TANZANIA LEATHER INDUSTRIES LIMITED

1. Name of Company: Tanzania Leather Industries Ltd.

2. Location: Morogoro, Tanzania.

3. Primary Products: Wet blue, crust and finished leather.

4. Secondary Products: None.

5. Principal Shareholders, 1998: African Trade Development Ltd. 60%
Tanzania Investment Bank 40%

6. Size (1998)

No. of Employees	15
Annual Sales	None. Still installing machinery.
Fixed Assets Value	US$ 5 million
Net Profit/ (Loss)	NA

7. Brief History of Company.

TLI was a parastatal dealing in leather. By 1994 it was in serious financial problems. Its limited plant was not maintained. It was acquired by new owners the same year. These were Africa Trade Development Ltd. with 60% of ownership and Tanzania Investment Bank with 40%. To date (April, 1998) they remain the only shareholders. ATDL is a large family holding with historic interests in raw leather trade, export and import as well as general trade. TIB is a government investment bank.

Since 1994, the company sought to get US$ 1 m. the IFC and another US$ 1 m. from the Tanzania Development Finance Ltd. These funds were for buying factory equipment. Funds for buildings and other related facilities were to be from internal resources of ATDL. TLI was identified by AMSCO because of the application to IFC.

IFC funds did not become available till 1996. TIB funds were not available until 1997. Project Implementation was therefore delayed by lack of money to purchase factory equipment. The company expects to be in production by July, 1998.

8. Reasons for Breakdown of Relationship with AMSCO

Summary

a. Original Assessment	Finances for equipment were not at hand.
b. Personnel	1. Converting an ATDL employee to AMSCO led to problems in relationships with other supervising managers and the board. 2. Manager was not competent in financial controls.
c. Financial	ATDL felt that the AMSCO manager had led to very high costs.
d. External Factors	1. ATDL argues that the manager used the AMSCO platform to get another job in Peru for within a month of absconding he had faxed them to the effect. 2. Unsettled family set up including wife being robbed.
e. Relations with AMSCO	ATDL alleges that they never knew what was reported to AMSCO.

Towards getting professional personnel for the new factory, TLI had already hired an experienced Dutch manager before the AMSCO contract. He was to work on a new plant at Morogoro for manufacturing hides and skins to wet blue, crust and finished leather mainly for export. The board agreed on the AMSCO contract basically since it had a training package and they could pass on the cost of the experienced manager in their employment to AMSCO. TLI also proposed to AMSCO that their overall manager, (designated Director General) and the Financial Director also be put on AMSCO contracts. This was not acceptable to AMSCO and in the long term became one of the major sources of conflict between TLI and AMSCO.

In any case the AMSCO contract was negotiated by the Director General. Since the money for the factory did not come from IFC in time, he continued to be deployed to the Mwanza factory, owned by another company controlled by ATDL. He was also supposed to spend some of his time at Morogoro supervising the new factory construction. This split job was also another source of friction for the manager was fairly old. Life was especially problematic for his wife who was robbed.

Once the Dutchman became an AMSCO employee, he got a better pay package than he had accepted from the company before. Over and above basic pay, he got all international expatriate benefits of car, housing, social security, holidays in Europe paid for etc. This became an issue not just with the supervising managers but also with the board given that they were also to pay AMSCO.

Formally what led to the termination of the contract was absconding by the manager. But the build up to it were the issues enumerated above and the fact that the management and the board got the feeling that they had lost an employee who reported to AMSCO and did not use the formal management channels to the board. This is particularly pertinent with regard to issues of financial procedures and controls for which the board wrote the manager a memo just before he absconded. This must be weighed against the manger being between two stools in two towns! AMSCO suggestion for a replacement was totally rejected by the board.

9. Policy Implications and Recommendations

Recruiting an employee into becoming an AMSCO manager in the same company seems to create problems especially where those he is to report to also have interest in becoming AMSCO employees. In the future it should be discouraged.

Age and personal security seem to be twinned. It should be expected that old couples cannot rough it as in this case where they were they had to work in two towns over and above traveling to the capital to report. In future if stable working situations cannot be established, it maybe necessary to rethink the utility of old hands.

AMSCO should not put a manager in unless all the ingredients for work are there. Moneys for the plant were not available. The manager could therefore not take part in what his terms were.

Finally, the issue of where managers report seems also to have been an issue here. It is alleged that once this one was converted, he ignored the group managers and board. It should be part of the contract that all reporting to AMSCO should be through the Board.

Sources: Primarily Director General ATDL supplemented by industrialists and past and current managers in the region with AMSCO experience.