

external environment is imperative in order to effectively and positively integrate it into national planning. Self-reliance is such a strategy. Its functions are to:

1. focus attention more on domestic resources and priorities;
2. minimize the adverse effects of lack of information about external conditions resulting from the poverty of personnel and finance in the country by a greater focus on domestic resources;
3. reduce the power of the foreign groups over national development whilst simultaneously increasing the power of the Tanzanian leaders by the full mobilization of domestic resources and the greater coordination of development projects around some central theme and greater unity among the poor states in their relations with the wealthy ones.

MANAGEMENT FOR SOCIALIST DEVELOPMENT IN TANZANIA: THE CASE OF THE NATIONAL DEVELOPMENT CORPORATION

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Since independence, the Tanzania government has initiated a number of policy measures in the economic field aimed at bringing a larger sector of the country's economy under public control. These measures have taken the form of establishing new undertakings as well as acquiring interest or control over existing enterprises which were under private ownership. However, not all the enterprises or undertakings which have come under the public sector have been administered and managed by the government directly. The administration and management of a number of these undertakings has been given to public corporations or parastatal organizations.¹ The National Development Corporation (NDC), presently with 50 or so associated and subsidiary companies and a few other investments, is the largest and oldest of all investment parastatal organizations in Tanzania.

What makes parastatals in Tanzania an interesting field of study in development administration is that after the Arusha Declaration in February 1967, they assumed a particularly important role in the economy. By assuming greater responsibility in the management of those sectors of the economy which had been bought under public control, the parastatals became critical instruments in the country's efforts towards socialist economic transformation. If the parastatals were to constitute the backbone and key to socialist development, what were the implications for their internal organisation and modes of operation? What changes have been necessitated by this shift in the accent of the role of parastatals in the economy of Tanzania? This paper seeks to look

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1. In this paper a parastatal organisation is defined as an 'organisation which is not an integral part of the Government, but an institution, organisation or agency which is wholly or mainly financed or owned and controlled by the Government. The criterion of such public enterprises would be ownership by the Government of 50% or more of capital shares, or other forms of governmental participation and effective influence in all the main aspects of management of the enterprise.'

at these questions by focussing on the NDC. It will begin by presenting a brief historical account on the origins of the NDC indicating the objectives it was initially supposed to promote. The paper will then review the impact of the changes brought about by the Arusha Declaration on the parastatal organizations in general and the NDC in particular.

I: THE NDC: THE HISTORICAL BACKGROUND

The National Development Corporation came into operation in January 1965 by an Act of Parliament. This same Act provided for the dissolution of two public corporations which had hitherto existed as separate entities. This means that the NDC came into being as a result of a 'merger' or amalgamation of corporations engaged in separate economic activities; that is, the Tanganyika Development Corporation, which was primarily created to sponsor and promote industrial projects and the Tanganyika Agricultural Corporation whose sphere of activity was the agricultural sector. It also took over other investments such as shares in the Workers' Development Corporation and Nyanza Salt Mines Ltd., previously in the hands of the Treasury Registrar. Therefore, not only did the NDC start off with the assets and liabilities of these two corporations, it also assumed responsibility for the management of two distinct spheres of the economy.

Without going into the detailed provisions of the Act establishing the NDC, it will suffice to point out that the enabling Act specifically stated that:

in carrying out its business the corporation shall have regard to the economic and commercial merits of any undertaking it promotes, finances, develops, manages or assists and the economic position and potentialities of Tanganyika as a whole and shall use its best endeavours to ensure that its business as a whole is carried out at a net profit, taking one year with another.²

In short, the Corporation was conceived as a business or commercial undertaking whose activities were to be guided by economic and commercial merits and the profitability of all such activities.

Just over two years after the NDC came into existence, the Arusha Declaration was announced. This important policy statement did, among other things, reject the dominance of private enterprise in certain key areas of the economy. It stated: 'The way to build and maintain socialism is to ensure that the major means of production are under the control and ownership of the Peasants and Workers themselves through their Government and their Cooperatives.'³ Specifically, industry was divided into three categories:

- (i) Those to be restricted to government ownership such as major milling concerns;
- (ii) State controlled industries within 'the major means of production';
- (iii) Those not covered in (i) and (ii) which were open to private investment.

The NDC was expected to assume responsibility in administering and managing industries within the first and second category above. It was also free to invest

2. *The Tanganyika Development Corporation (Amendment) Act, 1964.*

3. *The Arusha Declaration and TANU's Policy on Socialism and Self-Reliance*, p. 3 and Appendix I.

in the third category grouping either as a majority or minority shareholder in collaboration with private capital. Within its area of investment private participation could only be in a minority capacity.

With the enunciation of these policies, the NDC acquired shares in various enterprises. The Mwananchi Development Corporation was also amalgamated with the NDC bringing in investment in seven projects and certain liabilities. In addition, the NDC acquired a majority of shares in seven foreign owned firms⁴ and minority shares in a number of others. Compensation for firms so 'nationalised' was to be financed through loans from these companies. These loans were to be repaid mainly through NDC's share of dividends from each enterprise. This meant, in effect, that the NDC was going to get less funds for investment from these companies for a period of up to twelve years.

With the exception of the Bata Shoe Company, whose owners refused any form of partnership with the NDC (which led the government to acquire total ownership of the firm nearly three years later), the rest of the companies agreed to enter into partnership with the NDC under various agreements. These related to forms of management of the firms and payment of royalties for the continued use of patents, trade marks and the research facilities of the parent companies overseas.

It is evident that the overall effect of the post-Arusha Declaration measures was to add a further load of responsibilities on the NDC. It was now responsible for 69 companies whose area of operation ranged from tourism to industry, commerce and agriculture. Equally important was the fact that there were wide variations in the nature and extent of the NDC's actual responsibilities. In some of the companies, the NDC's responsibility was that of a minority partner, in others a majority partner and in yet other companies a full owner. The last point worth noting about the Arusha Declaration and the subsequent measures is that of omission. Apart from giving the NDC greater responsibilities, there was no corresponding statement defining its structure and mode of operation in the post-Arusha Declaration period. To be sure, reference was made to the effect that loans were to be repaid mainly through future dividends. Did this suggest that the 'profit motive' would continue to be paramount?

Management and Administration.

One of the critical questions, however, was that of the appropriateness of organisation and management structure. With the rapid growth of the NDC since the Arusha Declaration this question became very urgent if the NDC was to carry out its responsibilities properly. This was particularly so as the manpower constraints at headquarters and the group companies became more and more serious. Already the Corporation had embarked on a high degree of decentralisation based on profit centres as a fundamental organisational strategy.

4. These were B.A.T. (Tanzania); Kilimanjaro and Tanzania Breweries; Bata Shoe Company The Metal Box Company; Tanganyika Extract Company and Tanganyika Portland Cement.

Each of the companies existed in its own right and not as a branch of a centralised corporation. Separate Boards of Directors have existed for the Headquarters and group companies although the chairman of the latter is the NDC General Manager. The Directors (heads of department) responsible for the operations of these companies are invariably members of the Boards of their respective companies and in some cases often senior staff can be appointed to these Boards. In addition, Principal Secretaries or other senior government officers as well as political and trade union leaders are often appointed to the boards of both the Headquarters and group companies. Partners (both local and foreign) associated with any of the companies have their own nominees to the respective Boards. Private representatives on the boards however are always a minority and the Chairman is always a Tanzanian (in the NDC headquarters it is the Minister for Commerce and Industries and for group companies the NDC General Manager).

With the multiplicity of activities arising out of the very enlarged NDC after the Arusha Declaration the question of control and coordination of the companies through the Headquarters became more pronounced. The questions facing NDC management were: was the present organisational structure now adequate and, how should the companies be managed and supervised by headquarters so as to ensure satisfactory performance on the basis of the required criteria?

To answer these and other questions of management techniques the Corporation's Board approved, in 1968, the hiring of Messrs McKinsey and Company Incorporated, Management Consultants, to recommend an appropriate organisation structure by which NDC could continue to play its ever increasing role in the industrial development of Tanzania, without losing control of the companies or decreasing in its efficiency. In a letter to the Hon. Paul Bomani, the then Minister of Economic Affairs and Development Planning and Chairman of the NDC Board, McKinsey noted:—

In the 4 years since NDC was established, considerable changes have taken place No matter how well designed the previous organisation, corresponding changes in its structure and procedures have become not only desirable but essential.

They noted the 'dramatically enlarged' responsibilities of the NDC, its multiplied organisational scope and the limited resources with which it was operating.

In the circumstances, Messrs McKinsey and Company recommended a revised and modified structure for the Corporation, designed to define the distribution of authority between the Board, the General Manager of the Corporation and the Group Company Boards. The NDC Board's broad responsibilities were to include:—

- a) Establishing the larger term objectives of NDC, and the basic strategies by which they are to be attained.
- b) Defining policies (e.g. personnel, marketing etc.) to be followed in ensuring that Group Companies operate in conformity with the national interest.
- c) Ensuring that the General Manager carries out agreed strategies and policies which include requiring him to formulate an annual plan and reviewing his progress in achieving it.

In carrying out responsibility for controlling the performance of the General Manager, the Board would be concerned with the adequacy of the organisation to achieve NDC's established objectives. The Board was thus requested to approve a proposed structure of management which included the creation of 'critical new top management positions at headquarters': Directors of Administration, Executive Development and Planning and Finance. These were to be in addition to the Corporation's Legal Counsel, Chief Accountant, and the new posts of Director of Operations and Director of Development who would comprise the top management team of the Corporation.⁵

To increase the effectiveness of the Corporation a Management Information System (MIS) was recommended through which the Corporation's top executives could effectively monitor the performance of the departments at Headquarters and especially of the group companies, through standardised reporting designed to utilise amongst others the principle of management by exception.

Other recommendations included the specific reorganisation of individual departments; the creation of a Management Executive Committee to review operating problems and progress on a regular basis; the introduction of corporate planning and budgetary systems as well as methods of project evaluation, implementation and manpower (especially executive) development.

Apart from the organisational streamlining of the Corporation the most important contribution made by the McKinsey consultants was the introduction of systematic planning and budgeting at both the Headquarters and company levels. For the first time a corporate plan was to be worked out derived from the separate company plans, based on assumptions and targets agreed to by each company and the Headquarters, and approved by the respective boards of directors. The planning function has had some drawbacks mainly arising from manpower and other constraints. However, systematic planning has now been firmly accepted as a fundamental responsibility of management and will continue to be strengthened.

McKinsey also recommended the establishment of Management Executive Committees. The Headquarters had already successfully established one, a practice which has now been endorsed, as a standard parastatal pre-requisite under the workers' participation scheme, with the modification that it should include workers' representatives.

On the manpower development scene McKinsey emphasised the urgency of systematically developing local managers throughout the NDC and suggested ways and means of tackling the problem in the light of the circumstances prevalent in Tanzania. This matter has since been taken up, but again the speed and size of the undertaking have been handicapped by lack of the necessary resources.

5. Last year a new post of Director of Marketing Development was created and the Director of Development was renamed Director of Research and Development. On the other hand, the legal counsel and one of his assistants have now been transferred to the newly created Legal Corporation.

The NDC Board accepted the McKinsey recommendations which have been or are in the process of being put into practical use. However, hardly had the proposals been implemented before a number of important changes related to the parastatal sector were introduced. One of the most important was the Public Corporation Act of 1969 which gave legal expression to a Presidential Directive on parastatals issued in early 1969. In the same year the launching of the Second Five Year Plan also brought changes.

II: RATIONALISATION OF PARASTATALS

One of the major purposes of the Public Corporation Act was to rationalise the public sector, particularly to streamline the management of the various parastatals which had mushroomed since the Arusha Declaration. We have already seen, for example, that the NDC had assumed wide ranging responsibilities as a result of which it developed projects in virtually every sector of the economy. Under the Public Corporations Act a number of NDC companies were transferred to other parastatals or ministries. Two new corporations were created to form the nuclei of some of the NDC companies: the Tanzania Tourist Corporation took over the hotel and tourist oriented undertakings whilst the National Agricultural and Food Corporation took over all agricultural-based activities. Some companies were simply transferred to some Ministries. The main objective of the rationalisation exercise was not only to streamline the parastatals but also to allocate to them responsibility for the implementation of the Second Five Year Plan soon to be launched.

To play this new role effectively the parastatals were to observe the following principles:—

- 1) Broad policy issues were to be decided by TANU and the government. The parastatals were to be the instruments of execution. They would be the tools which policy makers would continue to use and supervise through the 'sectoral and parent ministries' which every parastatal organisation now has.
- 2) Parastatal organisations would continue to function on commercial lines and not on the same lines as a government department. This did not, however, mean that they should not pay heed to the public interest in the conduct of their affairs. They must, however, endeavour to pay their own way and to create capital, since they are not 'spending organisations'.
- 3) Each parastatal should be responsible to a sectoral ministry. This was meant to facilitate the decision making process for each parastatal and also to ensure that the execution of all government plans and programmes in a particular sector of the economy would be properly coordinated and integrated.
- 4) Each parastatal organisation must have a clear understanding of its field of activities and responsibilities. For example, NDC can now invest only in the mining, manufacturing and processing sectors.

- 5) Effective control of the parastatal sector should be exercised through a three-level structure: the parastatal organisation, the sectoral ministry and the President through the central coordinating ministries.⁶

These principles go a long way to clarify the government's conception of the role of parastatal organisations in the post Arusha Declaration situation in Tanzania and a number of points arise from them. The first general point is that the parastatals were to exist and operate within the general framework of the government structure. In other words, parastatals were not to exist as autonomous or semi-independent organisations. They were 'mere instruments of execution' of policies decided by the Party and the Government, or 'tools which policy makers would continue to use and supervise'. In order to ensure that such an objective was realised in practice, each parastatal was to be assigned to 'sectoral and parent ministries'. Thus both in the Second Five Year Plan and in the policy statement of the Minister of Commerce to the National Assembly in 1969, the NDC is specifically mentioned and allocated a number of responsibilities.

The point that is being emphasised is that the parastatals in general and the NDC in particular are expected to work within the framework of overall government objectives. The discussion below in the NDC's investment strategy will illustrate this point.

The second point is that although the NDC exists and operates within the general framework of the government structure, it is nevertheless not expected to be a 'spending organisation' or to work on the same lines as an ordinary government department. In particular it is supposed to endeavour to pay its own way and to create capital. In fact, like other parastatal organisations, it is supposed to function on commercial lines. However, what distinguishes the post-Arusha Declaration NDC from the previous one is the proviso that it has now to 'pay heed to the public interest'.

The third point relates to the clear allocation of responsibilities. With such a clear demarcation of areas of responsibility or spheres of competence, it was possible for each parastatal to develop greater specialisation. Equally important was the fact that it would minimize waste through duplication of efforts or competition between the various organisations. The last important point relates to the introduction of external bodies which were to act as control agencies for the parastatals; from 1969 the NDC was formally linked to a number of external control agencies.

The question that we must now ask is how far have the parastatals been guided by these principles? What has been their impact on the internal organisations and effectiveness of the parastatals? These questions take us back to the problems raised at the beginning of this paper. We will attempt to discuss them by focussing on a number of cases drawn from the operation and experiences of the NDC.

6. The relevant legislation is the *Public Corporation Act No. 17 of 1969* under which the *National Development Corporation (Establishment) Order 1969* and the *Public Corporations (The NDC Act, 1962) (Report and Consequential Provisions) Order of 1969* were issued.

III: THE CASES

(a) *Investment Strategy*

It has already been observed that NDC's sphere of investment, following the enactment of the Public Corporations Act, 1969 is in mining, manufacturing and processing. The general investment strategy has already been defined in the present Second Five Year Plan. That is, to continue to engage in activities aimed at exploiting Tanzania's industrial potential and enhance public ownership. Specifically, the strategy should enhance import substitution, processing of locally produced raw materials and producing for export. At least 18 projects fulfilling the above requirements have been earmarked at an expenditure of about Shs. 780 million.

In his policy speech to the Budget Session of Parliament in 1969 the Minister of Commerce and Industries defined his Ministry's industrial development strategy in the next five years as follows—to:

- a) increase per capital income;
- b) increase in the rate of industrial income;
- c) increase in the rate of growth of industrial development;
- d) increase in technical knowledge;
- e) increase in capital investment in the rural areas and in *ujamaa* villages;
- f) increase in import substitution;
- g) increase in export of our manufactured goods;
- h) increase in employment;
- i) increase in the quality of labour force;
- j) increase in industrial contribution to regional development and decrease in disparity between income in different regions;
- k) increase in efficiency of firms;
- l) increase in utilisation of domestic raw materials;
- m) lay the foundation for the development of heavy industry—especially coal, iron and steel.

These points were again underlined in broad terms by the Minister in Parliament during his 1971/72 budget speech. With reference to the NDC, the Minister defined its policy as follows:—

- i) continuation of its import substitution industries based on the home market;
- ii) large scale manufacturing to take advantage of the economies of scale which should aim at both the domestic and home markets;
- iii) small scale industries in rural areas;
- iv) emphasis on secondary industries
- v) investment to be spread in the regional centres designated in the Second Five Year Plan, to avoid regional imbalances and the overconcentration of industries in Dar es Salaam.

On its part the NDC has attempted to formulate its investment strategy within the framework of the Plan and the Ministerial policies.

In its current 1971/72 Plan the NDC has identified eight criteria for project

selection. These criteria must be taken into account by the Corporation's Project Appraisal Committee in evaluating and recommending projects for submission to the Corporation's Board of Directors. These criteria are divided into two broad categories—primary and secondary:

- i) *Primary Criteria*: those which must be satisfied by *all* projects, due to their importance to the viability of the projects or to the national economy. They include:
 - profitability
 - national cost/benefit and
 - foreign exchange effects.
- ii) *Secondary Criteria*: those which must also be considered for *all* projects in the following order of importance:
 - employment
 - location
 - industrial linkages
 - budgetary impact
 - investable surplus

These criteria have been applied to 66 alternatives on a Project Backlog List thus selecting 22 projects for evaluation during 1971. Of the 22 projects there are those considered top priority which must be evaluated first, (e.g. expansion of Tanita, a cashewnut processing company in Pugu Road, Dar es Salaam; the merger, acquisition and expansion of the Tasini/Kiltex textile mills which had hitherto been privately owned and which have now been absorbed into the NDC; and the reorganisation and running of the gemstone mines acquired in April 1971 by the Government).

Second priority projects are those which are to be evaluated as manpower and finance permit. Examples are expansion of shoe manufacturing, garment manufacturing, lorry assembly, production of asbestos, cement etc.

Third priority projects are those which can be deferred to a later date or put on the backlog list if unforeseen circumstances cause some stoppage in the schedule. These include car batteries, bicycle tyres and tubes, phosphates, etc.

Altogether the Corporation's goal in the Five Year Plan is to invest Shs. 1,297,400,000 in 93 projects as listed in the plan's Industrial Programme. Of these 42% have already been scheduled but 85% of the forecast investment will be made at the time projects under implementation and evaluation have been completed. Overall, therefore, project implementation under the Second Five Year Plan has been more rapid than expected, with higher investment than estimated. That is why it has now been decided, as part of the plan, to consolidate the proper implementation and management of projects already in an advanced stage of investment, in order to keep pace with the progress of the National Plan and financial capabilities.

(b) *Manpower, Recruitment, Development and Motivation*

McKinsey noted that in relation to the task assigned to the Corporation, its professional staff of less than 40 was not only inadequate but it also meant that the work load was too heavy on individuals, as a result of which their

effectiveness was bound to suffer. At the time of writing the professional staff has now risen to 128 which represents 79% of this year's budgeted establishment. Of these only 65% are Tanzanians. In practically all departments most officers are very much overworked, have little time for thoroughness and for supervising junior officers assigned to them with little or no experience. In order to fulfil its plan objectives NDC has had to recruit from overseas mainly accountants, economists and engineers, sometimes on technical assistance and sometimes direct from the international labour market. In part, this severe shortage of qualified manpower was exacerbated through the policy whereby bonded university graduates were almost entirely channelled to the civil service and also through personnel transfers following the rationalisation of the parastatals in 1969. The position has now improved.

The recent decision by the Cabinet that 75% of University graduates will henceforth be posted to the parastatals until such time as the degree of localisation compares to that obtaining in the civil service, will go a long way in alleviating this problem. However, the supply is still very much below demand. For example NDC was allocated only 22 graduates out of an indented request of 100 for 1971. The effect of this has been that rather than utilise these graduates for localisation some of them have had to be used to fill existing vacancies.

Almost all these graduates have to have on-the-job or even further theoretical training to make them effective. This is not always an easy task given the dearth of financial resources, training institutions and effective trainees. However, the NDC has tried to overcome these obstacles by adopting the following policy:

- 1) The basic responsibility for training and manpower development is on the individual companies (as every company has a different technology). NDC headquarters provides assistance through advice, scholarships and encouragement.
- 2) Encouragement is given to employees who have shown aptitude for further advancement or weakness in performance through courses, job rotation or expanded responsibility, as the case may be.
- 3) A training attack is made on key loopholes: accountability and the development of middle-level and senior managers. There is still much to be done in this field although it is hoped that finances permitting, 1972 will see a major break-through.

Besides professional staff, certain supporting staff are also in short supply: book-keepers, technicians, stenographers, secretaries, experienced salesmen, storekeepers, etc. In the past few years considerable efforts have gone into the training of cadres for these positions which have in the main been localised.

The effort to develop personnel in business is really a post-Arusha Declaration phenomenon. Hitherto, with the exception of a few companies, for example Williamson Diamond Ltd., many of the private companies did not seriously go out of their way to train citizen staff for every possible position.

After the Arusha Declaration, the basic personnel policies in the parastatal sector have now been defined by the Presidential Standing Committee on

Parastatal Organisations, appointed in September 1967.⁷ The Committee's terms of reference are:

- i) To formulate a training programme for employees of parastatal organisations.
- ii) To review the salaries and fringe benefits of employees in parastatal organisations to ensure that they are consistent with the salaries and allowances paid to employees in the public service requiring the same skills and qualifications.
- iii) To review and approve the conditions under which officers in the public service are seconded to employment under the parastatal organisations, to ensure that their salaries remain consistent with those of other officers in the same grades in the public service and that their promotion prospects are preserved.
- iv) To approve transfers of staff between Central Establishment and the parastatal organisations and such other related matters.
- v) To review the localisation arrangements within parastatal organisations to ensure conformity with government policy that all posts should be manned by trained and competent citizens as early as possible.

During the past three years of its existence the Committee has issued nine directives to parastatals controlling salaries, fringe benefits, travel, appointments, discipline and promotions, secondment of staff, "poaching" of staff etc.⁸ Significantly none of the Directives addressed itself to critical issues of training and localisation. This would suggest that the committee has been more concerned with the levelling off of terms and conditions of service, curtailment of parastatal privileges and reducing the "gap" between government and parastatal services. While this emphasis could be said to have been expedient, given the social and political situation, it is nevertheless revealing that the Committee has tended to play a 'watchdog' rather than a creative role, thus relegating training to a secondary priority in a situation where this is a critical problem.

Another indication of the way the Standing Committee perceives its role relates to the important questions of motivation and incentives to workers.

7. See, "Appointment of A Presidential Standing Committee on Parastatal Organisations" in General Notice N. 1976 issued in the *Gazette of the United Republic of Tanzania*, 22nd September, 1967. The members of the Committee are: Principal Secretaries to the Treasury, Central Establishment, Devplan, Agriculture and Cooperatives and parastatal managers from National Bank of Commerce, National Development Corporation and State Trading Corporation. Notice the high powered nature of the members from the Civil Service.

8. These Directives are:

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| Directive No. 1 | 'Procedure for seconding Public Servants to Parastatal Organisations' (September 1967) |
| Directive No. 2 | 'Allowances and Fringe Benefits' (November 1967) |
| Directive No. 3 | 'Salary Scales in the Parastatal Sector' (August 1968) |
| Directive No. 4 | 'Booking of Air Passages' (September 1970) |
| Directive No. 5 | 'Salaries in the Parastatal Sector—Procedures for Placing Public Advertisements' (January 1971) |
| Directive No. 6 | 'Establishment of Appointments Committees on Parastatal Organisations' (March 1971) |
| Directive No. 7 | 'Directors, Fees and Honorarium to Parastatal Employees' (March 1971) |
| Directive No. 8 | 'Subsidies or concessions in the Parastatal Sector' (June 1971) |
| Directive No. 9 | 'Downgrading of all Directives' (September 1971) |

The overall effect of the various directives has been to drastically reduce the salary ranges and 'take home' pay of parastatal employees. In some cases, the employees have reached the maximum ceiling of their salaries and have been on salary freezes for years. This has had implications as far as motivation and employee turnover rates are concerned.

The other point which needs mentioning is that whereas the various 'levelling' measures have brought the NDC and other parastatals within the general framework of the government structure, they have had implications for the NDC as a business and commercial concern. In order to operate successfully the NDC must be capable of competing, almost on equal terms, with other business and commercial concerns. One of the areas of this competition in which the NDC has to excel is that of recruiting and retaining competent manpower. However, its freedom to get such people from the job market is restricted in two important ways. First of all, it cannot 'poach' people either from the civil service or other parastatal organisations because allocation and transfer of such personnel is highly controlled.⁹ Neither can the Corporation compete effectively with other business concerns such as the Community Corporations for talent and ability on the job market because it pays less and offers fewer fringe benefits than private firms and the East African Community and its parastatals.

All these are serious problems which have not yet been resolved—as a result of which the parastatals have no motivational devices other than nationalistic appeals, individual styles of management and political education. The fact remains, however, that for the majority of our workers financial incentives are still considered to be very important, as was shown during the recent Presidential tour of industries and the subsequent correspondence in the local press.

Under the Prices and Incomes policy, salaries can be raised on the basis of increases in productivity. In practice, however, productivity has been very widely interpreted and its measurement has been very difficult. As a result managements have tended to resort to bonuses based on annual profit, or payment of overtime. This Standing Committee has been very reluctant to approve for both management and rank and file workers blanket bonus payments, and overtime is generally discouraged by the Corporation except in situations where it can be proved that there is no other alternative.

(c) *Other Control Agencies*

We have seen that the Party, the parent or sectoral ministry and the President do exercise control on the parastatal sector through various policies and arrangements. We have also seen that the Boards of Directors of the Headquarters and its companies are the sole policy makers for their respective organisations within the broader framework of national industries and economic strategy.

Besides the Standing Committee, there are also other control agencies such

9. The various procedures regulating transfer of personnel are laid down in the *Standing Committee's Circular No. EBC 6/45/061* of 13th December 1969 on 'Poaching' of personnel.

as the National High Level Manpower Allocation Committee which regulates the allocation of high level manpower to the parastatals.¹⁰

The Tanzania Audit Corporation (TAC), a wholly owned government firm of auditors, ensures that the Corporation's accounts are in conformity with existing legislation and have been kept on the basis of generally accepted accounting principles. The TAC also checks on compliance with existing parastatal directives and any unconvincing deviances are reported to top management, the Chairman of the Standing Committee or the Chairman of the Board. The audited accounts of the Corporation have to be submitted to Parliament annually and the allocation of funds for development has also to be approved by Parliament. Members of Parliament do, of course, have a right to query any activities of the Corporation and to demand proper explanations through the Minister of Commerce and Industries.

In matters of government sources of finance each project has a specific allocation of funds. This is different from the previous system of block allocation which left a lot of leverage to the Corporation's management. This, in effect, gives considerable powers to the Treasury and other financial institutions on which NDC relies heavily for its equity participation in projects and for other kinds of corporate funding. Since last year all management agreements between NDC and other parties must also get the approval of the Ministry of Economic Affairs and Development Planning and the Economic Committee of the Cabinet before they are signed and implemented.

(d) *Problems of Socialist Management*

NDC is expected to operate on a commercial basis and at the same time serve other socialist objectives as required by the Arusha Declaration and related Party policy. Socialist management implies structural changes of the existing management system as well as a heavier emphasis on social as opposed to economic criteria of performance. It will be seen from the preceding discussion that the NDC has attempted to marry the two, simply because our social and economic position is too weak to allow for the pursuance of only one of the possible alternatives.

This point of balancing social and economic or 'profit' criteria is rather a ticklish one and, therefore, needs further elaboration particularly because persuasion of 'profit' has traditionally been viewed by socialists as being one of the greatest evils of capitalism. The point at issue is not so much one of profit as such but rather the manner in which it is accrued and, more importantly, utilised. As Dr. Justinian Rweyemamu has observed '... what is crucial in distinguishing economic systems is not only ownership patterns (though these

10. The National High Level Manpower Allocation Committee was established under the *Central Establishment Staff Circular No. 1* of 1970.

provide a necessary conditioning) but the *form* which the surplus takes under different economic systems.¹¹

It can, in fact, be argued that the profit motive in a socialist environment contributes to socialist development in the long run. In the first place, the profit motive seems to be one of the major driving forces of entrepreneurs in the sense that it constitutes indices for measuring performance and efficient utilisation of resources. A socialist enterprise which obtains its profits by socially accepted methods and through higher standards of management efficiency cannot, of necessity, be condemned—if only because it increases the volume of the country's mobilisable resources. This means that being under social control, such profits will be utilised in activities which contribute to the welfare of the nation as a whole rather than for the benefit of a tiny group of entrepreneurs. It seems, therefore, that it is in the interest of socialist development to encourage enterprises to generate profit which can be used for the furthering of socialist objectives.

Exclusive emphasis on the social criteria would imply heavy government subsidies of unprofitable enterprises which is not possible now and which may, in fact, encourage laxity amongst workers and managers and impose unnecessary strains on an economy with limited results. On the other hand, maximisation of profit alone would give no sense to the Arusha Declaration and socialist development. In any case, even capitalist organisations no longer exclusively maximise profits.

The introduction of socialist management would also imply involving more and more Tanzanian socialist managers in the process. The problem at present is not only that some of these managers have yet to appreciate the practical implications of socialist management, but in fact that a majority of the managers are still expatriate. It may be over-optimistic to expect expatriate managers, however sympathetic to our course, to be leaders in socialist management. The first prerequisite, therefore, seems to be to Tanzanise the management cadre and then to tackle the entire work force in these enterprises. This is bound to take some time, given our current manpower constraints and the level of political conviction or understanding amongst our own workers.

It has been argued that true socialist management means giving powers to the workers and scrapping the present Board of Directors. Even if it were conceded that this was desirable, it is doubtful whether our workers have acquired sufficient know-how to effectively fulfil this function.

One area of interest has been the introduction of workers' participation in the parastatals which is meant to enhance the motivation of workers by involving them in the decision making process of the organisations in which they work.

11. J.F. Rweyemamu, 'A Framework for Socialist Industrialisation in Tanzania—Preliminary Considerations' (Mimeo). In this paper Dr. Rweyemamu proceeds to consider this problem by relating it to the question of resource allocation as having an important bearing on the problem of resolving the contradiction between social and economic criteria. Questions related to the choice of goods or services to be produced, the location of the plant or enterprises to produce these goods or services and the techniques and methods (whether capital intensive or labour intensive, for example) bring about the necessity to apply more than economic criteria in a socialist situation.

Workers participation in management is not a Tanzanian innovation. It has been tried in various ways and with various degrees of success in both the socialist and capitalist countries. Even today capitalist managements in many countries are taking considerable interest in the whole question of associating workers closely with the decisions within their enterprises where advanced technology and autocratic styles of management have created serious psychological and human relations' crises at the enterprise level. It is, therefore, illogical that we should exclude the workers from more involvement in the decision making process in a situation where they are supposed to be the partial or total owners and custodians of the people's enterprises.

It is, unfortunately, a fact that initially management was frightened by the whole concept of worker involvement in decision making. The workers, on the other hand, thought that participation was a simple affair and tended to look at it as a kind of opportunity for supplementing trade union activities. The truth, however, is that for all the stress on our form of workers' participation, there is nothing particularly revolutionary about it. At best it only calls for an advanced form of worker-management consultation at least twice a year and this has not, in any significant way, reduced the traditional powers of management. On the other hand, the only hope the workers have to challenge management in the case of disagreement is through the power to appeal to the Boards of Directors of their organisations. What our participation really calls for is a change in the management ideology of 'divine right of rule' towards a democratic style of management and, above all, a change in attitude in recognition of the Tanzanian political norm that a leader is something more than a cattle herder in the bush!

Workers' participation has been enhanced by the introduction of the TANU Guidelines of 1971 which emphasise more dialogue and democratic styles of leadership within the parastatals as well as in the state machinery and other institutions in society. The TANU Guidelines particularly condemn the system where there are the herders—the 'experts'—and the cattle—the 'ignorant' recipients of such expert advice. They urge that leaders in Tanzania should help the people to decide for themselves by willingness to explain the facts and problems so that workers can make suggestions to and receive suggestions from management, thus creating conditions for cooperative decision-making based on grass-roots participation. In other words the guidelines call for frank discussions of problems and programs on an egalitarian basis at the shopfloor level and the cultivation of a climate of a helping relationship between all the workers in the enterprise. Ultimately, therefore, we should have a situation where the workers would feel that they really own and run the enterprises on the basis of equality and the sharing of power.

While it may be too early to assess the real impacts of these events it is nevertheless possible to tentatively suggest that in certain organisations workers have played these roles fairly successfully, while in others problems do exist and their effectiveness has been less pronounced. Part of the problem has been the reluctance of some managements to accept the spirit of participation wholeheartedly and the failure by some workers to recognise that to play their new

role effectively they also have to change their attitudes towards management and their concept of a worker. They have to be prepared to take decisions based on facts and know-how and also accept responsibility for their own actions and decisions.

With the current emphasis on workers' education and training it is to be hoped that in future these practices will become an accepted mode of parastatal management and workers' motivation. Involvement of workers in the running of their enterprises must also be examined within the broader context of participation by and relationship between the production units (that is, the subsidiary or associate companies) and the Headquarters. This is an important aspect of participation because the effectiveness of workers' participation will largely depend on the extent to which their production unit is an important decision making centre. If, in fact, the production unit is not given powers to make decisions in important aspects of its life and operations, then the workers role in influencing and running their enterprise will not be substantial. This, then, raises a number of questions. How should the companies be involved in the decision-making process at the Headquarters? In other words, what should be the degree of control or organisational relationship which would enhance democratic style in the enterprises vis-a-vis the Headquarters of the companies?

As has already been pointed out, the decentralised form of organisation within NDC gives room for the enterprises to run their own affairs within the context of broad policies and directives from government or the Headquarters of the corporations. In addition, as the need arises, a lot of consultation does take place in formulating company plans and budgets between management at the Headquarters and the companies. Above all, corporate problems are openly discussed at the managers' annual conference which usually resolves what issues the companies expect Headquarters management to undertake for the following year and debates suggestions and improvements in relations between them and the Headquarters.

The increased Party and government emphasis on the socialisation of economic activity has had certain implications for NDC. As the oldest and most experienced corporation it has considered it its responsibility to assist in the furtherance of these national socialist policies and activities, within its own resource limitations. One area of interest has been NDC's role as the unofficial consultant for a number of new parastatals or other public bodies relevant to socialist development. The Corporation, especially over the past two years, has offered to help public establishments set up on a proper basis. Indeed the President has publicly urged the Corporation to pay special attention to the mushrooming District Development Corporations. Such assistance has already been given to the Nachingwea Trading Corporation (a DDC) the Nyanza Industrial Company (a subsidiary of the Nyanza Cooperative Union) and the Workers' Development Corporation (the economic wing of the National Union of Tanganyika Workers). The greater bulk of such assistance has been in the field of organisation, recruitment, training and financial management.

For some years the NDC has been involved in the establishment of small scale industries designed to utilise local skills and materials and to provide

employment and higher incomes for more Tanzanians. This activity has now become more important in the light of the need to industrialise the rural areas and to spread economic benefits to the different regions in the country. The Corporation has now assembled a team of small scale industrial experts to plan and execute a national small scale industries strategy over the current five year plan period based on local capacities and potentialities.

Of special interest has been the Corporation's involvement in diversifying the economic base of some *Ujamaa* Villages in the Mtwara, Lindi and Coast Regions. In some of these villages the Corporation, in close collaboration with the villagers and in some cases local cooperatives, has established hand-processing units for cashew nuts for export by utilising local resources within the villages. It is the policy of the Corporation to put these activities on a sound footing and then to withdraw, leaving them under the management of the villagers themselves. But it will continue to give them such technical and other kinds of assistance as may be necessary thereafter. In so doing it is the Corporation's belief that the economies of the villages will have been diversified and be made less susceptible to the vagaries of the weather. Already there are 8 such units in different villages and plans to establish others are under way. To date 2,200 tons of cashew nuts have been processed and exported whereas in the past cashew nuts were exported either in 'raw' form or having been processed through the NDC's two modern cashew processing factories in Dar es Salaam and Mtwara. It is the Corporation's intention to strengthen this kind of activity in any village with viable projects to further socialist development efforts in the rural areas.

In February 1970, the President directed that NDC companies should market their products either through their own organisations or through the STC. The use of private wholesalers and other middlemen should as far as possible be stopped. In compliance with this directive many of the Corporation's companies are now marketing their products on this basis. For example beer is now being sold through the company's own organisation rather than through the former agents. Cigarettes, shoes, textiles, salt etc. are also either operating in this way or are in the process of organising on the same basis. Care has been taken to ensure that there is no disruption in service through various arrangements. In doing so the Corporation is thus contributing towards the government's policy to socialise trade by putting it in the instruments of the people themselves.

The question of management consultants and managers from capitalist countries has been subject of recent debate. First of all, it should be acknowledged that resorting to consultants is an indication of some deficiency in an organisation. However, anyone who has had experience with these people would know that their recommendations are not imposed on their principals and that their job is only to offer a possible solution to the organisation. The critical question is not whether to hire these consultants or managers, but whether their recommendations and actions are not against the interests of the nation. The price paid for their services should also be such as can be justified in terms of the advantages to be derived from their activities. For as long as developing countries continue to be in the position of recipients of technology

from the developed world we have a very little chance in the foreseeable future of escaping the necessity of buying specialised know-how.

CONCLUSION

This paper has attempted to trace the development of the NDC particularly the changes which have taken place since its inception in January 1965 to the present. One of the most striking aspects of these changes has been that the increase in the volume and scale of operations has necessitated important structural transformations of the Corporation, particularly the post-Arusha Declaration changes. Before commenting on the question raised at the beginning of the paper about the implications of these changes on the internal structure and mode of operation of the NDC, we would first make some concluding observations on the significance of the changes in the volume and scope of operations.

The first observation relates to the increase in the range of activities for which NDC has assumed responsibility. About the time of Arusha Declaration the NDC assumed responsibility for sixty nine companies but its scale of operation had expanded to commerce and tourism in addition to industry and agriculture. This development had great organisational implications related to the internal structure of the NDC as well as the relationships between the headquarters and the units of production. If the McKinsey Report and the 'rationalisation exercise' of 1969 were designed to streamline the management of the various parastatals, the various subsequent measures adopted have not only introduced a new management pattern and reduced the range of activities handled by the NDC, but have also affected its role. The NDC was set up not only as a 'development' agency (that is, as an agency for creating new development activities). Its other critical role has been that of *organising, managing and running* either existing enterprises which came under the public sector or those which had been newly set up. The recent setting up of the Woods Industry Corporation, which has taken over from the NDC wood-based activities, and the take over of Tanganyika Packers by the Ministry of Agriculture and Co-operatives on behalf of NAFCO suggest a trend which indicates an increasingly pronounced role of the NDC as a *development agency par excellence*.

Its increasing involvement in 'consultancy' work for smaller publicly owned development corporations and promotion of small-scale industrial and commercial activities in *Ujamaa* villages seems to point in the same direction. This shift in the role and contribution of the NDC is likely to have far reaching implications for the future.

However, the main focus of our comments in these concluding remarks is that of structural changes necessitated both by the increase in the NDC's load of responsibilities and the shift in accent that it should also operate as a socialist organisation. This has raised questions of the internal structure of the NDC, particularly questions of decision-making procedures; relationship between the NDC on the one hand and the government, other parastatals and

central agencies on the other; relationship between the NDC Headquarters on the one hand and its subsidiary companies and enterprises on the other hand, and relationships between the various subsidiaries themselves as well as with other parastatals in the country. A question which has featured prominently has been that of decentralisation of decision-making powers and its corollary, to whom are those powers given? What decision-making powers should be given to the NDC? Which of these powers should be exercised by the subsidiary companies? At which point of authority should those powers be exercised?

These questions are worth posing in this manner because they provide clues to the great primacy placed on workers' participation. In so far as decentralisation is conceived as a mechanism for giving more say to those directly involved in the running of an undertaking, it is deemed necessary that this involvement should have workers as the central element. Therefore, decision-making powers are to be given to enterprise committees in which workers are well represented. This is a very recent development and its brief period of existence makes any attempt to evaluate performance rather premature. This paper has pointed out the difficulties and obstacles as well as the fact that the record seems to be mixture of success and failures. However, the point that needs stressing is that workers' participation and political education are not simply efforts at providing an answer to the question to whom decision-making powers should be given. This programme must be seen as an important component of the general effort towards democratising the Tanzanian society as a whole.