made on pp. 85–90 and in Appendix III.

• In many countries, African governments have made a good start in establishing technical assistance and training programs for African entrepreneurs and their employees. These efforts should be expanded both in size and in scope, and they need to be much more closely coordinated with the activities of the financial assistance institutions. Specific suggestions are made on pp. 91–94.

• African governments should accelerate the improvement of primary, secondary, and advanced education so as to provide substantially more vocational training in modern agricultural, industrial, and other skills at primary and secondary levels; to inculcate a more positive attitude toward agricultural occupations and the dignity of physical work; and to increase the facilities available for specialized technical, managerial, and financial training at secondary and advanced levels for both full and part-time students.

• African governments should continuously review their other policies and programs significantly affecting the development of indigenous private enterprise (e.g., fiscal and monetary policies, business and labor codes and regulations, procurement policies, provision of facilities for new enterprises, etc.) as suggested on pp. 97–104, in order to minimize their negative effects and to increase the positive incentives and assistance provided to African entrepreneurs.

• African governments should continue their pragmatic reconsideration of the role of public enterprise in their development strategies. Public enterprises should be required, wherever possible, to use indigenous enterprises as suppliers of goods and services. African governments should encourage African private enterprise, as and when it becomes capable of doing so, to purchase or replace government-sponsored enterprises previously established because private entrepreneurs then lacked the capital and skills necessary for such operations in industry, distribution, and services.

V

Foreign Aid Programs Affecting the Development of African Enterprise

Foreign governments, international organizations, and private foreign investors combined have been providing, and will undoubtedly continue to provide, a larger proportion of the development resources available to tropical African countries than to any other comparable regional group of nations. Capital obtained from such outside sources has in recent years ranged from one third to one half of development investment in the countries of tropical Africa. In addition, these nations have a larger proportion of foreign experts serving in administrative, managerial, and technical capacities in the government and in the economy than do most other less developed countries. In these circumstances, financial aid and technical assistance received by African countries from other governments and from international organizations significantly affect the development of indigenous private economic activities, both directly and indirectly, and positively and negatively.

In all recipient countries, foreign aid generally operates through the existing or newly established agencies and programs of the indigenous governments. Moreover, to the extent to which foreign governments and international organizations conduct operating programs of their own in recipient countries, these are always undertaken with the consent of the indigenous governments, and sometimes jointly with them. Hence, foreign aid programs have their principal—though not exclusive—influence on indigenous private enterprise by increasing the scope and improving the effectiveness of policies and activities of the recipient-country governments.

In consequence, the United States, European and other foreign governments, and international organizations can assist the development of African private enterprise mainly by providing financial help, technical aid, and advice and encouragement to African governments in support of the latter's policies and programs analyzed in Chapter IV. This chapter describes briefly such efforts now being made by foreign governments and international organizations and suggests ways in which they could be made more effective.

U.S. Government Assistance

Compared with the British and French governments, the U.S. government is a newcomer to the task of providing assistance for African development. U.S. aid began to be provided to Liberia during World War II, and Ethiopia has been receiving U.S. assistance since the mid-1940s. However, except for these two independent African countries, U.S. government aid to tropical Africa began on a very small scale only in the early 1950s, when some Marshall Plan dollar and counterpart funds were allocated for assistance activities in what were then called the dependent overseas territories of the European countries. U.S. aid increased to substantial size only in the late 1950s as African countries achieved independence and assumed responsibility for their own development efforts. However, even today, total U.S. assistance to the 30-odd independent countries of tropical Africa is substantially smaller than that to Latin America or Asia.

There are several reasons for the limited size of U.S. aid to tropical Africa. Because of the extensive assistance provided by the European countries to their former colonies, U.S. aid to most of tropical Africa is residual or supplementary. It plays a primary role only in Liberia and Ethiopia. In all African countries, the capacity to absorb foreign aid funds is restricted both by the limited extent of worthwhile or appropriate investment opportunities and by the shortage of African programing and administering personnel. Owing to the absence of diplomatic relations with these countries before the late 1950s and early 1960s, when they achieved independence, the U.S. government has only recently begun to acquire detailed knowledge of the development problems and prospects of tropical Africa, and personnel trained to carry on aid activities in the region.

The bulk of U.S. government aid to tropical Africa is directed toward three major sectors—infrastructure, education, and agriculture. This reflects valid development priorities in the development strategy of virtually all African countries. However, substantial funds are also made available for assisting the development of industry.

U.S. aid to infrastructure, education, and agriculture contributes both directly and indirectly to fostering indigenous private enterprise. A minimum availability of infrastructure—transportation and communication facilities, water and power supplies, etc.—is essential for the development of all types of productive enterprises, private and public. Adequate education and training are required to provide the skilled workers and the technical and managerial personnel necessary for the growth of industry, commerce, and services. Agricultural development makes available a large part of the food and agricultural raw materials required by urban populations and industries; the foreign exchange earnings needed to import capital goods; the government revenues necessary for financing development programs; and the market demand for the products and services of the industrial and distributive sectors. Hence, all three of these major development fields contribute to the stimulation of indigenous enterprise, though often indirectly.

In addition, there are a number of U.S. aid programs and activities which are directly designed to assist private enterprise, indigenous and foreign. These have been increasing in the last few years. The major current efforts deliberately designed to assist African private enterprise, and some of the other activities which indirectly contribute to that objective, are briefly described under the appropriate U.S. government agencies and programs.

TABLE 4
Total U.S. Assistance Allocated to Tropical African Countries by AID in Fiscal 1963
(In thousands of dollars)

Country	Total	Supporting Assistance	Development Grants	Development Loans *	Other
Burundi	41	—	41	—	—
Cameroon	984	—	984	—	—
Central African Republic	700	—	700	—	—
Chad	1,025	—	1,025	—	—
Congo (Brazzaville)	456	—	456	—	—
Congo (Leopoldville)	42,440	—	3,040	—	39,400
Dahomey	665	—	665	—	—
Ethiopia	10,020	—	6,020	4,000	—
Gabon	682	—	682	—	—
Ghana	1,668	—	1,668	—	—
Guinea	12,058	5,998	3,660	2,400	—
Ivory Coast	2,479	—	779	1,700	—
Kenya	4,933	—	2,733	2,200	—
Liberia	39,870	—	8,570	31,300	—
Malagasy Republic	530	—	530	—	—
Mali	3,926	655	1,170	2,100	—
Mauritania	147	47	100	—	—
Niger	1,248	—	748	500	—
Nigeria	27,400	—	15,300	12,100	—
Federation of Rhodesia and Nyasaland	1,764	—	1,764	—	—
Senegal	2,166	—	2,166	—	—
Sierra Leone	2,514	—	2,514	—	—
Somali Republic	7,753	—	4,153	3,600	—
Sudan	6,457	—	2,657	3,800	—
Tanganyika	8,884	—	1,984	6,900	—
Togo	756	—	756	—	—
Uganda	6,930	—	2,530	4,400	—
Upper Volta	522	—	522	—	—
Regional	9,738	—	9,438	—	300
Total	**198,756**	**6,700**	**77,356**	**75,000**	**39,700**

* Majority of development loans were for infrastructure.
Source: AID Management Report, June 30, 1963; Statistics and Reports Division, Agency for International Development, U.S. Department of State; Report W/128.

Agency for International Development

The activities and budgetary expenditures in tropical Africa of the Agency for International Development (AID) are far more extensive than those of all other U.S. government agencies combined. Operating in 30 tropical African countries, with a staff of approximately 850 Americans and nearly 1,000 ind.genous personnel, AID allocated in the fiscal year 1963 nearly $200 million to these countries (see Table 4), as compared with eight countries receiving less than $9 million in 1958.

AID activities significantly affecting African entrepreneurs have included the following:

Direct Loan Programs for African Entrepreneurs. On the basis of a U.S.-U.K. agreement in 1953, loan funds were provided for African entrepreneurs in Kenya, Uganda, and Tanganyika. Some $1.4 million of short, medium, and long-term loans have been extended to Africans in these countries to increase output and productivity in industry, commerce, and agriculture. The terms and conditions of these loans differ from country to country and have been revised as new resources were added. The programs are administered in Uganda through the Uganda Credit and Savings Bank, in Tanganyika through an agency of the Ministry of Commerce and Industry, and in Kenya by the Industrial Development Corporation. Mention has also been made in Chapter III of the arrangement under which the Development Loan Fund (a predecessor of AID) guaranteed half of the loans made to Liberian entrepreneurs under a $1 million program administered by the Bank of Monrovia, an affiliate of the First National City Bank of New York.

Development Banks and Corporations. AID assists African development banks and corporations through feasibility studies, technical aid, and local currency and dollar loans. Surveys of the needs and requirements for development banks have been made in Cameroon, Ghana, the Ivory Coast, Niger, Senegal, and Sierra Leone, and some attention has been devoted in these surveys to ways in which African entrepreneurs could be selected and assisted. Financial assistance has been provided to development banks or corporations in Dahomey, Ethiopia, Liberia, Niger, Somalia, the Sudan, and Uganda. Some of these institutions are also receiving technical assistance. For example, four American specialists are attached to the newly established Ghana Investment Bank to provide technical assistance in meeting the organizational, financial, and technical needs of new industries.

Technical Assistance and Industrial Development. AID has supported a wide variety of technical assistance and industrial development activities which directly or indirectly help African entrepreneurs. It has paid for the cost of hiring U.S. management and consultant firms or individual specialists to work with the relevant African government organizations in identifying and promoting industrial development opportunities in Guinea, Nigeria, Nyasaland, the Sudan, and Tanganyika. The largest program of this type is in Nigeria. A rural development survey to help accelerate the shift from subsistence to commercial agriculture and to identify rural industry opportunities has recently been made in Nyasaland with AID support. The development centers to be established in three of the four regions of Nigeria (described in Chapter IV) are being assisted by AID funds and personnel. AID has also helped to plan and conduct manpower surveys in a number of countries to estimate the future needs of both the private and the public sectors. It has helped to formulate vocational aptitude tests for use by employers, indigenous and foreign, in considering prospective employees. AID has also financed the cost of sending American business experts to Africa for brief assignments to assist African government and private enterprises.

Education and Training Programs. AID-assisted projects in more than 20 countries include help to new and established universities, teacher-training institutions, technical education centers, and a wide range of adult education activities. Among projects closely related to the development of entrepreneurship and entrepreneurial skills are: assistance in the establishment of the School of Commerce and Business Administration at the University of Lagos by means of a grant to New York University, which is sending six staff members to help organize and teach in the program; provision of funds to the Ibadan Technical College to expand technical and subprofessional training, and to offer 32 scholarships to students likely to go into business for themselves; assistance in the expansion of secondary school curricula to include commercial and other vocational education in Liberia, Nigeria, Senegal, and Uganda.

Exchange and Overseas Study Programs. Generally, the exchange and overseas study programs financed by AID are related to the kinds of manpower needed to carry out existing or prospective AID-supported projects in African countries. A small proportion of the several hundred Africans annually participating in these overseas training programs have been entrepreneurs operating their own businesses. African businessmen and employees of African enterprises have been brought to the United States and to other countries from Ghana, Guinea, the Ivory Coast, Liberia, Nigeria, Senegal, Southern Rhodesia, and others, usually to visit enterprises similar or related to their own. A number of African businessmen have benefited by learning not only techniques in their own trades but also better ways of organizing both their own firms and associations of businessmen. One African retailer, for example, returned to his own country to establish the first supermarket in his city, a successful venture. In addition, the commercial officials of some African governments are receiving both technical and academic training in the United States to increase the effectiveness of their services to African entrepreneurs.

Food for Peace. Under the U.S. Food for Peace program, the countries of tropical Africa received over $78 million of American surplus agricultural commodities in the fiscal year 1963. Half of the total was used to support various development projects. Another $2 million was allocated under the Cooley amendment to the Food for Peace legislation to U.S. companies investing in tropical Africa. AID is exploring ways by which the local currency funds accruing from sales of these products within the recipient countries, as well as agricultural commodities themselves, can be used for assisting private enterprises and cooperatives.

Other AID Activities. As of September 1963, 16 African countries had signed investment guaranty agreements with the United States, and 21 guaranties had been made of U.S. private investments in five African countries; a further 88 applications are pending. The investment guaranty program could be of significant help in stimulating American companies to invest in tropical Africa which, in turn, can foster the development of African enterprise, as explained in Chapter III.

Under the private investment survey program designed to encourage American firms to explore investment possibilities overseas, AID will reimburse U.S. companies up to half of the cost of making such surveys in the event they decide not to make the investment. However, AID is then free to use the survey to interest other possible investors. By the end of 1963, two surveys had been made in Nigeria and one in Guinea.

AID and other U.S. government agencies have prepared or purchased and distributed large amounts of printed materials in African countries. Some of them have been general publications on economic and business subjects; others have been manuals and printed materials used for training in specific technical, managerial, and financial skills. Until recently, many worthwhile publications in English have not been appropriate for distribution in the French-speaking countries, but the translation program now under way is already proving its usefulness.

Other U.S. Government Agencies

Other U.S. government agencies whose activities directly or indirectly foster indigenous private enterprise include the following:

Export-Import Bank. As of December 1963, the Export-Import Bank had $176 million in loans authorized to nine countries in tropical Africa. Most are for the construction of or equipment for highways, water supply, irrigation and sewage systems, dams and electrical generating plants, mines, etc. These loans generally cover the purchase of American equipment for these projects. Most loans are large, and all are made to African governments or to foreign companies. Only a few directly involve African entrepreneurs: one example is a loan to the government of Ghana for the purchase of outboard motors for resale on easy terms to Ghanaian fishermen; others are for ice-making facilities in the Congo (Brazzaville) and in Senegal, to be used for the storage of fish; another involves equipment for manufacturing flour in Nigeria, which will benefit local bakers. The Export-Import Bank also guarantees loans made by American banks to U.S. business firms for investment and trade overseas; as of December 1963, more than $26 million of such guaranteed loans had been made to American companies operating in 10 African countries. In addition, by the end of 1963, exports totaling nearly $4 million were made to tropical African countries by U.S. exporters with short and medium-term credits guaranteed by the Export-Import Bank under the Foreign Credit Insurance Association.

Department of Commerce. The U.S. Department of Commerce provides to foreign businessmen, on request, lists of American producers of specified items, and some information about these companies. At the request of American firms, the Department also gathers information on particular foreign companies; a file of these World Trade Directory Reports (WTDR) is maintained in Washington. The Department maintains commercial officers in the U.S. embassies in seven African countries; part of their job is to provide the types of information mentioned above. Many of these officers have made particular efforts to identify promising African manufacturers and importers, who could act as suppliers to or distributors for American companies.

The Office of International Investment of the Bureau of International Commerce concentrates on the promotion of U.S. private investment in the less developed countries, including those in tropical Africa. Specific investment opportunities originating in these countries are brought to the attention of U.S. firms in an active effort to stimulate the creation of joint ventures with the overseas partners. Similar assistance is provided to American companies seeking investment overseas. In Washington, the Commerce Department maintains a staff of experts on the problems of each African country, and a group of industry experts who are available for consultation with either American or African businessmen contemplating investment in Africa.

The Commerce Department has in recent years sent trade missions to most of the tropical African countries to investigate prospective trading opportunities involving local foreign and African entrepreneurs; and reports of their findings have been published after their return to the United States. The Department has also helped to organize the participation of American companies in trade fairs in Ethiopia, Ghana, Guinea, and Nigeria. Participation in African trade fairs has often been followed by orders for goods and equipment from local enterprises.

Department of State. The Bureau of Educational and Cultural Affairs of the Department of State provides funds for a number of educational and exchange programs, which have enabled a small number of Africans to study business administration in American universities. The libraries maintained in most African countries by the U.S. Information Agency contain some books and periodicals of possible use to Africans interested in business, economic, and technical subjects.

Peace Corps. As of September 30, 1963, the Peace Corps had sent to 15 African countries over 2,000 teachers, agricultural extension workers, surveyors, nurses, and other service personnel. While their assigned responsibilities have not been directly concerned with the development of African entrepreneurship, corpsmen have taken the initiative in stimulating and assisting local groups and communities to establish productive enterprises, particularly in the countryside.

Department of Agriculture. The Department of Agriculture has supplied personnel and technical advice for many agricultural projects in tropical Africa. It also provided technical and organizational training in the United States to 720 Africans in 1963; in many cases, such training covered methods of increasing productivity in commercial farming and of helping farmers to organize better processing and marketing activities.

Department of Labor. The Department of Labor sponsors visits to and training programs in the United States for trade union leaders and officials of ministries of labor; some Africans have participated in these programs in recent years.

Other U.S. Agencies. Among other U.S. government agencies that have provided technical assistance or advice to U.S. financed projects in tropical Africa are the Bureau of Mines, the Bureau of Public Roads, the Census Bureau, the Geological Survey, etc.

U.S. Aid Through International Organizations. In addition to the work of its various agencies, the United States is the major contributor to the support of many international organizations which directly or indirectly assist in the growth of indigenous enterprise, as explained below.

Programs of Other Governments and International Organizations

The governments of other countries and international organizations provide in total substantially more aid to African countries than does the United States. But, except for Israel, a much smaller proportion of their programs involves resources and activities which directly encourage and assist the development of the various kinds of African private enterprise. However, the aid programs of other governments and international organizations are helpful indirectly to African enterprise through the contribution they make to African economic and educational development generally.

France

French financial and technical assistance is provided almost exclusively to the French-speaking countries of tropical Africa, and from 1946 through 1962 totaled $2 billion. The French government agency with major responsibility for programing and coordinating aid to African countries is the Ministry of Cooperation. A large part of the funds is provided through two operating agencies of the French government—the Caisse Centrale de Coopération Economique and the Fond pour l'Aide et la Coopération (FAC). French assistance is used for a variety of purposes, including subsidizing the prices of African agricultural exports to France; the payment of all or part of the salaries of substantial numbers of French administrators, teachers, and technicians serving in African government agencies, schools, and technical assistance programs; and for French cultural programs in and cultural relations with the African countries. However, the largest portion of French financial and technical assistance is directed to economic development, particularly in agriculture and infrastructure, and to educational development.

While African entrepreneurs in the French-speaking countries have benefited indirectly from these large-scale French assistance programs, very few of these activities are specifically designed to assist them directly. Those most closely related to African entrepreneurship consist mainly of training in modern skills and techniques provided to cooperatives, particularly in the production, processing, and marketing of agricultural commodities. In addition, some of the funds provided by the Caisse Centrale to African development banks have, in turn, been used for financial assistance to cooperatives, credit societies, and other organizations in the private sector in which some African entrepreneurs participate.

Though it is not directly supported by the French government, mention should also be made of the Centre Pédagogique of the Institut d'Administration des Entreprises de l'Université d'Aix-Marseilles, which has a continuing program for training Africans both in management and in academic subjects.

United Kingdom

British assistance is provided almost exclusively to the English-speaking countries of tropical Africa, and totaled $1 billion between 1946 and the end of 1963. Policy direction and operating responsibilities for United Kingdom aid are divided among the Department of Technical Cooperation, which provides technical assistance and training; the Colonial Development and Welfare Fund and the Treasury, which make loans and grants to dependent and independent Commonwealth countries; and the Commonwealth Development Corporation (CDC), which makes loans to and equity investments in private and joint private-public industrial and agricultural projects in the Commonwealth countries. In general, British aid is used for infrastructure, agricultural and industrial development, education and training, and technical assistance. Funds are also provided to subsidize the salaries of British personnel serving in government agencies and educational institutions in African countries.

By mid-1962, the CDC had made loans to or equity investments in 53 projects in 10 tropical African countries totaling $175 million. In addition to agricultural development, the CDC has provided funds—both separately and jointly with other governments—to African development corporations which have made equity investments and loans available to some African private enterprises. Technical assistance and training programs wholly or partly supported by U.K. aid are also available to African entrepreneurs.

Recently, the Council for Technical Education and Training for Overseas Countries of the Department of Technical Cooperation has established a Committee for Management Development, which is now planning to conduct technical assistance and training activities in African countries and elsewhere, in order, among other purposes, to promote indigenous enterprise. Though composed of private individuals from business, the professions, and the universities, the Council receives its funds from the British government.

Other Governments

Assistance to 28 tropical African countries provided by the government of West Germany in 1962 totaled approximately $100 million. Projects financed by German funds relevant to the development of African enterprise include loans to development corporations; aid in the establishment of technical schools; provision of teachers of business administration to universities; and assistance in constructing and operating model plants for meat processing and dairying. In addition, extensive training in agricultural, industrial, and other technical skills has been provided in Germany for many Africans not only by the German government but also by German private enterprise.

In 1963, Belgium provided $20 million to the Congo (Leopoldville), Rwanda, and Burundi mostly to subsidize the salaries of Belgian administrators, educators, and doctors serving in these countries. The remainder was allocated to the support of universities, and for scholarships and training programs of various kinds.

Relative to its size, Israel has been conducting a large and growing assistance program for African countries consisting mainly of technical assistance, training, and education both in Africa and in Israel. During 1962, more than 750 Africans from 32 countries studied in Israel on scholarships provided by the Israeli government, and an additional 300 Africans were trained in Israel at the expense of their own governments. Most learned skills and techniques necessary for productive activities in agriculture, industry, and construction; in particular, 74 received training in business management and public administration. In addition, a large number of short seminars are conducted in Israel largely for Africans on such subjects as the organization and management of cooperatives, production techniques in specific industries and types of commercial agriculture, marketing and distribution, and similar subjects. Over 200 Israeli technical advisers and operating personnel are serving in 23 African countries in industrial development projects, public administration and finance, and various agricultural and technical assistance programs.

Japanese aid activities in tropical Africa consist largely of technical assistance and training, some loans for economic development, and credits to enable African countries to purchase Japanese exports. Particularly important for the development of African enterprise is the assistance provided by the Japanese government to three training programs—in Ghana, for the textile industry; in Kenya, for small industries and service establishments; and in Nigeria, for training in operating and maintaining electrical equipment.

Australia, Canada, India, Pakistan, and New Zealand, as well as the United Kingdom, are providing assistance to African countries under the Special Commonwealth African Assistance Program (SCAAP) initiated in 1960. Most SCAAP aid consists of scholarships and other assistance to educational development, and of technical assistance and training, including the provision of equipment for technical schools.

International Organizations

As of June 1963, 12 tropical African countries and two regions (East Africa and French-speaking West Africa) had received loans from the International Bank for Reconstruction and Development (World Bank) totaling more than $600 million, the bulk for the development of transportation and electric power. Remaining funds were earmarked for agricultural, industrial, and other development. World Bank missions have made comprehensive development surveys of Kenya, Nigeria, Tanganyika, and Uganda, which include discussion of the problems and prospects of private entrepreneurs. The World Bank also supports several programs in African countries designed to provide extension and credit services to commercial farmers and agricultural cooperatives. The affiliated agencies of the World Bank—the International Finance Corporation (IFC) and the International Development Association (IDA)—have provided funds for infrastructure and industrial development in a number of African countries, but these do not involve indigenous enterprise directly.

The European Development Fund (EDF) was established by the six member countries of the European Economic Community to provide development grants (and a few loans) primarily to 18 associated African countries, comprising all of the former French and Belgian colonies except Guinea. As of September 1963, the EDF had allocated over a five-year period nearly $550 million to 335 projects in these countries; and, in 1963, additional funds totaling $730 million were provided to the EDF by the six EEC member countries for African development over the next five years. A substantial portion of this aid will be used to assist African commercial farmers and cooperatives to adapt and diversify their production so as to be able to market their output at world prices when the subsidies hitherto provided by France are reduced and discontinued. The largest proportion is allocated to infrastructure, education, and social development. Some EDF funds have also been used to establish and assist apprentice and occupational training centers, institutes of farm management, agricultural schools, and training courses in various agricultural, industrial, and other technical skills.

The United Nations Secretariat, Technical Assistance Program, the UN Special Fund, and the various UN specialized agencies and regional commissions—such as the United Nations Educational, Scientific and Cultural Organization (UNESCO), the Food and Agriculture Organization (FAO), the International Labor Organization (ILO), the United Nations Children's Fund (UNICEF), the Economic Commission for Africa (ECA), etc.—conduct and finance research and surveys, and provide funds, equipment, and personnel for technical assistance and training programs of various kinds, a few directly related to improving the opportunities for and the capabilities of African entrepreneurs. Many of the publications of the United Nations itself and of its specialized agencies and regional commissions contain information of use to African entrepreneurs and their governments on such subjects as industrial development, organization and operation of industrial estates, methods and techniques for producing many agricultural commodities and industrial products, planning and budgeting manuals, and training materials in management and public administration. Studies have been made specifically for African countries by the FAO, the ILO, UNESCO, and the

Economic Commission for Africa on industrial development, employment problems, education and training, the development of cooperatives, etc. Also, conferences, seminars, and training courses are conducted by these agencies on these and related subjects.

There are also a number of inter-African bodies, such as the Commission de Coopération Technique d'Afrique au Sud du Sahara (CCTA), the Pan African Cooperative Movement, and the East African Industrial Research Organization, which—through research, exchange of information, and publications—assist in advancing many aspects of development, including African entrepreneurship. The African countries are now in process of establishing an African Development Bank to provide loans to the member governments for economic and social development projects.

Private Programs

There are many private European and American organizations which have initiated imaginative and successful projects both directly and indirectly concerned with fostering and assisting African private enterprise. Only a few examples can be cited here.

One of the most outstanding programs is that of the Ford Foundation, which has helped to establish management institutes in several African countries. These institutes conduct training programs for African managers of public and private enterprises. The Ford Foundation has also assisted with funds and personnel in carrying out manpower surveys covering the needs of both the private and the public sectors; and has provided advisory personnel in Ghana to work for several years with the Manpower Unit of the Planning Commission, which undertakes studies and programs to foster the development of management skills and techniques.

The Tools for Freedom program sponsored by more than 400 U.S. companies has provided new and used equipment and machinery for training purposes to vocational and technical schools in many parts of Africa. The Rotary Clubs have conducted one experimental six-week small business clinic for African entrepreneurs and may undertake others.

The Maxwell Graduate School of Citizenship and Public Affairs of Syracuse University and the School of Industrial Management of the Massachusetts Institute of Technology have in the past several years placed recent graduates in middle-level positions in African ministries of commerce, industry, and finance, and in development and investment corporations; many of them have taken an active interest in indigenous enterprise. Stanford University has established the International Center for the Advancement of Management Education to train teachers of business management from less developed countries. Numerous special scholarship programs are sponsored by American organizations, some of which are aimed at providing training in business fields; examples are the International Marketing Institute of Harvard University, and Atlanta University's graduate fellowships in business administration, which combine academic training with practical experience in U.S. business firms.

The International Cooperative Training Center, established by the University of Wisconsin in conjunction with various cooperative organizations in the United States, provides training to cooperative leaders and employees from the less developed countries; it is supported with funds provided by the University, the U.S. cooperative movement, and AID. The Credit Union National Association of the United States and the credit unions of African countries recently sponsored two conferences in Africa to discuss the problems and potential of credit unions in Africa, including ways in which their savings could be used to help finance productive activities.

The Plunkett Foundation of Great Britain has operated training programs in Africa for cooperative managers and also provides correspondence courses on many aspects of cooperatives. The Netherlands Research Institute for Management Science conducts international courses on small-scale industry development. The German Developing Countries Foundation has recently held an African handicrafts conference, followed by a program to assist the establishment of handicraft centers and cooperatives in African countries.

A number of Italian corporations and banks, in cooperation with the Italian government, have recently established an Institute for the Study of Economic Development which provides scholarships and training to managers of public and private enterprises in less developed countries. Some of the 38 students studying at the Institute in its first year were Africans.

Comments and Recommendations

The foreign governments and international organizations whose assistance activities in tropical Africa have been briefly described are helping directly or indirectly to foster the development of African private enterprise, although their contributions to it vary considerably. Comparisons of the relative significance of these contributions must of necessity be in general terms and in part subjective. The United States and Israel are devoting a substantial proportion of their aid in tropical Africa to programs which directly foster the capacity of Africans to initiate and conduct private economic activities of various kinds. The pre-independence development policies and the current aid programs of the United Kingdom have also had a significant direct effect on African entrepreneurship, as have the technical assistance, educational, and research activities of the United Nations and some of its specialized agencies. In contrast, the foreign governments and international organizations which are mainly or exclusively engaged in financial support for infrastructure and agricultural and industrial development—particularly France and the World Bank—have been making a comparatively smaller contribution directly to the development of African private enterprise outside the field of agriculture, though their programs indirectly foster African entrepreneurship in industry, distribution, and services.

The comments and recommendations which follow are intended to clarify the relationships between foreign aid programs specifically designed to foster African private enterprise directly and those which are aimed more broadly at the development of infrastructure, agriculture, industry, and other functional sectors of the economy. These relationships have certain implications for the nature of the political and economic systems likely to develop over the longer term in tropical Africa. In our judgment, these implications are not being adequately taken into account by the foreign governments and international organizations—not only France and the World Bank but also the United States and the United Kingdom—which provide sizable funds for investment by African public enterprises and private foreign companies, separately and jointly, in infrastructure, agriculture, industry, and other productive fields.

Foreign Aid Policy Regarding the Development of African Private Enterprise

As explained at the beginning of this chapter, the development of infrastructure, agriculture, industry, and other functional sectors generally makes an indirect contribution to fostering indigenous private enterprise in less developed countries. However, it must also be recognized that the growth of infrastructure, agriculture, industry, etc., is a *necessary* but not a *sufficient* condition for the development of indigenous private enterprise. This distinction is particularly relevant to the countries of tropical Africa, where indigenous private enterprise is only at the beginning of its development.

In tropical Africa today, there are inadequate numbers of indigenous entrepreneurs eager and able to avail themselves of the opportunities for productive private investment made possible by the growth of infrastructure, the expansion of commercial agriculture, the increasing numbers of skilled workers and technically trained personnel, etc. Hence, if support for African public enterprises and private foreign companies engaged in infrastructure, agriculture, industry, etc., is to contribute even indirectly to the development of African private enterprise, it must be accompanied by adequate programs specifically designed to provide directly to African entrepreneurs the financial resources and technical assistance they require to take advantage of such new economic opportunities. It would be desirable, therefore, for foreign governments and international organizations to re-examine the distribution of their aid funds and personnel among the various sectoral programs so as to ensure that the proportion devoted directly to assisting African private enterprise is adequate to enable African entrepreneurs to benefit indirectly to the fullest possible extent from the proportions devoted to infrastructure, agriculture, industry, and other fields.

Such a reconsideration should take explicitly into account the longer-term implications of the fact that a very large portion of foreign aid funds is used to support African public enterprises. Foreign assistance for infrastructure perforce entails expansion and strengthening of the public sector in African countries, and there can be no question that most of these infrastructure investments are necessary and desirable. In addition, however, a large part of foreign assistance for African industrial development—and even, in some cases, for the development of agriculture, distribution, and services—also supports the establishment or expansion of public enterprises which operate either separately or jointly with foreign private enterprises. This, too, is often necessary, granted the present lack of African entrepreneurs able to undertake essential activities of this type. Nonetheless, the expansion of public enterprises in these fields means that the potential development of the indigenous private sector is restricted not only because African governments pre-empt more and more industries for themselves but also because African entrepreneurs are thereby deprived of opportunities to develop themselves and tend to become discouraged about their own future. Hence, the foreign governments and international organizations—which are directly or indirectly (through African development banks and corporations) financing such public enterprises and joint ventures—should recognize the corresponding need to enlarge the scope and improve the effectiveness of their assistance activities specifically designed to foster directly the development of African private enterprise. Such direct assistance programs can, at least in part, offset the adverse effects over the longer term of the necessary expansion of the public sector in the shorter term.

It is sometimes argued that it makes little difference whether or not foreign aid is used to finance public enterprises in manufacturing and other productive activities because the recipient governments can and will allocate their own funds for this purpose. To the extent that this argument is valid, it is generally because the advantages and potentialities of other forms of enterprise are not adequately understood by the governments of less developed countries or because such alternatives are not available to them. But, this is all the more reason why foreign governments and international organizations should not be indifferent to the implications of the use of their funds to expand the public sector in less developed countries. Over the long term, African development will be more effectively served by the growth of private enterprise than by continued expansion of public enterprise in manufacturing and other productive fields. Hence, the donor governments and international organizations have an obligation at least to point out to, if not to persuade, African governments that it is in their own interest to limit the future growth of public enterprises in these fields, and to encourage indigenous private entrepreneurs—as they become capable of doing so—to take over existing public enterprises.

Thus, in making decisions about African requests for foreign aid for industrial and other projects, the question of whether or not the recipient operating agency is to be a public enterprise is as important as other review criteria, e.g., economic feasibility, contribution to economic growth, technical soundness, availability of labor, market demand, costs, foreign exchange requirements, etc. Even when this public-private enterprise criterion is adequately taken into account, some decisions will nonetheless be made to finance African public enterprises in industry, distribution, and services because other important considerations are overriding. However, the significant point is that the public-private enterprise criterion should be explicitly considered and not ignored on the mistaken grounds that it makes no difference over the longer term whether or not foreign aid funds are used to finance the continued expansion of public enterprises in manufacturing and other productive fields in tropical African countries.

It is, of course, conceded that the World Bank and its affiliated agencies are required by their charters, by the kinds of investments they are designed to support, and by sound financial principles to operate through recipient governments, and to lend to public enterprises, in addition to providing equity for private investment. Particularly in tropical Africa, there are very few indigenous entrepreneurs who could qualify for financial assistance from the World Bank, the IFC, or the IDA. However, precisely for this reason, it is important that these international organizations find other ways by which they could directly foster the development of African private enterprise. Funds to finance such activities could be made available from the large and growing income which the World Bank earns on its existing loan portfolio.

Other governments providing aid to African countries, and particularly the U.S. government which has been following a deliberate policy of assisting the development of African private enterprise, should re-examine their aid programs and procedures to ensure that their current efforts are contributing to the maximum possible extent to this objective. For example, in the U.S. government's aid agency, primary responsibility for assisting the development of indigenous private enterprise has been vested in a small private enterprise staff. These private enterprise officers have been trying conscientiously to carry out their responsibilities, and they have made important contributions to fostering the growth of indigenous enterprise in African countries. But, their effectiveness has been restricted by the limited funds and personnel available and, more importantly, by the fact that they have been unable to participate in program formulation and project review at an early enough stage or on a sufficiently comprehensive scale to ensure that the private enterprise implications have been deliberately and specifically taken into account in all relevant programs and projects.

Hence, in addition to assigning specific responsibility to a private enterprise staff, the promotion of African private enterprise should be made an explicit and important criterion to be used by all personnel in the formulation and review of programs and projects supported by foreign aid funds. Only in this way will it be possible to ensure that programs and projects of all kinds —in agriculture and community development, in education and training, in infrastructure and industrial development, in the expansion of foreign trade, etc.—will contribute significantly to the development of African private enterprise. Thus, for example:

• efforts should be made to utilize the services of African construction firms in building and construction projects of all kinds, either directly or as subcontractors to experienced foreign companies;

• industrial projects should, whenever possible, involve ownership and operation by private enterprise, indigenous and foreign;

• agricultural and local community development projects should stress nongovernmental and decentralized forms of initiative and responsibility;

• goods and services required for all types of programs and projects should, whenever possible, be procured from indigenous private enterprises;[1]

• training and educational development programs should aim to increase the teaching of modern technical, managerial, and financial skills and to improve understanding of the nature of responsible private enterprise and its potential contributions to development goals;

• U.S. and other foreign companies operating in African countries, and receiving loans, guaranties, and other assistance from government agencies, should be encouraged to utilize African entrepreneurs as suppliers of goods and services, and to train their African employees for, and promote them to, positions requiring technical and managerial skills.

In such intensified efforts to foster indigenous private enterprise, adequate recognition needs to be given to the implications of the fact that African entrepreneurs are only at the beginning of their evolution. The development of African private enterprise is a long, slow process, and there are likely to be few quick or dramatic results in the short term. Continuing, patient, long-term efforts are needed, and the specific techniques used to foster African private enterprise must be appropriate to the limitations and capabilities of African entrepreneurs at their present, early stage of development. Some programs supported by foreign government funds have been too short in duration or too advanced in their techniques to produce enduring or substantial results. Over the next 10 years, the primary emphasis in foreign aid programs designed directly to stimulate African entrepreneurship should be placed upon financial and technical assistance programs specifically devised to meet the needs of African entrepreneurs; upon education and training facilities adapted to providing African entrepreneurs and their employees with the modern managerial and technical skills they require; and upon other comparatively simple and direct ways of broadening their horizons, enlarging their experiences, and improving their entrepreneurial capabilities. And, programs of these kinds must be conceived as continuing efforts which are likely to yield substantial results only over comparatively long periods.

The recommendations for such programs which follow are primarily directed to the foreign aid activities of the U.S. government. However, most of these suggestions are also relevant to the foreign aid activities of European and other governments and of international organizations.

U.S. Support for African Government Programs

The U.S. government has been providing funds and technical help to African government financial institutions making loans to and equity invest-

[1] Because of U.S. balance-of-payments difficulties and other considerations, U.S. dollar aid funds cannot generally be used for procurement of goods and services outside the United States. However, it is to the advantage of the United States to maximize the proportion of local currencies in the financing of development programs and projects, thereby reducing the amount of dollars required. This local currency component—supplied both by the African countries and from counterpart funds generated by various types of U.S. aid—can be used to procure goods and services from African private enterprises, wherever feasible.

ments in African private enterprises. These activities should be expanded and improved in accordance with the detailed suggestions made in Chapter IV and Appendix III. U.S. aid could be especially important in fostering such improvements. In particular, ways and means should be explored for augmenting the operating budgets of African institutions providing financial assistance to small entrepreneurs; for increasing the number and improving the skills of the loan extension officers and research and evaluation staffs of all types of financial aid agencies; and for making available to them the services of additional foreign technicians.

The U.S. government has also been providing help for the technical assistance and training institutions and programs of African governments available to African entrepreneurs and their employees. U.S. support for these activities has been most helpful and, with increased U.S. assistance, they could be expanded and improved along the lines suggested in Chapter IV. Additional U.S. funds and U.S. experts could be made available for increasing the number and improving the effectiveness of African development and productivity centers; for expanding the extension work of African ministries of commerce and industry, of cooperatives, and of agriculture; for augmenting the facilities for providing short courses and other "after hours" instruction for African entrepreneurs and their employees; and for promoting vocational and technical education at secondary and advanced levels and the schools of business management and public administration at African universities.

The help that has been given to African countries in designing manpower studies of needs and capabilities should be continued, and should be extended to cover the future requirements of the private sector, indigenous and foreign. Such studies should be made with the active participation of the private enterprises involved.

U.S. government agencies, perhaps in conjunction with other foreign governments and appropriate international organizations, should explore with African governments the feasibility of establishing or improving investment centers in the United States, Western Europe, and African countries for the purpose of interesting foreign private investors in undertaking manufacturing and other productive activities in tropical Africa. These, in turn, can stimulate the development of African private enterprise, as explained in Chapter III. This suggestion requires careful consideration because of the limited possibilities for private foreign investment in many African countries. However, if the political difficulties could be overcome, it might be possible for groups of African countries jointly to sponsor such investment centers, thereby reducing the cost and increasing the number and variety of investment possibilities which could be promoted.

Relations with African Entrepreneurs

U.S. government agencies in Washington and U.S. missions in African countries have been providing information and assistance directly to African entrepreneurs to enable them to increase their trade with the United States, to learn about new productive processes and equipment, and to obtain the services of U.S. experts in establishing and expanding their enterprises. U.S. missions in African countries and appropriate U.S. government agencies in Washington should establish continuing facilities for assisting African entrepreneurs to obtain the services of U.S. management, production, marketing, and other technical and business specialists, and the U.S. government should finance part of the cost involved, including overseas travel. Such U.S. specialists sent to tropical Africa might be retired employees of U.S. business firms or on leave of absence from their companies for periods of a year or more. During their terms of service in Africa, these U.S. experts would be directly employed by and responsible to African entrepreneurs, who should pay at least that portion of their salaries comparable to African salaries of similar grades. In addition, every effort should be made to ensure that the period of service of all U.S. business experts sent to African countries is long enough to make it possible for them to provide the needed advice and training to the various African government agencies and to African private enterprises.

The visitor and participant training programs, operated or financed by U.S. government agencies, under which African entrepreneurs and their employees have been brought to the United States and other countries, need to be reviewed so as to ensure that the information and training which the participants receive and the contacts which they make are in all cases suited to their needs and interests. In order to maximize the benefits for the African participants, it is necessary that their itineraries be carefully planned so as to make certain that the interviews, company visits, and demonstrations included in their programs are relevant to their purposes; that the training periods involved are long enough to enable them to acquire the specific knowledge and skills they require; and that they are assisted to use their free time in ways which will enable them to improve their general understanding of their own fields of interest and of the society and economy of the United States.

A similar review would also be desirable of the programs of U.S. government agencies under which publications and other printed materials are purchased or prepared for distribution in African countries. The aim should be to ensure that all publications and materials are relevant to African needs and interests and can be readily understood by Africans in terms of their own educational and cultural backgrounds. It would also be desirable to improve distribution systems in Africa so as to make certain that these publications actually reach the African readers for whom they are intended. The new program of translating English-language publications into French should be continued and expanded.

U.S. government agencies, and especially the Department of Commerce, should continue and expand the highly useful program of trade missions and trade fairs, particularly the follow-up of contacts with and inquiries from African entrepreneurs. Encouragement should continue to be given to African trade missions visiting the United States and to trade fairs sponsored by African governments, and help might be provided particularly for the purpose of enabling African entrepreneurs to participate in such activities.

Relations with U.S. Companies and Banks

Much closer working relationships would be desirable between U.S. embassy and aid personnel and U.S. private business firms operating in African countries. In a few countries (e.g., Ghana, the Ivory Coast, Nigeria), regular meetings are held between U.S. embassy and aid personnel and local U.S. businessmen to discuss subjects of mutual interest. But, in other countries, there is little knowledge on the part of these two groups of each other's activities and problems, and only infrequent contacts between them. Through more intimate working relationships, U.S. embassy and aid personnel can help American business firms more effectively to stimulate the development of African enterprise along the lines discussed in Chapter III; and, conversely, American company personnel can increase the awareness of U.S. embassy and aid officials of opportunities and means for fostering African entrepreneurship through aid programs and projects.

The U.S. government should investigate the possibility of supporting additional and continuing guarantee programs along the lines of the arrangement with the First National City Bank of New York in Liberia, described in Chapter III, to enable U.S. banks operating in African countries to extend loans to African entrepreneurs. The terms and conditions of such guarantee programs should be modified in accordance with experience under the Liberian arrangement. In addition, consideration should be given to the possibility of providing guarantees to U.S. business firms operating in Africa to enable them to extend credit to African entrepreneurs supplying them with goods and services.

In administering their private investment and export promotion programs, and their investment guaranty programs, the U.S. government agencies concerned should actively encourage the U.S. companies conducting or contemplating operations in Africa to utilize African entrepreneurs, whenever possible, as suppliers of goods and services, and to train their African employees for positions requiring technical and managerial skills. Financial assistance might also be offered to U.S. companies for undertaking substantial training of their own African employees and those of African enterprises.

Few of the more than 3,000 African students now studying at various universities and educational institutions in the United States have opportunities for directly experiencing the working of the American private enterprise system. Efforts have been made from time to time to help them find summer jobs, but the kinds of summer employment available rarely increase understanding of the significant institutions, attitudes, and benefits of American private enterprise. The U.S. government should sponsor and support a program for from 50 to 100 African students each summer which would enable them to spend a month or two as interns or trainees in representative U.S. companies. If they did not have to bear all of the expense of such internships, many U.S. firms might be willing to take part in such a program.

Other Activities

U.S. government agencies should encourage and provide financial support for research into the problems of and the prospects for developing African private enterprise. This research could be conducted by appropriate private institutions both in the United States and in African countries, as well as by U.S. and African government agencies.

U.S. government agencies should consider stimulating—and perhaps providing some financial and technical assistance for—a conference of African countries on the role of indigenous private enterprise in African development. Additional conferences and seminars could be suggested and supported, dealing with such subjects as financial and technical assistance for African enterprises; training and education in modern skills for African entrepreneurs and employees; and the organization and improvement of joint service organizations and other associations of African businessmen.

Foreign assistance for the development of African private enterprise is neither costly nor does it require grandiose projects. Compared with the foreign aid funds now being expended for infrastructure, agriculture, education, and other development sectors, the financial requirements for programs designed to assist African private enterprise directly are modest, and a desirable increase in their magnitude would add only a fraction to the total aid effort of the U.S. and other governments and international organizations.

However, improving the effectiveness of programs for accelerating the development of African private enterprise is more difficult. Such improvements require careful thought, imaginative innovation, and sound practical judgment. The resulting programs must be of a long-term, continuing nature, and have to be carried out with patience and understanding. A crucial aspect of African political and economic development is at stake. The U.S. and other governments and international organizations cooperating with African countries should be willing to commit themselves to the necessary efforts in spite of their difficulty and duration.

Appendix I

Characteristics of 64 African Entrepreneurs in Lagos, Nigeria

This survey of 64 Nigerians operating their own businesses in Lagos, the capital of Nigeria, was made from January 30 to February 8, 1963. The interviews were all conducted by interviewers on the staff of Market Research (Nigeria), Ltd. The questionnaire was prepared and the results tabulated by Winifred Armstrong.

Responses of the Lagos entrepreneurs were found to be typical of the more experienced entrepreneurs in other parts of Africa.

Classification

The following classification of entrepreneurs was used:

Class A—Entrepreneurs running a small one-man or family retail store or service activity; and "backyard producers" with a few helpers who make a small quantity of goods, and whose operation has not changed substantially in size since its beginning.

Class B—Originally small entrepreneurs like those in Class A but who have expanded the size or number of their retail outlets and service activities, or who have begun to distribute or wholesale, or who have introduced more modern production methods into their workshops. The main criterion for this class is the capacity to expand and improve quantity, variety, or quality.

Class C—Entrepreneurs carrying on substantial wholesale, importing, or retail activities or operating medium-size servicing or manufacturing enterprises.

Class D—Entrepreneurs owning a large company or several companies engaged in manufacture, construction, distribution, banking, or finance for which a variety of managerial and technical skills are required.

Selection

There is no complete list of Nigerian entrepreneurs from which a sample could have been selected. The list of Nigerian manufacturing plants employing 10 or more people, prepared for the Federal Ministry of Commerce and Industry by the Arthur D. Little Co., was used as a primary base. To it were added the names of Lagos businessmen who had participated in the

International Trade Fair in 1961; a number of gasoline station operators; and other entrepreneurs known to be conducting their own commercial firms. In addition, several square blocks in a number of commercial areas of Lagos were marked off on a map, and the interviewers were instructed to request interviews with every tenth shop or business establishment. Most of the small businessmen included in the survey were derived from this latter group.

Tabulation

Responses have been tabulated under the questions for which they were most appropriate, even though they may have been given in response to other questions. Some questions and responses have been omitted from the tabulation because too few replies were received to be of significance.

Summary Tabulation of Characteristics of 64 Lagos Entrepreneurs

	Class				
	A	B	C	D	Total *
Number of respondents	28	23	7	6	64
Full-time employees					
None	15	1	–	–	16
Less than 5	11	7	–	–	18
5 to 10	2	7	1	–	10
11 to 50	–	8	4	4	16
More than 50	–	–	2	2	4
Years in this business					
1 to 5	11	2	2	1	16
6 to 15	15	11	3	1	30
More than 15	2	10	2	4	18
Engaged in other businesses					
Yes	2	3	1	3	9
No	26	20	6	3	55
Age					
21 to 30	10	3	–	–	13
31 to 40	12	10	3	2	27
41 to 50	4	8	3	2	17
Over 50	2	2	1	2	7
Sex					
Male	20	23	6	6	55
Female	8	–	1	–	9
Education					
None	13	–	–	–	13
Less than 6 years	8	5	2	–	15
Completed 6 years	6	8	1	–	15
Secondary or postprimary special training	1	9	4	6	20
Literate in English	18	22	7	6	53

* In those cases where answers were conflicting or absent, they were omitted from this summary tabulation. Hence, not all subtotals equal the total number of interviews.

Summary Tabulation of Types of Enterprises *

Type of Enterprise	Class A	B	C	D	Total
Retailing and small service †	23	4	–	–	27
Service and repair †					
Drycleaning, tailoring, photography, electrical repair	2	3	1	–	6
Service establishment and small producer					
Transportation (taxis and trucks)	–	3	1	1	5
Gasoline station operator	–	4	–	–	4
Baker, cabinet maker, printer	2	–	2	–	4
Construction contractor	–	1	–	–	1
Importer or wholesaler ‡	1	1	–	1	3
Manufacturer's representative	–	1	–	2	3
Manufacturer ‡	–	5	2	1	8
Other					
Club and hotel manager, newspaper publisher, publicity bureau, shipping and forwarding, etc.	.	1	1	5	7

* Where respondents indicated their activity in more than one type of business, these have been recorded separately.
† A number of these respondents import the goods they retail or process; a few others do a little wholesaling in addition to retailing.
‡ Several of these respondents also retail.

Detailed Tabulations by Questions

	Class A	B	C	D	Total
QUESTION 1: What made you start in business rather than take a job with a firm or government department? (multiple responses)					
Prefer to be self-employed; to be independent; exercise initiative; use my profit for myself; avoid insults by employers	11	14	5	3	33
More lucrative	14	1	2	2	19
Not enough education or other qualifications to obtain advancement or good salary in government or private firm	16	3	3	–	22
Like my trade or skill and cannot practice it in government	1	3	1	–	5
Useful to country to have Nigerians and not only expatriates in this field; also creates employment for Nigerians	4	2	–	2	8
Encouraged or financed by family; came from a family of businessmen; to help my family	3	1	–	4	8
More opportunity to get ahead quickly	–	3	–	1	4
More secure	–	1	1	–	2
Frustrating to work for expatriates	–	–	–	1	1
Only job I know	1	–	–	–	1
Continued late husband's business	1	–	1	–	2
Like to handle money every day, not just once a month	–	1	–	–	1
Prefer to remain active rather than to retire	–	1	–	–	1
Can take care of the children and trade at the same time	1	–	–	–	1

	Class				
	A	B	C	D	Total
QUESTION 2: What did you do before you started this business? (multiple responses)					
Went straight into this business	4	6	1	–	11
Apprenticed in this business	2	3	1	–	6
Clerk	1	3	–	1	5
Petty trader	*	3	–	–	3
Worked for government or private firm	4	4	2	5	15
Laborer, factory worker, servant, farmer	7	1	1	–	9
Worked in related field for myself or family (e.g., driver; sold building materials; sold secondhand cars; hawker; etc.)	7	4	–	2	13
Other work: teacher, tailor, sawmill worker, manufacturer of singlets, dispensary attendant, barber, housewife	4	2	2	1	9

* Since a large number of those in Group A are at present petty traders, they were not recorded here.

	A	B	C	D	Total
QUESTION 3: How do you normally decide in advance the volume of trade you may expect within a period of, say, 3 months? (multiple responses)					
Guess, luck, pray, don't know	14	7	1	2	24
Use chart, budget, compare with expenses or profits of past month or last year	1	2	2	3	8
Seasonal (sales rise during harvest, dry season, holidays, festivals, fashion craze, school beginning, etc.)	14	11	3	1	29
Volume of trade related to amount of contacts and advertising	–	2	1	–	3
Get fixed fees regularly (taxis)	–	2	–	–	2
QUESTION 4(a): Have you received outside help while developing your business, such as loans, credit from suppliers, and technical advice?					
Yes	18	13	3	3	37
No	9	10	2	3	24
Applied, pending	–	–	1	–	1
Applied, refused	–	–	1	–	1
QUESTION 4(b): If yes, from whom?					
Family	10	4	1	1	16
Friends	8	3	1	–	12
Commercial banks	6	6	2	3	17
Government	1	2	2	2	7
Private firms and suppliers	3	3	1	1	8
QUESTION 4(c): How did you use this assistance? (multiple responses)					
Expand my business	2	3	–	2	7
Purchased increased stock in trade	15	3	–	–	18
Buy raw materials, equipment	2	5	3	–	10
Technical advice helped me to service equipment at less expense	1	–	1	–	2
Make advance purchases at customers' request	1	–	–	–	1
As security deposit with company	–	1	–	–	1
Pay bills	1	–	–	–	1
Buy shares in large companies	–	–	–	1	1

	Class A	B	C	D	Total
QUESTION 4(d): Reasons for not obtaining or requesting loans? (multiple responses)					
Have enough capital and credit to run my own business; prefer to depend on my own resources; am not extravagant; no need	5	–	2	3	10
Refused to give bribes	–	–	1	–	1
Banks would not lend to African contractors	–	1	–	–	1
Prefer not to borrow if not sure of ability to repay	1	1	–	–	2
Have no landed property or sufficient surety for collateral	4	3	–	–	7
Not in government-designated priority industry	–	2	–	–	2
Religious scruples against borrowing	4	2	–	–	6
No reply from government	–	1	–	–	1
Other: illiterate, do not know how to borrow	5	–	–	–	5
QUESTION 5: How were business skills and experience obtained? (multiple responses)					
In the government	1	2	1	1	5
In family business	8	–	2	2	12
Worked for private firm	2	2	2	3	9
Special courses in school	–	1	3	1	5
Read books, took correspondence course	–	2	1	2	5
Apprenticed	2	1	1	–	4
Muddled along, used common sense	1	1	–	1	3
Little or no previous experience	–	2	–	–	2
Advice of friends in same business	–	2	–	–	2
Training or previous experience (unspecified)	5	4	–	–	9
Trading	3	–	–	–	3
QUESTION 6(a): Do you have difficulty finding capable Nigerian employees?					
Yes	2	9	2	3	16
No	11	13	5	3	32
No employees	15	1	–	–	16
QUESTION 6(b): If you do, give reasons (multiple responses)					
Not honest	–	1	–	1	2
Not eager to learn or to work hard	–	4	–	2	6
Believe that they can earn more money faster in government and foreign firms	–	6	–	1	7
Want job security and regular hours, which they believe are better provided in government and foreign firms	2	2	2	1	7
Want higher social status of working for foreign firms	–	–	1	–	1
More chance for advancement in other firms or on their own	–	3	1	–	4
Know Nigerian firms find out their faults more quickly	–	1	–	–	1
Too few trained people available	–	2	1	–	3

	Class A	B	C	D	Total
QUESTION 7(a): Have you relatives and friends in your employ?					
Yes	10	11	5	5	31
No	3	11	2	1	17
No employees	15	1	–	–	16
QUESTION 7(b): Do you prefer to have relatives and friends working for you?					
Yes*	7	5	3	5	20
No	5	10	3	1	19
No preference; depends on capabilities	1	4	1	–	6
No employees; no opinion	15	4	–	–	19

* Several indicated they prefer relatives if qualified.

	A	B	C	D	Total
QUESTION 7(c): If yes, why? (multiple responses)					
Trust them more; have my interest more at heart; less dishonest; will not trick me or pray for my downfall; they know I have their interest at heart	7	4	1	2	14
Obliged to hire relatives before outsiders, or relatives of directors; solve problem of unemployed relatives; keep good opinion of relatives; always share with relatives; have to share profit with relatives so might as well make them work for it	7	3	–	1	11
Hire relatives only if trained, competent, skilled; want sincere, energetic employees whether related or not	2	1	–	3	6
Will work harder, with less prodding	2	2	1	–	5
Want them to become shareholders, to continue business after my death	–	1	1	–	2
Pay less wages to relatives than to outsiders	2	–	–	–	2
Easier to catch relatives if dishonest	1	–	–	–	1
QUESTION 7(d): If no, why? (multiple responses)					
Harder to detect dishonesty and laziness; not always honest	3	2	–	–	5
Won't work as hard and take positions for granted; harder to supervise; take advantage of relationship	2	12	1	2	17
Don't want to mix sentiment with business	–	2	1	–	3
Proud of having all tribes working amicably; should not discriminate as Nigeria is one; energy and capacity are main criteria for employment	3	6	1	–	10
Not businesslike, makes poor impression	2	–	–	–	2
Likely to establish competitive business after learning the trade	1	–	–	–	1
None have qualifications or ability	–	2	–	–	2
May prove cleverer than I and upset business	–	1	–	–	1
QUESTION 8(a): Do you have some kind of incentive scheme to encourage employees to work hard?					
Yes	13	15	6	5	39
No	–	3	–	1	4
No answer, no employees	15	5	1	–	21

	Class A	B	C	D	Total
QUESTION 8(b): If yes, what incentives do you offer your employees? (multiple responses)					
Good salaries, regular increments, overtime	5	10	3	5	23
Bonus, cash, presents	4	10	2	1	17
Lectures, advice to make them more responsible	2	1	2	–	5
Medical facilities*	1	–	1	1	3
Training	3	–	1	2	6
Promotions	–	1	1	1	3
Loans (for marriage, house building), advances on salary	1	1	1	–	3
Clothes, shoes, leftover goods	8	–	–	–	8
Services (sporting equipment at work, social clubs, refrigerator for cold drinks, food)	–	–	–	1	1
Transportation to and from work	–	–	–	1	1
Advice to enable them to set up their own businesses	3	–	–	1	4
Living accommodations	–	–	–	1	1

* Also, a committee to discuss staff welfare in one case.

	A	B	C	D	Total
QUESTION 9(a): Has your business been as successful as you hoped?					
Yes	16	17	7	4	44
No	12	6	–	2	20
QUESTION 9(b): If yes, in what ways? (multiple responses)					
Expanded	22	11	5	3	41
Provides reasonable income, can care better for family and educate children	5	2	–	1	8
Provides employment, experience, inspiration to other Nigerians	1	–	–	1	2
Business known, reputable	–	1	2	–	3
Enabled me to purchase house, car, etc.	1	2	–	–	3
Able to pay debts	–	5	–	–	5

QUESTION 9(c): If no, in what ways?

(Reasons given too diverse and vague to be tabulated)

	Class A		B		C		D		Total	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
QUESTION 10: Do you believe that your competitors have any particular advantages over you regarding (multiple responses):										
Lower prices	8	14	12	9	2	3	2	3	24	29
More capital	18	4	18	3	4	1	4	1	44	9
Greater output	15	7	11	9	1	4	4	1	31	21
More efficient	4	18	5	16	1	4	3	2	13	40
Better after-sales service	10	12	10	11	–	5	–	4	20	32
Better quality goods, easier credit, more advertising, more contact with influential people, etc.	4	–	1	–	–	–	–	–	5	–

	Class A	B	C	D	Total
QUESTION 11: Have you ever advertised your products/services?					
Yes	6	15	5	6	32
No	22	7	2	–	31
No answer	–	1	–	–	1

	Class				
	A	B	C	D	Total
QUESTION 12(a): Are you in favor of Nigerians and foreigners going into business together?					
Yes	13	12	3	4	32
No	8	8	4	1	21
No opinion	7	3	–	1	11
QUESTION 12(b): If you favor such partnerships, why? (multiple responses)					
Foreigners have more capital	8	4	2	1	15
Foreigners have more technical know-how, skills, equipment	8	6	2	1	17
Favorable if can agree on when and how to share profits; if reliable in sharing profits	5	2	1	2	10
We need their dynamism, efficiency, knowledge of business organization, trust in coworkers	1	3	–	2	6
Other	4	3	1	–	8
QUESTION 12(c): If you are not favorable to such partnerships, why? (multiple responses)					
Prefer to be independent; better always to have access to your own money	2	–	1	–	3
Foreigners domineering, want to control all, expect subservience	–	–	1	1	2
Capable of doing it ourselves, better to struggle and learn	4	3	3	–	10
Foreigners not reliable, trustworthy	–	1	1	–	2
May not wish to hire my relatives	1	–	–	–	1
May leave country at any time—too insecure; better to keep the money in Nigeria	1	1	–	–	2
Expect more capital than I could contribute	1	1	–	–	2
Nigerians work harder than foreigners—they would quarrel	–	1	–	–	1
QUESTION 13: What do you think could be done to help Nigerian businessmen to improve their businesses? (multiple responses)					
Better tax policies; lower tariffs on imports; lower taxes because businessmen pay tax on both income and imports	7	3	2	1	13
Training facilities for employees or some way of providing more skilled men; sponsor commercial courses	3	4	–	3	10
Technical advisory services	4	7	–	2	13
More loans, lower interest, longer term, easier credit	15	18	1	2	36
Guarantee proportion of government business, give priority to Nigerian businessmen and products in government purchases	4	6	1	3	14
Develop advisory service of Chamber of Commerce or government to help smaller Nigerian businessmen—advice, organization, training	1	3	1	–	5
Easier credit facilities from large companies	–	–	–	1	1
Freedom to import from any part of world	1	–	–	–	1
Provide sheds in market	2	–	–	–	2
Decrease foreign competition: guarantee all retail trade to Nigerians	1	1	–	–	2
Provide land to build workshops	–	1	–	–	1

	Class				
	A	B	C	D	Total
QUESTION 14: What can Nigerian businessmen do to improve their own efficiency? (multiple responses)					
Work harder, don't malinger, concentrate on business	7	10	3	1	21
Study, take courses, read, learn more about business	3	3	2	3	11
Travel to learn from others	3	1	1	–	5
Employ competent people, encourage and train employees	–	3	2	3	8
Be honest, more responsible	4	7	–	1	12
Avoid extravagance, do not spend more than profits, keep careful accounts	4	4	1	1	10
Seek more financial and technical assistance	2	3	–	–	5
Nigerian businessmen should help each other with advice, joint business arrangements	1	7	1	–	9
Learn better what customers want; plan ahead	4	–	–	1	5
Be more courteous and cheerful to customers	2	–	–	–	2
Advertise more	2	1	–	–	3
Do not join any unnecessary associations.	1	–	–	–	1
QUESTION 15: When you think about what really matters in your business life, what are your wishes and hopes for the future of your business? (multiple responses)					
Increase size of business and profits	20	19	2	2	43
Improve and maintain business for the sake of educating and passing it on to my children; create a worthy institution, a memorial to my efforts	10	18	3	3	34
Raise personal living standard	14	3	1	2	20
Provide more production, employment, training for the nation	3	3	2	3	11
Enjoy sharing profits with friends and relatives	1	–	–	1	2
QUESTION 16: What are your fears and worries for the future of your business? (multiple responses)					
Lack of money with consequent inadequate profits, sales, loans, loss of staff; inability to repay loans, meet market demands	13	8	1	2	24
Competition	4	5	1	–	10
Possible government competition or takeover	–	1	2	–	3
Shortage of goods	4	–	–	–	4
Inadequate or dishonest staff	–	4	1	–	5
Collapse of business after I die; failure to get children into business	2	3	–	1	6
Stability of national economy	–	2	–	1	3
Fire, theft, accident to self or business; sudden death	4	7	–	–	11
None (some added trust in God)	7	6	3	2	18

Appendix II

*Biographical Sketches of African Entrepreneurs and Enterprises**

1. A West African Magnate

After completing elementary school, Mr. A went to work in 1946 for the United Africa Company as a storekeeper, and continued with the firm for 15 years at both the wholesale and the retail levels. Though his salary and commissions were adequate, he was not happy, for he had always wanted his own business. Consequently, in 1951, he established his own trading company and, in 1953, opened a garage selling Shell products. By 1960, he was operating 10 garages, had obtained a distributorship for Shell gasoline, and started a construction company as a joint venture with a Dutch firm. Recently, Mr. A established a motor repair company. His wife operates a successful retail shop in a nearby city.

Mr. A has over 1,000 employees in his enterprises, more than half of whom work in the construction company. This company employs four foreigners, who serve as area work superintendents, and are responsible for directing the on-the-job training of the young African supervisors in charge of each construction project. Mr. A has also sent several young African employees overseas to be trained to fill managerial positions in the company upon their return. He prefers to send Africans abroad for managerial training rather than to depend solely on in-service training in the country because he feels that, with overseas experience, they are more likely to develop a better understanding of how to delegate authority, and to overcome "colonial" prejudices, such as that important men don't work hard or with their hands.

Mr. A has begun to share equity in his enterprise with a small group of employees who have been with him for several years. Most shares are purchased from wages and bonuses. Mr. A believes that experienced and loyal employees should have an opportunity to acquire equity interest in the business, which would give them a sense of participation in and greater responsibility to it, but he plans to keep the controlling shares himself. Mr. A is not willing to go into partnership with investors who will be dependent for their incomes upon the ability of the business to pay immediate profits. When he worked for the UAC, Mr. A bought property, built some houses, and was able to maintain his family both from his salary and from his income

* These sketches are based upon interviews conducted by Winifred Armstrong during the period November 1962 to April 1963; the material is presented as it was reported by the entrepreneurs at the time of the interviews.

from rentals. Thus, he could start his own companies without requiring an immediate profit and was able to reinvest earnings in the expansion of his enterprises.

Mr. A wants his businesses to make a contribution to the national development of his country and to last beyond his own lifetime. He feels that the present success or failure of indigenous enterprise in his country will determine to a very great extent the future willingness of its leadership to encourage African enterprise and of his countrymen to invest their time and money in private business. He stresses that, for an enterprise to succeed, its employees need training—both technical know-how and general and managerial education. Mr. A is active in the local Association for the Advancement of Management, and he has sent about a dozen of his employees to the Association's seminars. He also urges foreign companies to consider the possibility of accepting experienced employees of African enterprises as apprentices for a period of about a year to be trained in the home operations of these companies.

2. A West African Industrialist

Mr. B, a man in his mid-thirties, operates several stone quarries; mines and processes local clay as a substitute for imported drilling mud in petroleum exploration; is starting to manufacture emulsion paints using his own formula; has developed a face powder made largely from local materials; and is urging the government of his region to promote the use of fertilizers among farmers so that a market can be developed for the latest product he has learned to make.

Mr. B went to a Catholic secondary school and was befriended by one of the Fathers, a science teacher, who taught him much about experimentation and the handling of laboratory equipment. In 1956, when he expressed an interest in learning about quarrying, one of the engineers of a foreign construction company taught him the subject in his free time. In the following year, Mr. B began to supply limestone to this foreign construction firm, and soon after opened another large quarry to provide granite for a port extension project.

Learning that Shell was spending almost $3,000 daily to import drilling mud, Mr. B obtained samples of the mud and of the chemical with which it was mixed, and began to search for a local substitute. After testing many different kinds of clay, he finally found one that could meet Shell's specifications and, with the company's help, worked out a satisfactory product. Shell also guaranteed an order for a specified quantity during the first year. On this basis, Mr. B obtained a loan and requested managerial advice from a local British-Nigerian development corporation; he borrowed additional funds from an African bank, putting up the other half of the capital himself. Shell no longer guarantees orders, but continues to purchase the bulk of Mr. B's drilling clay. There are also several small oil and water drilling companies which are interested in buying his clay.

In 1959, Mr. B observed the growing amount of construction in his country and the increasing demand for imported paint which, he decided, could be produced locally. He began to experiment and by the end of 1961 developed a reasonably satisfactory product at a cost far lower than that of imported paint. Buyers began to place orders, but Mr. B did not yet know how to produce it in commercial quantities. However, he persevered, and in 1963 completed a small factory on his own land capable of producing 2,000 gallons of paint a day. He is also making his own containers, since the only container manufacturer in his country was not able to supply the type of cans he wanted in time for him to participate in a recent national trade fair. However, as his paint emulsion business expands, he will probably buy paint cans from the already existing container manufacturing plant. His paint is now on the list of "government-approved" products recommended for purchase by government departments.

Mr. B needs additional capital to bring his paint emulsion factory into full production. Twenty business friends joined him in providing the initial capital, but this is insufficient for full-scale operations. Mr. B needs a substantial sum "to build the business as it should be." He would like to interest an investor in his paint factory, but only a firm that can provide both capital and technical know-how in production, distribution, advertising, and exporting.

Mr. B has also developed a face powder (using local materials, except for the scent) and is now trying to obtain attractive containers. Also, he has already supplied several tons of fertilizer to his country's Ministry of Agriculture. However, there is as yet little demand for fertilizers and, in consequence, it is not yet possible to produce them in quantity, although several investors have expressed an interest in joining him in this business.

Mr. B now employs approximately 300 workers in his various enterprises, but believes that he has too many workers and plans to cut down. He has developed a set of performance standards for his employees and believes that it is necessary to check on performance to obtain the best work. He has also sent at least one employee overseas to obtain the managerial training needed to run one of his factories. Mr. B is proud of his businesses; that he has himself researched and designed simple but effective materials and products; that he has substituted ingenuity for capital; and that he has continued to live in the same house he occupied as a clerk, using his money to develop his enterprises rather than to demonstrate that he is a "big man." He comments that it is "better to know what you are and not have to prove it all the time."

3. A West African Service Station Operator

Mr. C hoped to pursue his education beyond primary school, but his parents died, and he went to live with his brother in a distant part of the country. In the early 40s, he was hired by the United Africa Company as a storekeeper and salesman. In 1952, the UAC asked him if he would like to become an independent businessman, acting as its local agent, and he agreed to do so.

By 1956, Mr. C had saved enough money to lease a new gasoline station and purchase an initial stock of gasoline. He commented that "one who has worked for 15 years ought to have enough money saved to buy something." For a time, he also rented a second station, but, as competition from other newly established dealers was increasing in his town, he decided to devote all his attention to the first station, and succeeded in improving its operation.

In addition, he operated a transport business, which failed after five years. Mr. C explains the failure as the consequence of leaving the business in the hands of others, who could not be counted on to supervise unreliable drivers, check the quantities of goods transported by the trucks, or keep accurate records of costs. Also, Mr. C failed to insure a new lorry purchased for $5,000, which was wrecked shortly after it was acquired.

In consequence of the growing number of gasoline stations in his city, competition has greatly increased, and most dealers feel that they must give their customers both rebates and credit, hoping to make up in volume what they may lose by reducing their profit margin. However, Mr. C believes that the dealers would do better if they agreed unanimously not to give rebates and if they circulated regularly among themselves a list of bad credit risks. However, so far, although there have been several meetings called to discuss these matters, agreement has not been reached, and rebates continue to be competitive, cutting into dealers' profits.

Mr. C trains his staff to give good service in order to encourage customers to return. He prefers to hire literate employees, as it is necessary for them to read and write in the course of their work. However, he finds that literates are ambitious and rarely remain for more than a year or two with the service station.

4. An East African Artisans' Cooperative

A local Tailors' Cooperative Society in one East African city has 12 members, nine sewing machines, a shop rented for $43 a month, and a paid secretary, the only person among them who speaks English. Things have not gone well for the tailors since they formed the cooperative. They feel somewhat let down by the government, which has been promoting the formation of artisans' cooperatives, but has given them very little business and financial help. The tailors maintain that they were more successful before joining the cooperative. Operating from their homes in different parts of town and drawing upon the clientele of separate neighborhoods, they each earned from $12 to $16 per week. Now that they are located in the same shop, and draw their custom from the same neighborhood, and share the profits equally, they claim that sometimes they earn as little as $2 to $3 per week each. They ask, "Have we been brought together by government in order to die jointly?"

The cooperative's nine sewing machines were contributed by the members as a part of their equity—the only part paid to date. A large processing and marketing cooperative located in the same city and a secondary school have given them contracts for uniforms. However, when tenders of the Town Council were out for bids on school uniforms, the contracts were given to individual African tailors and not to the cooperative. The members feel that, since the government encouraged them to form the cooperative, it has the responsibility to try to help them by giving them preference in open tender bidding.

In order to purchase additional machines and a wider variety of fabrics with which to attract more customers, the cooperative made application for a loan of approximately $4,500 from a loan fund administered by the national Ministry of Commerce and Industry, with funds largely provided by AID. Almost 10 months after it applied, the cooperative received a loan of $250, which will enable it to do little more than pay its existing debt to the sewing machine company. One reason why the Town Council did not award contracts to the cooperative is its inability to purchase materials before payment has been received; for its part, the Council is forbidden by its constitution to guarantee payment to enable a contractor to obtain a bank overdraft or supplier's credit. Thus, the cooperative's own financial limitations prevent it from undertaking activities which could strengthen it.

5. A Trade Union Enterprise in East Africa (Kenya)

The Kenya Federation of Labor (KFL) is in process of establishing a printing plant which will do all of the Federation's work and will seek job printing orders as well. However, it will not do government work, fearing that dependence on government contracts might seem to impair its freedom of operation.

The KFL is also starting a cooperative construction enterprise, whose board will include a majority of union members. The equity is to be shared with Histadrut, the Israeli trade union federation, which will have 49 percent of the shares and will supply the initial working capital and a manager for the cooperative. The enterprise will be organized at first as a limited liability company, but will eventually be transformed into—and is already being called—a cooperative, with participation open to union members. It is expected to compete with other construction firms in Kenya.

The KFL also plans to establish a wholesale organization with retail outlets in the form of consumer cooperatives. This effort will also be assisted by Histadrut with both funds and personnel. Four Kenyans have been in Israel training as managers of the wholesale enterprise. The retail cooperative stores, several of which have already been rented by KFL, will serve a largely African market. The Kenya African Traders Union has objected to the KFL's plans, claiming unfair competition; in consequence, the Nairobi City Council delayed the granting of land for purchase by this KFL enterprise.

The KFL wishes to expand its activities so that the people of Kenya will understand that the Federation is interested in the welfare of all of the people and not only in that of its members. It sees no inconsistency in both representing the interests of workers and employing its own labor on an extensive scale, along the lines developed by Histadrut in Israel.

6. A West African Wholesaling Cooperative (Ivory Coast)

The Société Ivoirienne de Distribution Economique (SIDECO) is an African wholesale cooperative from which its 50 members—all Ivory Coast retail merchants—purchase their stocks of imported goods. In addition, SIDECO provides technical assistance and advice to its members on such matters as bookkeeping and accounting, inventory control and merchandise display, and inspects their operations regularly to ensure that standards are being maintained. A separate organization, the Société Commerciale et Industrielle des Africains de la Côte d'Ivoire (SOCIACI), to which SIDECO's members also belong, hopes eventually to engage in larger-scale importing and exporting activities.

The purpose of these organizations is to enable the Africans to begin to take some part in importing and wholesaling activities, over which French commercial firms have held a virtual monopoly. Since practically all African retailers are small, it was necessary for them to cooperate in order to accumulate capital, obtain credit, and provide sufficient outlets to make the effort worthwhile. Under laws inherited from the period of French rule, importing is permitted only when an enterprise can qualify as a "first-class merchant" and has established bank credit by depositing approximately $50,000 with a bank. The banks of the Ivory Coast have not generally encouraged or assisted Africans to use their services because they fear that African lack of experience would inevitably result in defaults. Hence, banks were initially unwilling to provide credit services to SIDECO's import activities.

After SOCIACI was established, it approached the Société Commerciale d'Ouest Africain (SCOA), one of the largest French commercial houses in West Africa, to ask its assistance in organizing SIDECO and helping it to start its wholesaling and distribution activities. SCOA agreed to provide 30 percent of the capital of SIDECO, and SOCIACI put up the remaining 70 percent. In addition, SCOA assigned four experienced staff members to work as codirectors with SIDECO's African staff. A three-year contract was signed between SCOA and SIDECO under which the former is providing managerial assistance and training, and also the services of its overseas purchasing agents in facilitating customs clearance, credit arrangements, and the expediting of the paper work involved in importing.

In January 1964, the SIDECO-SCOA contract was renewed, but with SIDECO holding an option to buy out the SCOA interest on 30 days notice. In addition, SIDECO increased its capital sixfold, with SOCIACI retaining a major interest, largely with funds obtained under a government loan.

SCOA's willingness to put a substantial stake in this venture rests largely on the conviction of its director that the economic affairs of the nation cannot continue to remain predominantly in the hands of foreigners; that capital and entrepreneurial participation on the part of the African people must increase; that, lacking the required background, they need some help to inaugurate the process; and that the best way to safeguard the position of foreign companies in the Ivory Coast is for African entrepreneurs to develop capabilities and interests comparable to those of Europeans and other foreigners.

7. An Enterprising Commercial Farmer in West Africa

Mr. D obtained a college degree in agriculture from a university in the United States and returned to his country in 1956. He taught at a West African university, and operated its poultry research farm. Wishing to be independent and dissatisfied with what he believed was the government's slowness to teach the local farmers inexpensive methods of raising poultry efficiently and profitably, he left the university in 1961 and established his own poultry farm. The necessary capital was raised with the help of several friends and with a government loan—despite the fact that the government itself operates several poultry farms. By the end of 1962, Mr. D had 8,000 layers, 14,000 chicks, broilers, and breeding stock, and was collecting 400 dozen eggs per day. Through reinvesting, Mr. D expects soon to set up a processing plant for freezing chickens.

Mr. D provides a good market for the local farmers by buying their millet, corn, and sorghum. Numerous visitors come from all parts of the country to observe his methods and learn to make the inexpensive and effective equipment he has developed. The Agricultural Aids Foundation of the United States intends to establish an in-service training center to give courses of up to 12 weeks at Mr. D's farm, to demonstrate to other West African poultry farmers the techniques of inexpensive and profitable poultry raising.

Mr. D prefers to employ relatives, if they are competent and capable of being trained, because he believes that he can expect greater honesty, loyalty, and harder work from them than from strangers.

8. A Small Printer in West Africa

On his salary as a clerk for a foreign firm, Mr. E's brother supported him through eight years of school plus seven years of apprenticeship in two printing firms. In 1958, the brothers had the opportunity to purchase, for very little money, a small but good press, and they used all their savings to do so. A few months later, with some additional equipment purchased by his brother, Mr. E opened a small printing shop. There was little money for promotion or advertising and insufficient equipment for undertaking the different types of jobs that came to them.

A loan was obtained from a regional government finance corporation. But, though it substantially exceeded in value their total capital investment, it was not sufficient to enable them to purchase all of the additional equipment required to offer a full range of printing services. In consequence, Mr. E often has to subcontract jobs to other printers, who take advantage of the situation to charge him so much that sometimes he makes no profit. Also, the lack of a car or truck means that he must incur the expense of taxis in traveling to and from the shop and in making delivery to customers.

Mr. E employs two journeymen printers and 13 apprentices, many of them relatives who have come to him under the impression that the business is more successful than is in fact the case. Mr. E reinvests as much of his profits as possible and hopes that eventually he will be able to purchase the additional equipment necessary to operate a more successful printing establishment. Meanwhile, he is proud of his accomplishment and of the fact that he is an independent man.

9. A West African Baking Company

Shortly before Mr. F retired from the civil service—which included employment in the Railway Corporation and the Ministry of Commerce and Industry—his wife expressed the wish to study baking, and he agreed that she should take a course at a technical school in London. Upon his retirement in 1953, he too went to England and served as a baker's apprentice for 18 months. Meantime, his wife returned to Africa and in 1954 started a small bakery.

Initially, the bakery consisted of a mud oven and a dough mixer in their sitting room. As their business grew, they installed additional equipment in their garden. In 1954, their total sales were just over $11,000 and their equipment was worth about $4,500; by the end of 1962, their sales were over $350,000 and their capital assets about $200,000. The bakery now produces 15,000 loaves of bread a day, but could easily sell twice as much if it could be produced. Mr. and Mrs. F are now planning to build a larger bakery, which will include a laboratory, possibly with the help of a foreign firm.

Members of the family purchased 70 percent of the initial shares, and friends the remainder. In 1956, the company obtained from the government a long-term loan, worth more than its total capital investment, which it is repaying regularly.

The company has 13 vehicles for delivering bread to regular customers, including schools and colleges, air flights, hotels, hospitals, and retail shops. The bakery employs 190 people, including two foreigners who serve in technical and administrative positions. Mr. F's son has studied to become a food technician at a technical college in England, and Mr. F has granted a scholarship to another employee to take a six-month course at the American Institute of Baking. Mr. F travels overseas every year to observe new baking techniques. He employs relatives only when they are thoroughly qualified, believing that it is more difficult to apply discipline and standards of efficiency to relatives than to others.

Mr. F is prominent in the Bakers Association, whose 160 members are nearly all Africans. When the first local flour mill was established by a firm in which the government had a partial interest, its product was poor. The Bakers Association asked the government to remedy the situation, particularly since a 50 percent tariff was imposed on imported flour. When the government did nothing, the Bakers Association struck for 10 days, until a better quality flour was produced. Mr. F believes that government participation in a flour mill that has a monopoly position may make negotiations with the bakers more difficult. In addition, the bakers used to receive 90 days credit when they purchased imported flour, but receive virtually none from the local enterprise. Many bakers give credit to their customers, and hence are in a difficult position.

Several years ago, two foreign companies, one of which purchases and retails bread from Mr. F's bakery, proposed to establish competitive bakeries. The Bakers Association objected vigorously, and the government subsequently denied these applications.

10. A Successful West African Businesswoman

Like many women in English-speaking West Africa, Mrs. G felt that she should have a trade or profession. When her husband was granted a government fellowship for advanced professional study in London, Mrs. G joined him, and enrolled in a two-year course in home economics and quantity cooking. Even when her second daughter was born in London, she continued her studies, before returning to Africa with her husband.

On land owned by the family, she and her husband built a bakery and lived in an apartment over it. In the early years, her products sold only in the neighborhood. As she learned more about the business, Mrs. G began to visit local schools and other institutions, as well as the large and small retail stores, and obtained orders for regular delivery of her bread. Her reputation for quality spread, and she now sells bread to stores and institutions within a 30-mile radius of her bakery. Some of her customers, who also include market women, pick up their bread at the bakery; she owns one truck in which deliveries are made.

Her employees are mostly relatives, whom she trains and pays. Although she has employed a business manager, she and her husband keep close supervision over administrative and financial affairs.

Mrs. G has been able to reconcile successfully the traditional demands of relatives with modern business requirements. During the early years, relatives and friends came regularly to the bakery expecting to obtain a free supply of bread. And, in accordance with traditional customs, Mrs. G freely gave it to them. However, finding that this practice was interfering with her planning of the quantity to be baked and distributed, and the calculation of profits, she informed her relatives that extra bread would be baked to fill their needs every Saturday but, during the rest of the week, no bread would be given away. Thus, she fulfills in some measure her traditional obligations without jeopardizing her business.

11. A Successful Entrepreneur Joins an East African Cooperative

After completing military service in the British army during World War II, Mr. H purchased a secondhand truck to carry sand, stone, and firewood. By working 18 hours a day with one helper, he made a profit of nearly $4,000 over the next three years. In 1948, Mr. H purchased two American Ford trucks, which a year later he converted into buses. At that time, there were neither established routes nor scheduled timetables for buses. Mr. H dispatched his vehicles on the routes and at the times that seemed to be the most profitable. Today, Mr. H operates 18 buses on established routes and schedules.

Until recently, he had difficulty ensuring that his drivers maintained their buses and turned in the full amount of the fares collected. He tried inspections, and various means of checking up on the drivers, including the employment of additional staff, but without much success. Finally, he incorporated his operations as the Business Service Ltd., and gave a share in the business amounting to more than $400 to each driver who proved himself efficient and honest. At present, 13 of his 18 drivers have shares in the business, work harder, take better care of the buses, and put pressure on the other drivers to perform well.

The government is encouraging the formation of a transportation cooperative in each major region of Mr. H's country. His buses have been appraised and he is planning to turn them over to the cooperative in exchange for membership shares and, if their value exceeds the percent of shares which can be owned by a member, for cash or as a loan. Mr. H is willing to join the cooperative because he believes in supporting the government's policy of helping to organize cooperatives to raise the country's productive capacities and living standards. He will become manager of the transportation cooperative, when it is established, and feels that he will thereby be able to share his many years of experience with the other members. His drivers are also willing to transfer their shares in Mr. H's bus company to the cooperative. The new transportation cooperative is also considering opening a gasoline station for the use of its buses and trucks, in order to keep all the profits within the group.

12. A Successful Small West African Trader

Mr. I started his career as a businessman in 1940 with $6 worth of local groceries. His business has grown gradually, and he now has a centrally located, medium-size, corner retail store selling such items as shoes, hats, lingerie, hosiery, cosmetics, and luggage. He is also building a $60,000 residential apartment for lease; owns two shops which he rents out; and has leased three shops which are also subleased to tenants. Mr. I employs several clerks, a few of whom are relatives; and uses an African accounting service. His wife does the typing. Mr. I now has a 60–90 day credit rating in the United States and with local banks, but feels hampered by his credit limitations from purchasing goods ahead of time for seasonal sales, or when they are obtainable at the best prices.

Mr. I is active in an African businessmen's association, all of whose 50 members own enterprises. Organized to make more effective representation to the government, the association has suggested that all commercial construction be reserved to Africans, and that Levantines—who do most of the retailing and wholesaling—be required to close their shops at 5:30 p.m., so that the African retailers can have the advantage of the evening trade. However, Mr. I points out that business opportunities for African entrepreneurs are increasing, owing to the government's policy of encouraging more advanced education and training for its citizens.

Appendix III

Guidelines for Improving Small Loan Programs

In many ways, the problems of small loan programs are identical with those of the African development banks and corporations discussed in Chapter IV. With more adequate operating funds, larger and better trained staffs, and more effective organization and division of functions, the financial assistance agencies making small loans would be able to cope much more effectively with the needs and limitations of the African entrepreneurs who apply for and use their services. In addition, three groups of problems involved in small loan programs may be distinguished: the screening and processing of applications; the determination of the kinds of obligations which the African entrepreneurs should assume in return for financial assistance; and the follow-up of loans, including the provision of technical assistance and the collection of interest and repayment installments.

Compared with financial assistance institutions in more developed countries, the agencies administering African small loan programs are handicapped by the shortage of independent sources of information for checking on the capabilities, character, and creditworthiness of applicants. This deficiency can and has been to some extent overcome by the sharing of information among banks and government ministries, and by the use of local bodies of various kinds for supplying the required information. In some cases, the financial assistance institutions have local branches or offices; in others, they utilize the services of local government agencies, e.g., agricultural and cooperative extension officers, district and town councils, etc.; and sometimes advisory committees have been appointed composed of local politicians, chiefs, teachers, technical officers, and other local leaders. In addition, advice may be sought from trade (joint service) associations, cooperatives, and other organizations of which the applicant is a member; some of these organizations may guarantee a portion or all of the loan.

Mention has been made in Chapter IV of the tendency to excessive political interference and favoritism in many of these local bodies. However, this disadvantage is outweighed by the benefits derived from properly run local committees. Their members are likely to have the greatest knowledge of the capabilities and deficiencies of their neighbors. Since the good opinion of one's acquaintances and neighbors is important, the local committees can bring more effective pressure on delinquent borrowers to meet their obligations than can a distant, impersonal institution.

Because they are capable of rendering valuable service, it would be desirable to expand and improve the local committees and other similar agencies. Undue interference can be minimized in a variety of ways: by having the local council guarantee a percentage of the loan, as has been done in Uganda; by requiring the local committee to submit a quarterly report of activities; by appointing as committee members responsible local businessmen, government technical officers, and other outstanding local leaders; by providing criteria and standards for the committee's guidance; etc. Since many Africans are reluctant to give opinions in writing of their friends and neighbors, arrangements should be made to obtain their views orally. Also, to encourage responsible public service by the members of local committees, their role in furthering the national development might be publicized in their local communities, contingent, of course, upon satisfactory performance on their part in reviewing loan applications and helping in the collection of overdue payments.

More effective use of improved local committees and similar bodies might also help to reduce the number of unrealistic and undesirable applications coming to small loan agencies and other financial assistance institutions. It is not an exaggeration to say that a very large proportion of the applications for small loans are either for unrealistic projects or for purposes unrelated to productive activity; estimates range as high as 90 percent of all applications. A great many borrowers seek funds to buy a house or consumer goods, or to pay debts already contracted for these purposes; others have no serious intention of establishing a continuing business, but hope to earn enough profit in a one-time venture to obtain the funds needed for unusual consumption expenditures. Substantial numbers of would-be entrepreneurs visit the offices of financial assistance agencies to obtain money to start a business but without the vaguest idea of the kind of activity in which they would like to engage. Local committees could screen out proposals of these kinds, thereby reducing the work load of the regular staff.

There is considerable work involved in the preparation of loan and investment project applications for which even experienced African entrepreneurs may need the help of the staff of financial assistance institutions. Also, the applicant may have a good idea, but may be unable to formulate it precisely; to determine the kinds and sources of machinery and equipment he needs, or the number and types of workers required; to estimate the size of the potential market; and to calculate the amount, kind, and duration of the necessary financial assistance. In helping to prepare and to process such applications, the loan officer must also be able to determine whether the entrepreneur has the skills—or the possibility of acquiring them—needed for his project. Often, a new, and even an existing, entrepreneur will possess some but not all of the skills necessary to start or expand a business: he may know how to produce but not how to market, or he may be able himself to operate the machines but not to organize his workers to run them efficiently. Thus, the loan officer has to be able to assess a wide variety of deficiencies and to advise the borrower how to overcome them.

In effect, reviewing and processing each loan application involves making a miniature feasibility study of the particular project involved and of the entrepreneur's capabilities for carrying it out successfully. This is by no means an easy task and emphasizes the need for better trained personnel in financial assistance agencies. There is a direct correlation between the care taken in reviewing and processing applications for financial assistance and the successful use of the funds once they are obtained.

In processing applications for loans and equity investments, particular attention needs to be devoted to ascertaining whether the entrepreneur or enterprise has sufficient working capital to operate efficiently. As pointed out in Chapter II, shortage of working capital is a characteristic of a great many African enterprises. Provision should be made for adequate working capital before granting a loan or equity investment, preferably by reserving for this purpose some or all of the entrepreneur's own investment which, as noted below, should be required in virtually all instances when financial assistance is granted.

The processing of an application is not completed unless the entrepreneur to whom a loan is being made clearly understands, and has indicated his willingness to fulfill, the obligations which he must assume under the terms and conditions involved. Too often, the overworked loan officer finds it easier to fill out the application for the entrepreneur than to explain all of its conditions. In such cases, the borrower has only the vaguest idea of his obligations, or does not know specifically what actions he must undertake to meet them. This has been an important cause of defaults and of the failure of projects financed with borrowed funds.

Experience has demonstrated the desirability of specifying the terms and conditions which have to be fulfilled before and after loans are granted or equity investments are made. In all cases, the African entrepreneur should be required to invest a significant portion of his own funds, even if it is only a small percentage of the total amount provided by the financial assistance institution. The borrower should also pledge some collateral as security for loans, though in many cases it will not equal the percentage normally provided in the developed countries. The purposes of requiring an investment by, and collateral from, the entrepreneur are not only to conform with sound financial practice, but also to involve the self-interest of the entrepreneur more deeply in the success of the project, and thereby to ensure greater conscientiousness on his part than would be the case if he were operating solely with funds belonging to a large, impersonal institution. If the entrepreneur has no suitable collateral, it is advisable for him to provide a guarantor who has the necessary security and whose personal or business relationship with the borrower will help to ensure that the latter meets his obligations. In addition, particularly if a local committee is not used, the borrower should be required to provide responsible references.

Particularly in small loan programs and in loans to beginning entrepreneurs of all sizes, it is advisable to require a number of additional conditions. Interest rates should be low but not nominal. The entrepreneur should be expected to maintain a set of simple books and he should be shown how to set them up and keep them current. He should be required to establish a bank account, if banking facilities are locally available. If possible, he should be helped to prepare a plan for the use of his own capital and the borrowed funds, and for the future development of the enterprise as a whole. In many cases, it may be desirable to insist that he take one or several of the short courses provided by development centers, institutes of management, chambers of commerce, or other governmental or private institutions in order to acquire necessary skills or knowledge which he lacks. Simple pamphlets should also be available on such subjects as maintaining accounts, how to use banking services, and the essentials of the various specific trades in which the borrowers are engaged.

Except possibly for large and long-established entrepreneurs, the full amount of loans should not be paid immediately and directly to borrowers. Instead, progress payments should be made in accordance with an agreed-upon schedule and the fulfillment by the borrower of specific phases of his project and other conditions. Where borrowed funds are to be used for the purchase of machinery, equipment, and materials, or to buy, build, or rent physical facilities, it is advisable for the financial assistance institutions to make payments directly to the supplier or contractor. These safeguards help to prevent the diversion of funds provided by financial assistance agencies to purposes other than those specified in the agreement. Misuse of funds has been a common practice where such safeguards have not been required.

A flexible policy should be followed with respect to the time at which interest and repayment installments of principal should be started, but thereafter a regular schedule should be adhered to as closely as possible. The start of service payments on loans should be geared to the purposes for which the funds are provided and the period required for the investment to begin to generate income. If payments are started too soon, they are likely to absorb working capital—usually much too small in most African enterprises—and thereby injure the business as a whole. If they are begun too late, the income generated by the new investment is likely to be diverted to other purposes, and hence will not be available to meet servicing obligations when they are due. Schedules for the payment of interest and principal should be adapted to the anticipated stages of each project. This emphasizes the desirability of preparing a plan for the future development of the enterprise.

In many ways, the most important period in the provision of financial assistance to African entrepreneurs comes after the loan has been made. Yet, hampered by lack of operating funds and qualified staff, financial assistance agencies have generally been unable to carry on effective follow-up activities. Particularly in the case of newly established businesses, the large number of failures could have been significantly reduced had there been loan extension officers available to visit each enterprise regularly (preferably once each month), inspect the premises, examine the books, check the inventory, discuss problems and prospects with the entrepreneur, and advise him as to where to obtain the technical assistance he might need. In the English-speaking countries, the lack of loan extension officers has to some extent been filled by the use of the trade or commercial officers attached to national or regional ministries of commerce and industry. However, these ministry extension officers are also comparatively few in number and have many other duties; hence, they have generally been unable to devote enough time to visiting regularly the many small and medium-size entrepreneurs receiving financial assistance.

Collection practices of most financial assistance agencies have been inadequate in many cases, again primarily due to lack of staff and the expense involved. Except for the experienced businessmen, African entrepreneurs tend to have a weak sense of obligation to repay borrowed money when the creditor is an impersonal and often distant institution and not a relative or neighbor. This means that lending institutions must make a prompt and systematic effort to collect interest and principal installment payments if they are overdue. Yet, the financial assistance institutions conducting small loan programs have had very poor records in this respect. Where efforts have been made to visit entrepreneurs who fail to meet their obligations, a surprisingly large percentage of such overdue debts have been collected, in some cases as high as 80 percent. In the United States no less than in tropical Africa, debtors would soon cease to meet their obligations if U.S. lending agencies made little effort to collect delinquent payments.

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