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AGREEMENT BETWEEN MIC MID ISF ON THE  
VUVISILE MINI FURNITURE FACTORY.

BF and ANC annual discussion were held on 20/02/1992 in Mazimhu.

The meeting noted that the talks come about at a time of rapid political change in South Africa and at a time when the AM: was terminating most of its activities in Mazimbu and Dakawa and preparing to hand over the settlements to the Tanzanian People. Future ownership of the factory was still being negotiated. ISF pledged its commitment to supporting the Project through the transition period.

OBJECTIVES.

It was agreed that the main objectives of the 1991 Agreement had been met satisfactorily.

It was further agreed that the main objectives of the project in the transition period are:

- a. to transform the project into a self-sustaining and profit generating enterprise.
- b. to prepare for a transition to a Tanzanian management of the project, irrespective of ownership.
- c. to complete the development of the factory.

It was noted that the factory was operating as a registered company with its own bank account.

The meeting took the following key decisions to further place the factory on a sounder financial and economically sustainable basis:

- that a system of Local (LPG) and External (EPCI) Purchase Orders be introduced for all inputs to the factory.
- that an External bank account be opened to facilitate sales in foreign currency and external purchases.

ISF would transfer any contributions through this account.

It was considered that in order to achieve these objectives the factory still required an element of external participation. It was therefore resolved that the validity of this agreement would be from 01/01/ 1992 to 30/06/1992.

#### FEASIBILITY STUDY.

At least 3 options remain open for the ANC regarding the future ownership of the project, 912:

- e. The ANC could hand the factory over to the Tanzanian government,
- b. The ANC could own the factory jointly with the government or possibly some third party,
- c. The factory could remain entirely in the ownership of the ANC.

The meeting resolved that a Feasibility Study be commissioned to consider the viability of these options and the need for any further external assistance.

The study will be conducted by a team of suitably qualified Tanzanian experts. The terms of reference and a budget will be prepared by ANC and the costs met by ISF. The study should begin no later than end April 1992 and its report presented to AMI: and ISF no later than end May 1992.

#### AUDIT.

It was further agreed that in order to complement and facilitate the feasibility study an audit of the financial records of the VMFF for 1991 and the first quarter of 1992 be conducted by an independent Tanzanian auditing firm.

The conditions will be the same as for the feasibility study.

#### PERSONNEL.

The MIC will embark on a recruitment drive for suitably qualified Tanzanian counterparts to take over the operation and management functions of the factory.

In the interim ISF will meet the salaries of the 2 ANC Managers and the Technical Advisor up to end of June 1992.

#### OTHER ISF INPUTS.

The meeting agreed that ISF would provide the VHF F with a computer and some spare parts ordered in 1991.

It was agreed further that no major investments be made until the results of the study are considered, however ISF may continue to investigate possibilities of acquiring additional machinery recommended in the Evaluation Report. No assets or profits would be removed from the factory during this period.

#### EVALUATION REPORT.

The meeting noted the positive outcome of the Evaluation of the VHFF project undertaken by a team of Finnish experts in September - October 1991 and resolved that the Report be made available to any future owner of the factory.

#### REVIEW MEETING.

A Review meeting will be held in June 1992 at a date and venue to be decided at a later stage. The Review will study the results of the Feasibility Study and examine the need for future ISF/ANC cooperation on the Furniture Factory project.

Done in quintuplicate in Dar es Salaam on 11th of March 1992.

International Solidarity Foundation African National Congress

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8 WEEK TH AFRIC H NATIONAL CONGRESS NDI TE II T II  
SOLIDARITY FOUNDATION.

0.0 PRESENT: W

HELENA LAUKKO.

LEO SODERIWIST.

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ISAAC HAKOPO. (Chair)

KENNETH K01" ELO.

ZWELAKHE HAHKAZANA.

MOSES SHABMIBU.

SHADRACK SITHOLE.

20 HALAKA (Recording Secretary).

AGENDA: INTRODUCTORY REMARKS B? MIC DELEGATION.

INTRODUCTORY REMARKS BY ISF DELEGATION.

REVIEW OF 1991 AGREEMENT.

EVALUATION REPORT.

PROPOSALS FOR A NEW AGREEMENT.

PROCEDURAL MATTERS.

1.

2.

3.

4.

5. FUTURE PERSPECTIVES.

6.

7.

B. CLOSING REMARKS.

1.01 '1' B All

1.1 Isaac Mekopo opened the meeting. He welcomed the F innieh guests on behalf of the ANC.

In his introductory remarks the Director of Mazimbu and Dekewe noted that these talks were taking place in a new phase of the ANC's existence in Tanzania:

In Aprit 1991 the NEC of the ANC had decided to phase out it's presence ln the settlements over a period of 2 years;

In December 1991 a decision was taken to terminate activities ln

Tanzania with immediate effect and to hand over the settlements to the Tanzanian Government by June 1992.

1.2 These decisions were brought about by the positive pace of political change in South Africa since the unbanning of the organisation and the priorities that had emerged. On the Tanzanian front the repatriation programme under the auspices of the UHCHR was in full swing and the process was expected to be completed by April 1992. On the home front recent political developments, and in particular the convening of the long awaited Convention for a Democratic South Africa (CODESA) had brought about increased responsibilities which demanded maximum attention, human resources and funding from the ANC.

1.3 A core group of 15 personnel was expected to remain for winding up tasks and an Assessment Team from headquarters was already in Tanzania to take stock of all property and coordinate disposal (sale, transfer to South Africa and hand-over to Tanzania) of assets. A high level delegation was expected shortly to continue negotiations with the Tanzanian Government.

1.4 The Director thanked ISF which together with the International Community had made a great contribution and many sacrifices which had brought us to this juncture. He hoped that the excellent cooperation between the Organisations would continue to flourish.

2.0 D "A I F 1

2.1 In her introductory remarks Helena Laukko thanked the ANC for the warm welcome they had received. She noted that the situation was indeed different from when the last talks were held in 1990. ISF was closely following the situation in South Africa and was glad to note the rapid pace of change. ISF, which was represented at the first ANC Conference in SA was satisfied with the return of exiles and hoped for further change in SA.

2.2 ISF had been requested by the ANC to continue support during the transition period and the ISF Board is willing to do so. However ISF did not have sufficient information on the views of the ANC regarding continued assistance and was approaching the talks an open mind.

2.3 The major objective of ISF was for the factory to remain in operation as a viable self-sustaining economic unit and the task of the meeting was to determine the optimum line for continued ISF assistance.

### 3.0 W

In reviewing the 1991 Agreement the ANC noted that the major objectives had been met satisfactorily. These are:

- a. To provide ANC with furniture for housing purposes.
- b. To provide the construction department with finished wooden material for housing construction purposes.
- c. To produce self-sufficiency through developing the furniture factory into a profitable and self-supporting unit owned by ANC.
- d. To provide upgrading opportunities for ANC members in craft skills and managerial capacity.

3.2 The needs of the ANC had been fully met and with the completion of all ongoing construction:- March/April 1992 the objectives of supplying furniture and construction material will cease to exist.

3.3 As the balance sheets of the Factory indicate at first glance the factory has the potential of being a self supporting, income generating entity.

3.4 The ANC noted that key decisions taken at the last talks (opening a bank account, allowing the factory to sell excess production on the open market and allowing the Factory to receive money from donors to supply ANC needs) had improved the financial basis and cash flow of the factory which improved production planning.

3.5 Shortcomings noted were that the bank account was subject to misuse by certain factory employees.

Also external funds could not be placed in it.

3.6 In 1991 the factory was given greater autonomy and steps were taken to obtain a trading licence.

3.7 The ANC acknowledged the role played by the Technical Advisor, Leo Soderqvist and noted that the Management had now gained sufficient knowledge in many technical, production and administrative matters to

be able to run the factory.

3.8 Personnel Training had not taken place in 1991 due to the withdrawal of ANC personnel from the project following decisions to phase-out. The two comrades contracted to remain in the project had however gained tremendously from the experience.

3.9 ISF inputs of spare parts and raw material<sup>13</sup> to the project had assisted the factory in its operations, but due to insufficient communication within ANC, some relevant ANC authorities are not aware of the contents or whereabouts of a consignment of goods purchased for the factory.

3.1.0 The ANC thanked 13F for making it possible for the factory to purchase a truck and noted that despite lack of consultation the choice had been a good one.

3.1.1 The evaluation of the project had been conducted as agreed.

3.2.1 15F noted its satisfaction at the fulfilment of the stated objectives of the factory and agreed in principle with the ANC assessment.

3.2.2 It was noted that new financial procedures had been implemented in the factory, qualified accountant employed and a system established where management decisions were conveyed to the ANC authorities locally.

3.2.3 ISF expressed regret that the Education Plan could not materialise due to changes in the ANC situation.

3.2.4 Of the total budget of \$120 000 for 1991 F INNIDA had contributed \$ 90 000. ISF agreed to provide the ANC with a statement of accounts.

### 3.3 W

3.3.1 that a system of local (LPG) and external (EPO) purchase orders be introduced with the Factory Manager as signatory and the ANC copied.

3.3.2 that the factory open an external account for external purchases and foreign currency sales.

3.3.3 that the Board of Directors be formally constituted in order to ratify production plans and profit distribution.

3.3.4 other recommendations were contained in the Evaluation report aimed inter alia at the improvement of the economic administration of the factory.

### 4.0 W.

4.1 15F apologised for the delay in making the English version of the Report available to the ANC.

4.2 The report was satisfactory though 15F would have appreciated more participation from the ANC on economic issues.

4.3 The Report points out that:

- basic planning at the Factory was satisfactory
- utilisation of machinery and raw materials was satisfactory though the factory was not operating at full capacity.
- there are some shortcomings in the administrative, financial and personnel training fields.

4.4 The Report indicates a good return on investments for 1986-1991 (18F 1.4 mm and a total of S 2 mln including other inputs). To further improve this assessment a calculation needs to be made on how many houses etc were built and how many people benefitted. Also hidden costs and overheads provided by ANC must be considered.

4.5 The Report points to the need for further investments in a study of the market, skilled staff and training, a catalogue (already produced) and some of fixed and factory equipment.

4.6 Already some technical and other recommendations of the Report have been implemented and it was decided to make the Report available to any future owner of the Factory to use as a planning document.



## 5.0 W

5.1 Three options, which would be finalised with the Tanzanian Government were available to the ANC:

- 1). The ANC could hand the factory over to the Tanzanian Government,
- 2). The MIC could own the factory jointly with the government or possibly some third party,
- 3). The factory could remain entirely in the ownership of the AME.

5.2 The primary objective of the AM: is to ensure that the Factory becomes income generating enterprise requiring minimum external inputs and dependency.

Another objective was to lay the basis for the gradual transfer of the Management of the factory to Tanzanian professionals irrespective of the option followed.

5.3 The major objective of ISF is to complete the development of the factory into a viable, self sustaining unit. Though this was realistic ISF felt that the factory would not become a 'goldmine' for the owner.

5.4 ISF therefore felt that AND should also consider the option of selling the factory on the open market.

5.5 ISF contribution in the future would be limited by the principle of providing humanitarian assistance rather than investment and running costs for profit making purposes.

6.0 W

The ANC proposed and it was agreed:

1. That the period of the new agreement should cover January to June 1992.
2. That the Technical Advisor provided by ISF continue his service up to June 1992.
3. That ISF cover the costs of the 2 ANC Managers contracted to work at the factory from Jan 1992 to June 1992.
4. That in future these costs be met by the factory itself and look into the possibility of retroactive payments from July to December 1991.
5. That efforts be made to transfer the operation and management responsibility from ANC/ISF to Tanzanian counterparts as soon as possible.
6. That a feasibility study be conducted by qualified Tanzanian personnel, to be completed before end May 1992.
7. That ANC prepare the terms of reference of the study to be guided by the 3 options available.
8. That the AMI: submit a budget for the study and ISF undertake to fund it.
9. That no major new investments be made and no stripping of assets or repatriation of profits takes place prior to the completion of the study.
10. That ISF continue to provide for immediate needs of the factory up to June 1992 and that ISF provide details of all inputs acquired, but not get delivered under the 1991 agreement.
11. That the needs of the factory for additional transport and of office renovation be met through internal reallocations by the ANC rather than requests to ISF.
12. That an audit be completed by end May 1992 and that ISF cover the costs of the audit.
13. That ANC prepare a budget for an audit.

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7.1 That minutes be compiled and distributed along with the new agreement.

7.2 That the Agreement be signed in Dar es Salaam on 11 March, 1992 to allow for ANC to submit a draft to its Headquarters.

7.3 That a Review Meeting be held in June 1992 at a venue to be decided to consider the results of the Feasibility Study and any further cooperation between ISF and ANC.

If no further cooperation is required the meeting will conduct termination of project formalities.

8.0m

Isaac Makopo, ANC Representative made a summary of the meeting. He thanked ISF for its support given to the ANC and its willingness to continue its contribution.

Helena Lubeko, ISF Representative remarked that the meeting had been fruitful. She assured that ISF will continue its assistance to the ANC.