

**Waziri Mkuu**  
**copied Waziri ya Fedha**

LOCAL GOVERNANCE/WORKS/CO-OPS

1. We spoke.

A. LOCAL GOVERNMENT FINANCE

2. The Poll Tax ("Development Levy") should be repealed as soon as practicable - say for 1993/94 at the latest. (That gives 2 fiscal years to organise transition.)

a. it is very unpopular

b. it cannot be equitable (no more than a handful of DCs can collect/assess on a proportional basis as we know from 68/70 exercise - and flat rate is inequitable)

c. it is hard to collect (on 68/70 exercise basis I suspect 40% undercollection is common)

Note - the UK experience is relevant. Europe was the catalyst but Maid Margaret fell basically because of a poll tax in all main features very like ours. It is and is seen to be inequitable even by gainers. 15-20% undercollection is common and 25%-40% by no means unknown in England and Scotland. The electoral (next DC, 1995 general election) and fiscal (actual DC level funds for services and therefore actual services) implications are clear for us (as they should have been for her!).

3. The basic substitute should be Rates - Rents (my memo to Tax Commission applies).

a. 1974 Rates Act is basically OK. What is needed is Ardhi cooperation to do "quick and nasty" revaluation and then adjust annually for 5 to 10 years by previous calendar year COL index inflation for new fiscal year (e.g. if calendar 1990 COL is up 24% then 1991/2 rates up by same amount).

- b. The analogous process would be applied to site rents - plus initial and renewal premia.
- c. The collection would be by local government who would keep 100% of proceeds. (Legislation needed is simple.) They can collect this if Central Government sets frame, initial roll (and updating), tax (rate, rent) levels.
- d. As the rates/rents now apply the above (with inflation adjustment) should be a major source of revenue down to District Town level. But it won't be enough for dominantly rural districts.
- e. Rents for agricultural land use rights do 'exist' in the relevant Act. But collected only on Central Govt. allotted lands (ex-freehold and subsequent large allocations). That should be corrected. Land allocated to farming households should be charged rent (presumably DC knows which households allotted how much where) and rents on the large allocations raised. As a start Sh 100/ha per year arable and household and Sh 20/ha grazing might be OK for family (modified traditional) allocations; Sh 200/50 for middle size farmers (e.g. Edwin Mtei's) and Sh 300/100 for very large individual and corporate farms. [Do not exempt parastatals. Govt. for research and similar farms should ex gratia pay analogous sum to DC. The employees and families do use services].
- f. To do "e" requires help Kilimo and/or Ardhi.
- i.) Say 8 land grades (3 arable, 2 grazing, 2 tree crop, 1 homestead) each with a separate rate (inflation adjusted annually)
  - ii.) simple scheme for DC to "grade" land and estimate hectarage (precision is not needed - approximate correctness is)
  - iii.) training 2 to 5 officers per DC (reallocated Poll Tax collection staff) in i.) and ii.)

4. Timing

- 1991 - 1st half - reach broad agreement.
- 1991/2 - do valuation exercises  
- train DC staff
- 1992/3 - begin collection (phase in new rents - rates - premia over 1992/3 and 1993/4)  
- reduce poll tax (say by 50%)
- 1993/4 - abolish poll tax  
- full collection rates/rents/premia.
- (Note - this should be DC's main tax. A host of small-evadable-nuisance charges are hard to collect, dissipate energy, distort, e.g. produce cesses. Fees for definable services, e.g. actual improved market plots/stalls and/or rubbish collection are fine.)

5. Central Government finance to DCs should be focused on -

- a) Health-Education-Water-Roads (the basic mandated services). It should cover all salaries of necessary personnel, appropriate vehicles and spares and fuel, equipment-spares-goods which have to be, by their nature, centrally purchased/imported. The complementary community contribution is discussed below (B/C).
- b) an ex gratia sum analogous to rates/rents in respect to Central Government land/buildings. (G employees and households do use LG services. For District Towns and below, rough calculation what rates/rents would be will do. For major towns/cities (especially Dodoma-Dar) the sum will need to be negotiated Hazina/D Council.)

6. Holdover Staff. DCs inherited CG and Regional Staff. In practice they got those staff Ministries/Regions did not need/want as well as those DCs needed. They cannot fire them. This is a legitimate grievance, excuse, rationalisation (for DCs) of other inefficiencies. Over 1991/2 let DCs identify staff they don't need. Then "return" them to CG or Regions if needed, early retirement if over 50, termination like other redundant staff (if such a programme is adopted). DCs cannot be expected to bear redundancy costs.

Note - the same holdover staff problem probably exists at Regional level (especially in respect to low level staff they used to class as "agriculture" whom Kilimo did not take back). Similar identification/return to CG would be appropriate.

7. General (DC - R - CG) Staffing

- a. there are surplus staff
- b. mass firings are politically impractical and do not stick
- c. the net savings of retrenchment are very low. They will never fund even middle/hi level vacancy filling.

Therefore identify categories not to re-hire on departure (death, departure, retirement, etc.) and make non-re-hiring stick. If that means firing for cause 3 or 4 Directors/Commissioners of Admin and Personnel Development who do re-hire against rules, OK. It will encourage others to follow rules. That route can cut 2½% to 3% a year - over 5 years at least 10%-12½% possible and low political or morale cost because the "unhired" are not a mobilizable group whereas the "fired" ("terminated" - "redeployed") are!

B. COMMUNITY PARTICIPATION

8. The proposal on Central Govt. transfers to DCs means:

- a. finance all of own administration, secondary services, special services (e.g. urban rubbish collection) out of rates/rents, service charges;
- b. complement central govt. on core education-water-health-roads. (If there is a viable DC role in agriculture it could go here. But that requires an agreed division of labour and cooperation agreement Kilimo/DCs which - I believe - still needs to be worked out.)

9. The complementary community contribution should serve two purposes:

- a. involve community in governance and monitoring of services;
- b. augment resources available for services.

10. To meet these goals requires broad adherence to the following guidelines:
- a. the resources raised must be used and be seen to be used at local level (preferably 100% but at least dominantly) and must be seen to result in better services;
  - b. the payers must be given a real say in what is to be done. (Not line by line but on a rough and ready 'contract' - e.g. if these resources are provided then maintenance, or food for patients or village health worker time allocations will go up by about so much);
  - c. the total of all contributions must be reasonable, i.e. water-health-education-roads fees all come out of same household budget(s) so need to add them up to see if total is reasonable not compare individual charges separately with total budget! (Even the World Bank is beginning to see this.);
  - d. there must be equity, i.e. some ability to pay/amount demanded correspondence that is understood and accepted by community;
  - e. payment options, i.e. cash or labour or materials (e.g. poles, bricks, food, simple furniture) should be available to maximise what community can afford (minimise cost to payer of any level of contribution);
  - f. administration/collection must be simple, low cost;
  - g. the services must be wanted by the community.
11. Except for "g" the World Bank (and in practice usually Bamako Initiative in Health) centrally set, locally collected, remitted to centre charge systems are in violation of all these criteria. They are to be blunt pernicious crap. (Sh 2 per bottle on beer would be better on all counts!) But that does not mean more resources and community participation are undesirable or impossible. It is the proposed process/structure that needs "structural adjustment" not the goals.

12. The principles at Para 10 can only be met at local level. The Centre can set guide-line targets but no more because it cannot have data, would be swamped by it if it did, cannot participate face to face with community. (After all, the substantial volume of self help labour-materials-cash from 1961 to date has never been centrally run and has worked when tests at Para 10 have been met!)
13. A rough format could be -
- a. District setting rough overall targets (cash equivalent)
  - b. Dividing tentatively by services
  - c. Negotiating with communities (villages, users of a Rural Health Centre-Dispensary-Village Health Worker set, parents associations of a cluster of primary schools, ward level rural road users - as will work in that locality) to agree -
    - total contribution
    - make-up
  - d. Consolidating results of "c" and finalising plan of operations (budget).
14. Make-up means:
- a. cash;
  - b. food for patients, children at MCH clinics, pupils at schools;
  - c. labour for maintenance, simple construction;
  - d. materials such as bricks, poles, sand/gravel for maintenance and construction;
  - e. simple "equipment", e.g. tables, chairs, beds, cabinets (for school materials, non-perishable medical supplies);"
  - f. staff wage supplements in food, house maintenance, help with agriculture (e.g. village health worker expected to spend 12-15 hours a week on health education/extension/simple dispensing should - especially at planting-ploughing-harvest peaks get help

in fields so he can afford to be conscientious on providing services).

15. If one builds from bottom up Paras 13-14 are workable. They do require:

- relevant staff (head teachers, medical officers, district road supervisors, water officers) talk with, listen to communities
- work out what labour, food, materials can be used how
- agree delivery schedules and places
- are responsive to criticism, suggestions during the year.

This is possible and for best officers it is what they do now. But requires firm support - popularisation from the top and seminars for officers at district level.

16. Related to this but covering whole District Budget each councillor should be required to meet with constituents -

- a. at beginning budgetary process
- b. when budget adopted
- c. at least once during year

to:

- i. get ideas - offers - proposals;
- ii. explain budget in terms of taxes - contributions and specific services (what roads, water points, school/clinic performance in his/her constituency)
- iii. identify problems, successes, possibilities in time to act correctively in budget year (reallocation of effort/resources/approaches) or in next budget.

### C. HEALTH AS KEY EXAMPLE

17. Health is one of basic services needing community participation and services as discussed in B.

18. It has certain special features.

- a. payment at time of use is unsound economically because - by definition - that is time of lowest (or no) income;
  - b. payment for preventative services deters their use with serious external costs (it is cheaper to government as well as household to avert or to treat early, not to treat - and often fail - late, when patient very ill or literally dying);
  - c. therefore insurance, i.e. annual fee not payment at time of use should be central resource raising approach.
19. For wage employees (and their households) "c" can be done literally, e.g. raise all wages/salaries 2% and deduct to be paid to local government (central collection and quarterly transfer to DCs would work best).
20. For rural or self or unregistered urban employed the: Cash + Labour + Materials/Furnishings + Food package is workable. The community - once it negotiates a target - can handle who contributes what and whether constant per household or socially enforced differentiation on ability to pay basis.
21. UNICEF's experience in CDS districts (Iringa ones are I believe known to you personally from your days as RC) offers an example/starting point. It includes food (child feeding centres - key to reducing severe and also moderate malnutrition in Iringa and in averting its rise in Masasi where CDS start-up paralleled serious weather-caused production problems), labour (for construction/maintenance) and worker supplements (e.g. Village Health worker - cash, food, help in fields). It does involve real user community/staff participation on what programmes, what outside inputs, what community participation-contribution, how things are going and what to change. Significantly users and staff (Afya and Kilimo-Nutrition) both work together well (usually) and keep up the effort (i.e. not a one year wonder but a stable, growing process).
22. UNICEF is keen to contribute its insights into how Govt./Communities/Staff could use this CDS experience as an input into broader coverage (geographically and all of Primary Health Care) national processes.



23. I have had discussion with UNICEF (Dar) on B-C's broad substance before and after we spoke. I indicated that I would raise the possible approach with you (because I believe in it, have written more generally on it, not because UNICEF-Dar had the idea) and that I hoped they would raise it themselves via appropriate channels - including to you as Health aspect is part of broader local government-community participation-good governance cluster of themes on which overall decisions involve you and Cabinet not just Health, Agriculture, Food and Nutrition Centre in isolation.
24. I do not say "no user charges" for secondary/tertiary services some are needed. For special - e.g. more space, better food - quality "hotel keeping" aspects of hospitals full cost should be charged so long as basic services are available to those who cannot pay for extras.
25. I do say centrally set, time of use drug fees as a source of finance (as opposed to Sh 10 or 20 per prescription to deter unnecessary requests) are a bad thing. They violate equity, ability to pay, keeping funds at local level, ease and low cost of collection/administration. Even as an old Treasury hand I would be hard put to find a worse revenue source!
26. Drugs - laboratory supplies - non drug supplies - vehicle spares are bottlenecks. The Central Government must improve their provision if there is to be a fully functioning service community contributions can be seen to improve. All are forex intensive. As an approach I suggest:
- a. inventory/budget of needs at Primary (including urban) and District Hospital) levels;
  - b. Consolidated 3 Year Budget (physical and financial) for above
  - c. Afiya/Hazina have a mini-donors conference to agree 3 year funding analogous to what Denmark did on rural basic drugs.
27. UNICEF could help:
- a. convince donors the community contribution approach was better than drug fees;

- b. mobilisation import component (Para 26) of preventative/primary/District Hospital budget was both justified and a precondition for viable community contribution system.

D. PUBLIC WORKS: REHABILITATION AND INCOME

28. Our Priority Social Action Programme is basically a Supplementary Recurrent and Rehabilitation Budget for Water, Education, Health (it covers part of Para 26 above but not all the crucial categories). As I know from PS/Planning that was a deliberate choice as that Bank SDA Mission had little else on 'offer' beyond expatriate, time, money intensive studies of doubtful practical value. Given our priority to H-E-W and the problems in getting the forex component of their operation and maintenance financed I happen to agree with that choice of focus.
29. But the "employment" component of the PSP is a token or a not funny joke. About \$1m a year and Dar es Salaam only.
30. Four needs interact
- a) rehabilitation and extension basic rural and urban infrastructure;
  - b) seasonal employment (non-peak agricultural labour demand times) in rural areas to provide supplementary cash income especially for female-headed households;
  - c) disaster (drought, flood) offsetting rural employment;
  - d) urban employment - perhaps for supplementary income, perhaps more full time.
31. Labour intensive works - city streets, maintenance rehabilitation roads up to engineered gravel and fair repair tarmac, building local roads-culverts-bridges-boxes, rural water (ditches, wells, spring protection, borehole pump surround areas), ditch/drain digging-unblocking-maintenance, rural health-education-community buildings and staff housing, erosion control works (including 'strategic' woods on vulnerable hillsides, etc.) etc - can rehabilitate and strengthen

the bulk of basic infrastructure. It can be lower (or the same) cash cost; less import intensive, more able to use local simple tools and equipment; less high level personnel intensive (but requiring more foremen). ILO experience (including programmes in Tanzania) shows this. What it does require is more forward planning and careful articulation so Centre/Region provides engineering advice, designs, tools (to District Works offices), other key inputs (e.g. Cement probably best mobilised by Centre and funded there or at Regional level), specialised artisans and District provides projects-foremen-labour team-specified local materials-plan of action and capacity to implement it.

32. In rural areas works have to be seasonal (weather). In the same areas cash income is needed to supplement produce/livestock sales. It is possible:
- a. to hire work-teams for month or six weeks at a time;
  - b. to require that - say - 35% be women. (Women can do this work; in Asia they do; but habit means won't be hired unless a directive. Botswana successfully used that route on drought rehabilitation supplementary employment). Female-headed rural households are poorest on average and rural women's budgetary obligations do include cash expenditure items;
  - c. each District via DDC (especially non-staff) members should build list of "things to be done" and what is required;
  - d. included in "c" would be a back-up list for drought/flood relief work (whether for food or other). This would then be activated fast after cases like '89 Masasi drought and '90 Lindi/Mtwara floods.

33. I suggest broadly want \$25 million/year for 3 years:

- a. Basic District \$150,000 X 100 = \$15m
- 30% Central/Regional  
for tools/materials/professionals
  - 20% District  
for staff/foremen/local purchases
  - 50% District to hire workers
- b. Special urban (infrastructure costs including repairs per person are higher by nature of city) [Same %'s as "a"] \$5m
- c. Drought/Flood Relief - held at Hazina to be allocated by District when relief employment needed. \$5m

At \$.40 (Sh 80 now/100 1991) daily wage \$75,000 = 187,500 person days or 7,500 person months. Enough to get a lot of valuable infrastructure rehabilitated/created and in rural districts a significant household cash income supplement. Note it is "self targeting" non-poor household members won't come forth to seek the jobs.

34. Planning - Hazina - Works - District Reps (1 or 2 urban, 3 or 4 rural) should be able to mount a working group ending in 2 day workshop to have a package to put to donors. It can be sold - this is one of "flavours of the year" for Bank/SAP fashions from about 1988. As it can be useful let us try to get our lick.
35. As I discussed this with Nd. PS F. Kazzaura and promised him a note I am sending a copy of this section. It seems simpler that on joint advice I send same to each.

#### E. CO-OPS: ACCOUNTABILITY AND DIVERSITY

36. My previous memos (Banking, Taxation Commissions) apply.
37. We have privatised co-ops to their managers. Now neither state nor peasant "owners" can hold managers to account effectively. This is a

sure recipe for disaster. We should remember history 1960-1975 of many primary societies and most unions. The exceptions - TFA (a big farmer co-op) and KNCU plus most of the primary societies in Kilimanjaro and Arusha are ones in which active, informed members and social pressure have enforced accountability.

38. Until we cure this mess (an own goal of 1984-87 faulty restructuring of primary societies and recreation of unions) we have:
- a. a bottomless deficit on marketing (and traders would also blackmail/extort NBC advances from state. No CCM government could permit a 'no buyer' or 50% of 'minimum' price paid situation - nor should it);
  - b. no way to get incompetent, cost padding, and/or moderately corrupt managers out (peasant 'risings' and Party purges can act on horror cases but not the broader malaise);
  - c. a quagmire not a rural dynamic at heart of commerce and village small and medium enterprise production;
  - d. a political disaster (for CCM and for Tanzania) waiting to happen (Tanzania's political base and real political/civil society interaction is rural - if it is eroded by co-op debacle and trader takeover there will be serious consequences - including substantial falls in marketed food growth rate - to put it mildly).
39. The steps needed (some of which I believe are in hand) are:
- a. return control to peasants, i.e. co-op members at once;
  - b. each primary society to have Assembly of all members - Annual plus special by 20% of members' call or majority of Committee or the Manager;
  - c. and elected by Assembly a Committee of say 7 to 11 all ordinary members no managers or employees to meet monthly and to supervise (full access to books at any time, power to call for reports, power to suspend manager, power to call for "Special Audit" under TAC Act which TAC could do or delegate to Co-op Ministry if

it has a good audit unit, power to call Assembly which can fire manager);

- d. Annual budget (before year) and Accounts (after) must go to Committee and Assembly for approval (not just noting);
- e. Analogous at Union level. The Assembly of 2 to 5 delegates per Primary Society elected by PS Assembly or Committee (no managers or employees) and Committee (9 to 13 elected by Assembly).

- 40. Government must make clear that Co-op members have power to control co-ops and must use it. Thieving, exploiting incompetent managers take their (peasants') money. That must be stopped - by them. (CCM needs to take political high ground so managers not State or Party blamed.)
- 41. Primary Societies should be free to do own transport and to sell to anyone (not use Union transport if too costly or inefficient and sell to others who pay better) so long as all sales are accounted for openly.
- 42. Multiple co-ops should be allowed. First, women might want to produce (crops or other) and market as might a group of RTC leaver artisans. Second, transport or a village shop might usefully be separate from crop marketing in some villages. Third, two marketing co-ops may be desirable under some circumstances, e.g. if one handles cashews/maize and the other fruit/vegetables/eggs to urban market. Believe 'urban' co-op provisions which do allow this are being extended.
- 43. But co-ops then need some help:
  - a. buyer of last resort role must be state financed and NMC must 'hold' intra year and export stores (preferably pay co-ops to hold at village or district level until we know where needed and when - not have the stocks tour Tanzania to and from 'central' storage points as has all too often been the case in the past;
  - b. Co-op/Kilimo must do competent cost estimates for co-ops for use in price structure planning and as technical assistance. Present

ones are not seriously done (as pre-1974 ones were) and may be too low;

c. a proper technical assistance service at Ministry and Co-op Colleges is needed:

- i. accountants/book-keepers
- ii. managers
- iii. committee members (Co-College to run weekend 'out courses' as RTC's/Folk Colleges to help Committees know how to hold managers to account.)

F. HOW CAN WE PROCEED?

44. The issues of this memo are basic. They all turn on citizen participation in local governance/enterprise. The state actions (even the employment and local government finance) are back-up. They are not easy - detailed education is needed and there are antagonistic vested interests (the co-op management sub-elite have historically been a very effective political sub-class with great skill in promoting own interests and coming back after abolition of unions which at the time was in response to peasant demand and proven failure of many managers).

45. They do need to be given priority:

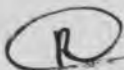
- a. in top level political decisions;
- b. in senior official implementation leadership;
- c. in use of analytical capacity;
- d. in state and Party education efforts;
- e. in monitoring results.

46. The above needs:

- a. each relevant Ministry give priority and have a Commissioner to be in charge of Ministry's actions as one major item;

- b. a committee of these Commissioners meeting monthly to review/coordinate with reports to PM and all Ministers;
  - c. local Government fully involved (I believe Co-ops are there now) and in that case PS (not a Commissioner) leading.
47. But it also needs an "autonomous" special purpose catalyst body to see things do move and to warn, suggest, prod if they do not. (I do not mean a parallel executive body.)
48. My view is that "47" needs:
- a. a Presidentially appointed Chairman of ability and stature who is clearly not anybody's political rival;
  - b. a small analysis/inspectorate unit of quality responsible to him;
  - c. direct access to President/PM as needed and regular reporting to both;
  - d. full powers of access to Co-ops, DCs, Ministries to see what is happening (or not happening).
49. To illustrate what I mean I will suggest who - and my suggestion is serious and probably would be welcomed by the persons:
- a. Chairman - Amir Jamal
  - b. Head of analysis/monitoring - Jumane Waqao
50. à luta continua! For a productive and fulfilling 1991!

Kwaheri na yatutoanana,



R. H. Green  
Sometime EA/T  
Windhoek and Lewes  
December 1990