



# **INTERNATIONAL CO-OPERATIVE ALLIANCE**

**Regional Office for East & Central Africa**

## **ICA SEMINAR FOR SENIOR DEPARTMENTAL OFFICERS ON**

**EFFECTIVE SUPERVISION AS A MEANS  
OF ACHIEVING INCREASED EFFICIENCY  
IN THE  
PERFORMANCE OF CO-OPERATIVES**

**LUSAKA 30th OCTOBER - 4th NOVEMBER 1972**

**REPORT OF PROCEEDINGS**

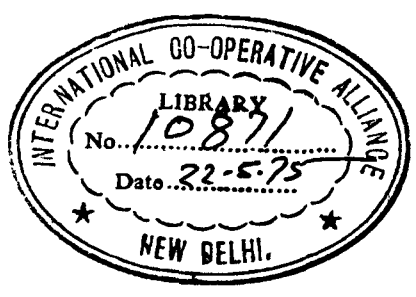
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F O R E W O R D

Efficiency is a wide subject that has given rise to much discussion in the business world. Its implication in the Co-operative field has often been the centre of much concern among co-operative leaders at national and international forums where the performance and effectiveness of co-operatives in social and economic development has been reviewed.

An instance of such forums was a Seminar on "Co-operatives and Rural Development in East Africa" held in Uppsala, Sweden in April, 1970, with a follow-up one held in Nairobi in December 1971 under the topic "Efficiency in the Performance of Co-operatives". In the latter Seminar, one of the major points at issue was the question of determining a yardstick for measuring efficiency in Co-operatives.

Discussions in these forums have also confirmed that in the Co-operative field efficiency is influenced by, and associated with such factors as democracy, education and training, management and the organisational structure of the Co-operative Movement.

In East and Central Africa, as indeed in most of the developing countries where Co-operatives have been sponsored by the State with Government Departments set up to promote, supervise and control these institutions within the framework of the existing co-operative legislation, it has meant that co-operative efficiency is also influenced by and related to supervision and control. It follows therefore that the effectiveness with which the supervisory personnel of these Departments operate, has direct and considerable bearing on efficiency in the performance of Co-operatives.

It was in this background that a need was felt for the ICA Regional Office to sponsor a seminar, drawing in high level personnel from the Co-operative Departments in the Region to discuss the various powers of promotion, supervision and control vested on them under current legislation in their various countries, and examine the effectiveness or otherwise in the execution of these duties and suggest possible improvements.

The Seminar was held in Lusaka from 30th October to 4th November 1972 and was attended by high ranking Departmental Officers from six East and Central African countries and the Island of Mauritius. The discussions from this Seminar are summarised in the ensuing pages. Some practical conclusions and recommendations emerging from the Seminar are also included.

The implementation of these recommendations calls for teamwork both from the Co-operative Movements as well as the Departments.

It is our hope that from the information contained in this report and the areas of improvements that have been identified in the discussions, Co-operative leaders in the Region will be better equipped in their approach to solving problems that restrain efficiency in the performance of Co-operatives.

ADDRESS BY THE HONOURABLE MATHEU NKOLOMA, MP., MINISTER OF STATE  
IN THE MINISTRY OF RURAL DEVELOPMENT AT THE OPENING OF THE  
ICA, SEMINAR FOR SENIOR DEPARTMENTAL OFFICERS - LUSAKA,  
30TH NOVEMBER 1972

Mr. Chairman, the Regional Director of the ICA Office for East and Central Africa, Senior Co-operative Officers and distinguished guests.

It is a great pleasure to welcome you to Zambia, which country some of you may be visiting for the first time. I wish also to extend this welcome to the Regional Director of the ICA Office for East and Central Africa, Mr. Dan J. Nyanjom, who is paying his third visit to this part of the continent.

Mr. Chairman, the fact that Zambia has once again been chosen as a venue for a seminar of people whose duties lie in the development of Co-operatives in our various countries is a clear indication of the special place which Zambia has got in the hearts of other countries. This confidence that sister countries have in our endeavour to make our co-operatives viable and self-reliant contributes very much towards making our task less of a burden. Seminars such as this one, Mr. Chairman, go quite a long way, not only in supplementing experiences among participants with new skills in tackling diverse problems in co-operative organisations in our various countries, but also enhance and strengthen mutual understanding between countries involved.

I note, Mr. Chairman, that the theme of this seminar will be "Effective Supervision as a Means of Achieving Increased Efficiency in Co-operatives". The topic, as it stands, looks quite straight forward and self-explanatory, but I have no doubt that participants in this seminar are well aware that co-operative organisations are different from many other business enterprises and this entitles them to a different type of supervision. I feel that increased efficiency in co-operatives cannot only come about, as some people believe, by enforcing the different sections of the law, this only goes to complicate the whole situation, especially among our illiterate members.

I think that increased efficiency in our co-operatives can be achieved by supervisors creating confidence among members in different co-operatives. This is where member education comes in. It has been observed, Mr. Chairman, that one of the contributing factors to failure of many co-operatives has been lack of member education and



information on the current situation related to their organisations. The result of this unfortunate situation has been that many members, not knowing what their rights and responsibilities are, have lost confidence in their different co-operatives and have, consequently, dropped off. To eradicate this evil, it is important that co-operative members are given information on the current situation and problems relating to their organisations. They should be educated about the idea and principles of co-operative work in relation to their different by-laws and those of their Unions. They should also be educated in proper management of their societies in order to stabilise their economy.

The development of the co-operative movement in our respective countries is one of the most challenging roles that you, as co-operative supervisors, have on your shoulders because you have to gear this supervision in the direction where people, as owners of their different organisations, will gradually take over on the basis of self-help and self-reliance.

We in Zambia do realise that, in its efforts to stabilise and consolidate the co-operative movement in the country, Government will for quite some time continue to help both financially and in the field of control and supervision, without which many co-operatives, especially those formed by emergent farmers, would not be expected to stand firm. Realising the need and importance of member education, there have been organised, through the Department of Co-operatives, a number of courses in the country to educate co-operative members from various societies. It is interesting to note that just now there are two Mobile Education Teams operating in the Southern and Eastern Provinces. This education programme has been sponsored by the Swedish Government, which has also sent two Swedish Study Organisers to act as team leaders. The Teams, which have been moving from one co-operative to another, have been able to get on-the-spot information from members, they have also been able to see for themselves what problems and achievements members in different co-operatives have had, thereby helping in finding solutions to some of them. It is encouraging to note that these Teams have been welcomed everywhere they have gone, and I am confident that their work will go quite a long way in inspiring confidence among members in their different societies.

One other problem that we in Zambia have experienced has been the lack of proper accounting system in the co-operatives. As you are all aware, lack of a good accounting system in any business organisation, deprives management of factual information on which to base decisions. It is with this realisation that we, of late, have been working on this and I am glad to say we are now on the verge of implementing this system, together with the audit procedures that have been worked out to go with it.

Mr. Chairman, I have taken some time talking to the delegates about the need for member education in our cooperative organisations, knowing how important this is at our various stages of economic development. I have no doubt that this seminar will spend some time in considering this problem. While one speaks of problems and shortcomings encountered in our cooperatives, I think one should also speak of the achievements, as only then can one be in a position to evaluate the performances in these organisations.

There are, in Zambia at present, 1,077 cooperative societies through which some 50,000 people make their living through various occupations, ranging from farming to fishing, building construction, operating butcheries, mining and sundry other occupations. The farming cooperatives, being among the most important, have cleared more than 20,000 hectares of virgin bush, thus bringing some of it under production. Together with three marketing Unions, these have been able to handle between them some K4.5 million annually. The building cooperatives, which are the second largest group, have put up many building constructions in the form of schools, houses, rural health and welfare centres, valued at around K2 million a year.

I am glad again to note, Mr. Chairman, that during the Second National Development Plan it will be the intention of the Cooperative Department to lay emphasis on the promotion of family farms. Where communal farming cooperatives are doing well, they shall be encouraged to carry on as they have a higher cooperative content. To be successful, these required a higher standard of sophistication and mutual trust. For the sake of simplicity, however, many cooperatives are changing over to the family farm system. During the plan period, attention will also be focussed on the development of marketing co-operative societies. These marketing cooperatives, if properly managed,

will extend their services to supplying agricultural requisites, distribution of agricultural credit, basic consumers goods, as well as processing of agricultural produce.

There is another field of cooperative development which is of interest to Government in Zambia, this is the Savings and Credit Unions. There are already 30 such Unions and 21 study groups in the country. Total membership of the registered and study groups is 11,057, with shares totalling K719,255 and a reserve fund of K4,735. The registered savings societies have given out loans to their members totalling K215,868. Mr. Chairman, this I consider as an encouraging step towards self-reliance which my Government has always been anxious to see established among rural credit cooperatives, where members' savings should be used to lend to other members in need of development credit, thereby reducing the over-dependence of our small farmers on external assistance.

Besides the task of mobilising idle cash resources which are eventually invested in productive and provident projects, the establishment of Credit Unions and Savings Associations will go a long way to inculcating the spirit of thrift into the minds of our rural population who have not been able to enjoy the benefits of banking facilities mostly confined to big towns.

In order to step up the pace of economic development in rural areas, the Ministry of Rural Development, through the Department of Cooperatives, will continue to assist and develop those artisan cooperative societies and the building cooperatives, in particular through their apex organisation known as the Federation of Building Societies (Coop) Ltd., which has its headquarters in Kabwe. These building cooperatives have made their humble but significant contribution to the development of rural areas, where constructions of schools, clinic, etc., may have been hampered due to lack of big construction companies.

Mr. Chairman, knowing how anxious you are all to start your deliberations in this very important seminar, it is not my intention to keep you waiting any longer than this. Therefore, it is now my pleasurable task to declare the seminar open.

PROBLEMS ENCOUNTERED IN SUPERVISING CO-OPERATIVES IN BOTSWANA

By J. Gaetsaloe.

1. Introduction:

Area: 569,800 square Km. (220,000 square miles) Bounded on the East and South by the Republic of South Africa; on the West and North by South West Africa; on the North East by Rhodesia; and in the far North Botswana has a narrow common boundary with the Republic of Zambia. The country is landlocked - there are no ports.

The main supply route is a railway line from Bulawayo in Rhodesia to Mafeking in the Republic of South Africa. This line runs from North to South of Botswana along the Eastern part where about 80% of the population lives. Along the line runs the main road from North to South of the country.

Kalahari Desert occupies greater expanse in the centre and South of the country. Where permanent water from boreholes can be obtained cattle ranching is possible. (Central Kalahari is inhabited by a small band of shy Bushmen).

2. Population:

The 1971 census report showed 630,000 people, a growth rate of 3% per year. Over-all population density is one person per square km. (2.5 per sq. mile) compared with

40	per square mile	in Swaziland
50	"	"
34	"	"
12	"	"
100	"	"
		Lesotho
		South Africa
		Zambia
		Malawi

3. Big Towns: The main business centres are:

- (a) Gaborones (the capital which moved from Mafeking in the Republic of South Africa in February 1965)
- (b) Francistown
- (c) Lobatse
- (d) Orapa (Diamond Mines)
- (e) Selibe/Pikwe (Nickle & Copper)

Besides those there are eight biggest towns. The principal languages are Setswana and English.



4. The Climate; Subtropical climate. The tropic of Cancer passes through Botswana, the northern part therefore lies within the tropics. The average rainfall is 18 inches, but less than 9 inches in the Kalahari Desert.

5. Type of Agriculture:

Land in each tribal Territory is vested in the tribe, and is allocated to individuals by the Land Board. Cultivated lands usually start about a few miles from the villages/towns and in the case of large villages/towns may stretch in any direction up to thirty miles. The lands are usually concentrated in one or more places, but often widely scattered in arid areas. Around and beyond are cattle posts. Traditionally, grazing areas are unfenced and may be used by any member of the tribe passing through the area. About eleven million acres of land are suitable for cultivation in eastern Botswana. But only one million acres are under cultivation. The national herd is estimated at 1,500,000. But the country's carrying capacity, provided sufficient water is available, is believed to be over 2½ million. Consequently, both Agriculture and Veterinary Departments are intensively teaching the average farmer better methods of farming and livestock improvements.

Products for local consumption are sorghum, groundnuts, beans, millet, tobacco and maize.

6. The Co-operative Movement

In 1910 a Co-operative Agricultural Societies Proclamation was introduced, but no societies were organized or registered.

In 1962 this Proclamation was replaced by a Co-operative Societies Law (No. 41 of 1962) which provided for the appointment of a Registrar of Co-operative Societies.

Early 1964 the Registrar was appointed and started recruiting his staff. By the end of the same year the staff of the Department comprised:

Registrar of Co-operative Societies.

- 1 Senior Co-operative Officer
- 1 Co-operative Officer
- 4 Assistant Co-operative Officers
- 1 Clerical Officer
- 1 Messenger

The registered societies at the end of the same year were as follows:

- 3 Marketing Societies
- 1 Consumer Society

To date the situation is as follows:-

(a) The Department is composed of:

- Registrar of Co-operatives
- 2 Assistant Registrars
- 3 Senior Co-operative Officers
- 4 Co-operative Officers
- 3 Experienced Assistant Co-operative Officers and
- 15 Inexperienced Assistant Cooperative Officers (recruits).

They are assisted by the I.L.O. and O.D.A. advisers of the Co-operative Development Centre.

(b) The registered Societies are:-

- 13 Consumer Societies
- 33 Marketing Societies
- 29 Thrift & Loan Societies (Credit Unions)
- 1 Union
- 4 Others

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## 7. Main Problems:

(a) Working Capital:

On their own member societies, especially consumers, find it difficult to raise sufficient working capital for their intended business. Generally, the people are poor and without employment, and this condition makes it difficult for Society members to raise enough capital for their projects. To the Thrift and Loan Society members it sometimes becomes rather impracticable for them to save regularly without any source of income.

(b) Management:

Lack of proper management is a big problem in all Co-operatives. This is made worse in Botswana by the fact that educated people are rather hard to get, and the Committee members themselves are, in most cases, old people who cannot understand the complications of a business. It will be a gradual process for our people to understand and follow certain procedures in business undertaking.

(c) Education and Training:

Education of Society members, officials and employees is probably the most essential factor in the development of Co-operatives and should be continuous. We cannot achieve anything unless the people we are advising know what they are doing and how they should do it. To educate and train those concerned is yet another problem of its own. Officials and many of the employees are either paid a very small salary per piece job (more of a reward really) or work purely as volunteers. Such people usually have many other personal commitments and consequently cannot be available to attend specialized training courses organized by the Department. In some cases it is difficult even to find someone who can be trained.

(d) Distance between Societies:

It is another problem to reach some of the societies. Some are as far from Gaborones (the capital) as approximately 900 miles. Time and energy are wasted travelling between societies. The roads too are a big problem in most parts of the country.

(e) Movement between homes, lands and Cattle Posts

As mentioned earlier the cultivated lands usually start about a few miles from the villages/towns and may stretch up to thirty miles. Botswana being farmers spend most of their time at the lands, and then their cattle posts. During this period some Co-operatives enter a period of inactivity. Supervision and education become rather impracticable.

Solutions to our Problems:

Lack of Capital The Co-operative Development Trust was established under Deed at the beginning of 1966 to administer a grant of approximately R60,000.00 from the British Co-operative Movement in association with Oxfam for the promotion of consumer societies. It very soon broadened the scope of its activities to include:-

- (a) Acceptance of grants from other donors for other types of Societies.
- (b) Acceptance of money on deposit from any Co-operative Society.
- (c) Making loans to any society for development projects.

The Trust thus has an important place in the Co-operative Movement. Capital grants from outside donors are handled on a loan basis to societies, which ensures not only that the money will grow but that, as it is repaid, it will be a source of capital for future development projects.

Management, Education and Training:

A Co-operative Development Centre was established, with the financial assistance from U.N.D.P., on 6th January 1970. The activities of this Centre were expected:-

- (a) to integrate the Co-operative Movement into the development efforts of Botswana.
- (b) to provide a common meeting ground for the societies, the Cooperative Development Trust and the Ministry of Agriculture, for purposes of formulating and co-ordinating the policies and activities of each; and
- (c) to provide training, research and advisory services on all aspects of Co-operative development.

The Co-operative Development Centre is divided into the following four branches, each of which carries out a distinct activity:-

- (a) The Organisation/Consumer Branch;
- (b) The Promotion Branch;
- (c) The Education Branch;
- (d) The Marketing Branch.

Each Branch is headed by a local officer who is also a counterpart to a U.N.D.P. expert. The Centre, together with the Audit section, form the parts of the Department of Co-operative Development under the Registrar of Co-operatives.

Registrar's Supervisory Powers and Co-operative Efficiency

Under the Co-operative Societies' Law (No.41 of 1972) the Registrar has a good number of Supervisory powers some of which are as follows:-

- (a) Registration of Societies: Before registering a society the Registrar has to satisfy himself that an economic survey has been undertaken; that the proposed society would be a viable undertaking; that members have adopted a set of model By-Laws (or drafted their own By-Laws) appropriate for that type of society and have been educated on such By-Laws; and that members have received sufficient education on the Principles and Co-operative Law in general.

Having satisfied himself that the above requirements have been met, the Registrar can then be assured of a certain degree of efficiency in the running of the affairs of such a Co-operative Society.

- (b) Inspection of the Societies' Books and other documents.

In Botswana every Society has to be inspected at least once every month to ensure that the Committee, the Secretary or Manager and the employees of the Society are doing their work properly. The inspection report will show whether the Committee for example, meet regularly as required in their By-Laws, whether the books are

kept up to date and other records and documents properly filed etc. To a very great degree Co-operative work is done and kept up to date because Societies know they will be inspected and reported upon by the Registrar's staff. This ensures some added efficiency.

(c) Audit of Societies' Books of Account. The Registrar is not only given the power but is also required to audit societies' books at the end of every twelve months of their financial period. This helps the society to know whether they are making any good progress or not. It also helps the Registrar to decide on the type of advice to give the Society or the line of action to take in order to improve the situation. This too, ensures efficiency on the performance of the Society.

(d) Settlement of Disputes. The Registrar has the power, as soon as he is satisfied that a dispute exists, to refer such a dispute for determination to an arbitrator/arbitrators appointed by him.

(e) Approval of Societies' By-Laws and Amendments to them.

Before he can register a Society the Registrar is required to approve that Society's proposed By-Laws. In the case of an already registered Society he is to approve the amendment to the by Laws if the Society so proposes to amend its By-Laws. If he is not satisfied that such proposed By-Laws or amendments to By Laws have been drafted within the framework of the Co-operative Societies Law, then he may refuse to register such a Society.

There are other powers given to the Registrar which, when exercised, help promote efficiency in Co-operative work.

#### Distance and Transport:

The whole field of extension and audit service rendered to existing and future co-operative societies is being centralized. All officers, with the exception of an experienced assistant Co-operative officer in each District, have moved down to the Centre - Gaberones. The A.C.O. in the District is a link between societies in his area and the Centre at Gaberones and services all types of Societies while the Centre staff specialises according to the four branches mentioned above.

EFFECTIVE SUPERVISION AS A MEANS OF ACHIEVING  
INCREASED EFFICIENCY IN KENYA'S CO-OPERATIVES

By: J.J. Wanyonyi  
R.S. Saini  
J. Momanyi

INTRODUCTION

The Co-operative Societies Act 1966 (Cap.490 Laws of Kenya) has given the Commissioner for Co-operative Development very wide ranging powers in relation to almost every aspect of co-operative activity. He has two broad functions:-

- (i) He is the Registrar of Co-operatives.
- (ii) He promotes co-operative activity, supervises it and is required to ensure that co-operative societies run their affairs in a business-like manner and on sound financial principles. To this end, he has to have powers of inspection, audit and education of co-operative members and societies.

We believe that our Act is almost flawless in ensuring that every single function of a co-operative society is regulated and controlled by the supervisory and inspection powers of the Commissioner. We cannot, therefore, quarrel or agree that the Government has not given us a 'carte blanche' to tame and discipline some sections of the Co-operative Movement, which seem to drift from time to time towards unco-operative practices in conducting their affairs. If the Co-operative Movement is not developing and progressing to our expectations, then we believe that we ought to look inwards to our own set-ups to bring out areas of weaknesses.

The Co-operative Movement is sponsored and encouraged by the Government. While the Government should have a paternalistic feeling towards them regarding any of the problems they encounter, nevertheless, we believe that the co-operatives are business organisations/units which must develop in a free and competitive economy by improving their efficiency and productivity. This is because the basic concepts of co-operatives imply autonomy, democracy, togetherness for the development of economic interest, initiative and self-reliance. This should raise the economic and social standards of the members.

However, in our opinion, the above-mentioned principles appear to have been compromised by powers of supervision and inspection vested in the Governments by legislation. This is necessary in the early years of co-operative development, but as the societies and their members show maturity, these legislations will need to be relaxed. (In Kenya, the Commissioner for Co-operative Development has already appointed a Standing Committee on the relaxation of the provisions of the Co-operative Societies Act and Rules in deserving cases).



## WHAT IS SUPERVISION?

In our deliberations we should not only look into the reasonable-ness, feasibility and practicability of the various provisions of our Acts and Rules, but we should also evaluate as to how far they have been practically implemented.

Let us examine the meaning of supervision in the Co-operative Movement. To us, it means the following:-

- (a) Ensure that books are written out up-to-date and are properly documented.
- (b) Ensure monthly Trial Balances are drawn.
- (c) Ensure books of accounts are reconciled and cash and stock balances verified. Investigate discrepancies and institute remedial measures.
- (d) Check members business records and transactions. Perform crop reconciliations.
- (e) Control and verification of debtors and creditors.
- (f) Supervision and control of members payouts.
- (g) Ensure the members registers are written out up-to-date and are reconciled to share capital.
- (h) Ensure budgets are produced and adhered to.
- (i) Check monthly Trial Balances against approved budgets. Exercise financial control to ensure that the expenditure is covered by approved estimates and compatible with the inflow of revenue.
- (j) Ensure that the books are in an auditable position.
- (k) Conduct internal auditing.
- (l) Attend, if necessary, societies meetings and advise on Co-operative Law and procedures.
- (m) Countersigning the societies cheques after ensuring that:-
  - there are enough funds
  - cheque for payment is provided for in the budget
  - supported by documentary evidence

If the above is done, then it will go a long way in improving the effectiveness of the Department and will show an actual improvement in the performance of the societies.

## GUIDELINES

Besides the above, there is a need to produce simple 'guidelines' which can be easily read and understood. To this end, the Department has produced the following:-

- (a) Interpretation of Act and Rules.
- (b) Procedural
  - Loans, Credit Facilities, Advances
  - Economic Appreciations/Feasibility Studies
  - Inquiries and Liquidations
  - How to Interpret Accounts
  - Taxation
  - Annual Returns
- (c) Standardisation of Financial Years
- (d) Job Allocations and Lines of Responsibility

## PROBLEMS OF SUPERVISION

Under the current legislation, the Department of Co-operative Development is responsible for generating co-operative activity and consolidating it in its various aspects. The Commissioner is also required to ensure that the societies are managed efficiently and profitably in accordance with sound financial principles and in conformity with the co-operative principles and practice.

Despite the overwhelming legislative powers vested in the Commissioner, the Co-operative Movement still continues to operate far below the expected standards of performance. The reasons for this state of affairs are two fold - those connected with the Department of Co-operative Development, and those connected with the societies.

- (a) Problems Connected with the Department of Co-operative Development.
  - (i) The shortage of suitably qualified manpower. The position is also aggravated by the retention on the establishment of inefficient ('Deadwood') and unreliable officers.
  - (ii) Lack of financial resources and thereby restricting transport facilities and thus reduces effective supervision.
  - (iii) Lack of inducement for qualified people to join the Department. In some cases the Departmental staff is less qualified and less knowledgeable than the co-operators themselves, whom they are supposed to guide and supervise.
  - (iv) Lack of knowledge as to what actually constitutes 'supervision' and 'inspection'. This has been discussed above.

If the movement is to develop efficiently, it is essential that the Department itself is capable of performing its duties efficiently as detailed above.

(b) Problems connected with the Societies

- (i) Inadequate staffing in the movement and general reluctance in the movement to employ suitable qualified personnel. This is more apparent in the case of accounting staff.
- (ii) Lack of costing knowledge on the part of society's management.
- (iii) Unco-operative attitude of co-operative societies' officials who ignore the advice of government officers.
- (iv) Lack of good office, well lighted, ample working space and amenities conducive to good work.
- (v) Nepotism and brotherisation and corrupt tendencies amongst many society officials.
- (vi) Reluctance on the part of co-operatives to pay for services rendered to them. Most co-operatives expect free services and feel no obligations whatsoever for making any contribution to the national exchequer.
- (vii) Undue political interference in the running of co-operatives.

SUMMARY

We have outlined the meaning and problems of 'supervision'. We would, however, wish to point out that education and finance are the two vital factors which must be fulfilled if the Co-operative Movement is to be firmly placed to play a more vigorous role in our economy. The Government, therefore, has to give high priority in the allocation of the available resources to these two factors.

PROBLEMS ENCOUNTERED IN SUPERVISION OF CO-OPERATIVES

IN MAURITIUS

by H. Ramdin

We have Co-operatives of all types in Mauritius - the Credit, Consumer, Marketing, Savings and Credit etc. Up till 1945, we have been mainly concerned with the credit societies. Though co-operative credit societies started as far back as 1913, the whole development and diversification came as from 1945 and has been oriented by a Department of Co-operative Societies headed by a Registrar. From 1945 to date, the number of societies has increased threefold. This development has not been without its problems, in so far as supervision is concerned. These problems mainly concern:-

- (a) Lack of co-operative education, appropriate and adequate to meet the rising expectations of members and officials.
- (b) Lack of trained cadres, at society's level, especially to cope with accounts, etc. of societies.
- (c) Shortage of staff at Departmental level, to give adequate supervision.
- (d) Lack of adequate literature and propaganda material; and last, but not least
- (e) Multiplicity of institutions doing the same functions as co-operative societies, which in turn, causes disloyalty on the part of members and renders supervision more difficult.

Luckily, the role of the co-operative personnel is fairly well defined by the Co-operative Societies Ordinance and Rules and the powers of inspection, supervision and control are well established. The audit and supervision of accounts, etc., of societies rest with the Registrar, who is assisted for the purpose by other officers, from both the Department and the Mauritius Co-operative Union. But these powers to audit remain very often vain letters when co-operative officers have to run societies themselves, write accounts and afterwards audit these same accounts. This situation arises out of points (a) and (b) listed above. However, point (c) is relevant there: if the staff is inadequate, then instead of teaching officers of societies to perform their duties themselves, Departmental Officers tend to minimise their problems by assuming the roles of officers of societies and do the book-keeping themselves, draw reports and leave things there. No education of officers of societies is possible if Departmental Officers have to rush from one society to another doing work which normally should devolve on officers of societies. It is believed that with the education programme being undertaken by the University of Mauritius, a fairly good number of trained officers will take over the role of running the affairs of co-operative societies, leaving the task of supervision and audit to Departmental officers.

Even then, adequate supervision will depend on the load per member of the staff, which brings in problem (c). If Departmental Officers have about 25 societies to supervise each, then the paucity of visits to societies renders their task more difficult.

It is believed that the load per member of the staff should be such as to allow a monthly visit to each society. There cannot be any hard and fast rule as to the number of societies per officer as different types of societies have different problems. In Mauritius, the load per trained officer averages 20 - 25 and all effort is being made to increase the strength of the staff to bring this number down to 15. However, new recruits require training before they are able to do their work properly, and with increasing numbers of societies, this becomes an endless problem unless officers at 'societies' level are really efficient and can be relied to do their work properly.

This brings in problem (d). If the University gives theoretical training for a certain period, continuity in training could be achieved by adequate literature, or talks over the radio or by other audio-visual aids. These lack completely in Mauritius. A weekly talk over the radio to motivate people to join co-operatives is made, but there does not exist any systematic use of the mass media. There is thus a break, so to say, in the training of officers and general members of societies after their University training. In such circumstances, the officers of societies tend to take less and less interest in their work and leave it very often to be completed by Departmental Officers.

The greatest headache concerning supervision, however, arises out of problem (e). Middlemen, brokers and bankers still have a good clientele among the planting community and planters of co-operative societies can have recourse to them without the knowledge of the societies themselves. The number of little shops doing business in a village or town is phenomenal. One should not forget here the Development Bank which advances long-term credit, the Post Office Savings Banks, which collect the savings, and the super-traders who overnight can buy the whole produce of a village and yet go 'scot' free. Shifting of produce and disloyalty of members are frequent occurrences and the supervision of the refund of credit advanced by co-operative societies is a tough job. It may not be so acute with cane, but it is very much so with agricultural co-operatives such as potato, onion, pigs, etc. We are still groping our way to find a solution to this problem, but have not been entirely successful up to now.

We shall try 'liens' on crops very soon. But we should like to learn from the experience of other countries on this score. It is worth pointing out that another addition to that problem is appearing at the horizon, viz., the institution of the State Bank of Mauritius which will be advancing money to small entrepreneurs without any security.

It is hoped that enough ground has been covered and that further information could be supplied at discussion meetings.

by: B.K. Zegge  
V.P. Rugalema  
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E.N. Mudogo

Underlying the title of this paper is the assumption that the Registrar's Supervisory Powers and Cooperative Efficiency are related. Thus this paper constitute an attempt to indicate the extent to which this thesis is valid in connection with the development of the Cooperative Movement in Tanzania. For this purpose we first outline the historical development of the Tanzania's Cooperative Movement; second, define and relate the Registrar's supervision powers to cooperative efficiency.

Since the first Cooperative Law was passed in 1932, the Tanzanian Cooperative Movement has moved from a small fledging movement to one of the largest and strongest Cooperatives in Africa. Its growth has been characterized with alternating slow and rapid expansions.

Up to 1949 the Movement grew slowly, and there were only 79 registered cooperatives by 1949. During the period 1949 - 1969 the Movement experienced active growth in terms of numbers and types of societies and volume of business handled by them. By 1959 there were 600 societies i.e. a growth rate of 52.1 societies per annum. After 1960 the Movement grew at a rapid rate and by 1969 the number had increased to over 1,700 i.e. representing average growth rates of 110 per annum. The largest increase in the number of societies occurred after Uhuru in 1961 when cooperatives were given marketing monopoly for certain specified crops. Since 1969 the average net expansion rate has stagnated at about 20 - 30 societies per annum, most of which are either non-marketing or Agricultural Production Cooperative Societies (Ujamaa Villages). At the moment the Agricultural Marketing Societies handle more than 525,000 tons of produce worth about shillings 700 million per annum.

As we shall later indicate these variations in expansion rates in the development of the movement are solely the result of the discretionary powers of the Registrar which are summed-up in the term "Supervision". It is thus worthwhile now to look at what we precisely mean by "Supervision" or "Supervisory powers" of the Registrar in connection with Cooperatives and by "Cooperative Efficiency".

Cooperative Efficiency is a rather fuzzy concept and whose definition has provoked wide academic discussion. From the operational point of view cooperative efficiency means the ability of a cooperative society to perform in a manner that promotes the members' interests. The criteria for gauging cooperative efficiency are nothing but the degree to which the society is capable of satisfying the members' interests. These interests may be of economic, cultural, political nature. It is therefore wrong to equate "Cooperative Efficiency" with "economic efficiency". The latter, which in marginal analysis is a static optional condition in which an economic entity is capable of equating its marginal costs with marketing prices under conditions of the competitive model, is too narrow to be applicable to the cooperative firm where property rights play a dynamic role. In this context, we shall therefore define cooperative efficiency as the attainment by a cooperative society of a situation which enables the society to operate with optional effectiveness in satisfying members' interests. The question now is how do the Registrar's supervisory powers help cooperatives attain this situation? What are these supervisory powers? Let us start with the second question. The legislators of the Cooperative Societies Act,



1968 have conferred wide discretionary powers to the Registrar. According to the Act the Registrar has four main types of supervisory powers, namely (1) preventive powers which include provisions requiring cooperatives to seek the approval of the Registrar over certain important decisions they make; (2) curative powers which are essentially aimed at correcting any mishaps within the cooperatives and they include such measures as auditing and inspections of cooperatives; (3) direct intervention powers which enable the Registrar to intervene into the internal self-rule of cooperatives guaranteed by the by-laws of each society; and (4) conciliatory powers which enables the Registrar to settle conflicts which might arise between and among cooperatives and between cooperatives and their members. These last powers will not be handled in this paper.

Combined, all these supervisory powers give the Registrar a legal instrument with which he can effectively and considerably exert influence on the autonomy, operations and management of cooperatives and hence their efficiency. Since the use of these powers are virtually left to the discretion of the Registrar, the degree to which he can utilize them entirely depends on the personality of the Registrar. A rather cautious Registrar would rather tend to be very selective in his use of these discretionary powers, while a risk-taking, politically oriented type of a Registrar would tend to make use of most of these powers more often and indiscriminately.

For purpose of illustration let us consider some interesting cases in the history of the Tanzanian Cooperative Movement and critically evaluate their impact on efficiency. However, before we do so, it is perhaps pertinent to point out here that all these supervisory powers of the Registrar have one thing in common: to bring about or strengthen efficiency in the Cooperative Movement. Is this so in practice?

The Registrar's preventive powers find practical application in two forms. They relate to matters concerning registration of new societies and the approval of societies' annual budgets (both recurrent and development). According to the Act, the Registrar has discretionary decision over the registration of a new society. Normally, he bases his decision on a formal and material survey concerning the feasibility and viability of the proposed society to operate as a Cooperative and attain the degree of efficiency required to "promote the members' interests". Through the imposition of high or low registration requirements and the way the feasibility and viability studies are conducted by the Registrar, he can considerably influence the quality and expansion rate of the cooperative movement. In Tanzania this power was used to accelerate the expansion of cooperatives in the period immediately after independence when many societies were formed and registered without stringently meeting the criteria for "cooperative efficiency". Viability studies were not strictly required.

The results were the alienation of members' feelings towards their societies which could not adequately promote their interests, a situation which in 1966 led to the "Presidential Special Committee of Inquiry into the Co-operative Movement and Marketing Boards". This is a glaring example where the Registrar's supervisory powers had negative effects on co-operative efficiency.

The provisions of the Act also stipulate that annual plans or budgets of societies must be sanctioned by the Registrar. The major objective here, as it is the case with the registration provisions, is to prevent or minimise the degree of inefficiency in co-operatives. Thus, co-operatives are obliged by law to seek the Registrar's approval in connection with (a) capital expenditures, (b) maximum liabilities (bank overdrafts etc.), (c) use of reserve funds, (d) supplementary estimates, (e) amalgamation and transfers of societies, etc.

Though these provisions are theoretically intended to bring about a situation under which the co-operative society should attain optimal efficiency, the inflexibility and red-tape procedure implicit in them is an obvious phenomenon. In practical terms, its blanket application, as opposed to selective application, has rather tended to worsen the efficiency situation in the co-operative movement. Delays in receiving approval are more often than not and normally result in delaying implementation of projects whose viability is established. This is, however, not the same as saying that approvals by the Registrar of annual plans are unnecessary, but it is their non-selective application, i.e. to societies with highly efficient and honest management, that we are concerned with here. In addition preventive measures have the implicit anomaly that the actual decision-making, which is theoretically guaranteed by the bye-laws (and now by TANU's Guidelines), lies not in the hands of those (society members and management) who are liable for the consequences flowing from the decisions, but with the Registrar who shares none of the liability! This is one of the potential issues which the rapid development of ujamaa villages and their registration under the Act are soon going to bring into the area of hot discussion among the cooperators and policy-makers in our country. It is, however, a notable fact that during the development of the cooperative movement in our country - as well as in other African countries - the scope of decisions which require the Registrar's approval has tended to widen rather than narrow down. It may interest researchers to find out why this is happening as the movement becomes more "developed".

Also the Registrar has some preventive powers in form of model by-laws in which he can impose certain minimum requirements to be included in the by-laws and thus positively influence the internal structure of a society. Model by-laws are given by the Registrar as one of his non-statutory functions. Similarly all amendments or changes in society by-laws require the Registrar's approval. It is thus in the Registrar's discretion whether a society should or shouldn't have a high degree of autonomy or whether he makes the by-laws de facto obligatory to all cooperatives. Though the adoption of the model by-laws is meant to be flexible, i.e. could be modified to suit different situations, it has in the past tended to be inflexible and virtually obligatory to societies of a similar type. The major reason behind this inflexibility is, on part of the Registrar (i.e. his field representatives), the lack of initiative in effecting the necessary modifications to suit local conditions.

It is hard to assess the effect of this inflexibility on cooperative efficiency. But its implications on cooperative efficiency can be summarized as follows: (a) the provisions of the model by-laws of a certain type of societies are adopted without much regard to the variations in their sizes, development stages and economic cultural surroundings;

(b) since the model-by-laws were originally meant for small cooperatives with a small degree of diversification in activities, the growth of large, highly diversified and economically strong cooperatives have presented serious challenges to the inflexible application of the by-laws. One of the major problem surrounding the crisis in the now defunct Victoria Federation of Cooperative Unions Limited in the early sixties was that the Federation's by-laws were not in tune with the economic development stage which it had reached by then. The same thing is again appearing in some of the highly developed and sophisticated Unions such as K.N.C.U., N.C.U. B.C.U. etc. Similarly, further development such as villages which are solidly based on the principles of self-reliance and democracy present additional, though still potential, challenges which must be carefully examined and their implications spelt out.

The curative powers of the Registrar are basically embodied in the Registrar's right to inspect or audit "the accounts of every registered society once at least in every year" (Sect. 21). These are one of the most important supervisory duties of the Registrar. Both aim, though vary in degree, at varification of the accounts, determining the financial conditions, revealing operating results, determining the integrity of the management, determining business trend etc.

Both the inspection and audit serve several objectives, most important of which are: (i) to provide the Registrar with relevant information concerning the general development of the Cooperative Movement in the country, (2) to fill the gap created by the lack of internal control in most cooperatives.

Since inspections by members (General Meeting) and Committees are generally unsatisfactory or totally ineffective, inspections and audits by the Registrar are of concial importance to the efficiency of cooperatives on one hand and the public image of the cooperative movement as a whole on the other. Inspections are particularly necessary because of the lack of internal audits in all, but a few highly developed secondary cooperatives. However the problem of audits being in arrears of several years is a well known secret and its implications on cooperative efficiency are too obvious to need further analysis.

Similarly, inquiry is another form of the Registrar's curative powers. An inquiry represents a serious decision by the Registrar and is thus normally reserved for serious cases involving gross mismanagement or misappropriations of society funds. In most cases inquiries are proceeded by dismissal or suspension of the society's management. Unlike auditing and inspection which aim at the formal accounting procedures from which conclusions about the financial situation of the society can be made, an inquiry has as its terms of reference the thorough examination of the structure, functioning, financial position and the member-management relationship. It can, however, be narrowed down to focus on such important aspects as the society's business policy, the way the management pursues the basic aim of promoting the members' interests, etc.

In Tanzania inquiries have been kept to the minimum. In 1966 the President, Mwalimu Julius K. Nyerere, had to appoint a special committee to look into the affairs of the cooperatives and the marketing boards after it became obvious that there was a general dissatisfaction with the way cooperatives were operating. At this particular time cooperative efficiency was generally at its lowest in the country. The publication of the Committee's findings led to a number of important reorganisations and rationalisation measures in the country's cooperative movement. On the whole, such reorganisation measures are having positive effects on cooperative efficiency. With the reorganisation most Cooperative Unions have become more development-oriented than ever before and the trend is obviously encouraging, though there is still a lot to be done.

The direct intervention powers of the Registrar enable the Registrar to intervene into the internal autonomy - which is guaranteed by both the by-laws and Act at any appropriate time and situation. Such powers include the suspension or dismissal of the society committee by the Registrar when he is satisfied that the Committee's way of managing the society's affairs is not in the interest of the members, i.e. cooperative efficiency is at stake. In such a case the Registrar can appoint a care-taker to manage the affairs of the society on his behalf. Such a serious intervention in the society's internal autonomy was first made use of at a grand scale in 1967 following the recommendations of the Presidential Special Committee on Cooperatives and Marketing Boards, when the committees of several societies were suspended and the Registrar's field representatives or appointees were entrusted with the management. The move had mixed results. A number of empirical studies suggest that while co-operative efficiency improved in a number of societies it even deteriorated in a few of them where the Registrar's appointees were not well equipped to handle the situation. In such cases, the curative measures turned out to be an act of "flying out of the pan into the fire".

Under the Act, the Registrar has no direct power on the employment and dismissal of the society's employees - especially those of Unions - whose terms of service are a direct responsibility of the Unified Co-operative Service Commission - a brain-child of the Presidential Special Committee of 1966. In so far as co-operative efficiency is a direct function of the society's personnel, the Registrar's supervisory powers can only have indirect effect in this respect.

As already detailed above, the role of the Registrar in promoting the efficient operation of co-operatives, which in turn have played a very significant part in rural development, has unquestionably been tremendous. In view of the new rural development strategy which is the basis for implementing socialism in rural areas, the establishment and promotion of ujamaa villages and conversion of the existing co-operatives into ujamaa villages, the traditional role of the Registrar of Co-operatives poses very interesting questions.

This new policy, which gives peasants an opportunity to participate fully in making and implementing decisions on what to do, when to do, how much to do at each time, how to do and how to distribute the returns of their activities, also enables them to challenge their environment by fully using their skills and intelligence. This policy, above all, puts emphasis on self-reliance, i.e. whatever assistance is accorded to them should supplement local initiative, efforts and resources. This means that ujamaa villages will have their own governments with several institutions which will be responsible for charting out the line of action which should speed up development. There will be a minimum external interference.

From this short account, very interesting questions which concern the role of the Registrar arise. In view of the fact that co-operatives will change their forms in order to be in tune with "ujamaa vijijini" policy, what will the role of the Registrar be - How will he render his services in the independent ujamaa villages? How will his powers be communicated, felt and implemented assuming the Ujamaa Villages will have their own experts in various development fields? These are some of the vital questions which the Tanzania Co-operative Movement should address itself to.

To summarise, this paper has attempted to highlight some important issues concerning the relation between the Registrar's supervisory powers as provided under the Tanzania Co-operative Societies Act of 1968 and co-operative efficiency. If, after reading this paper, you are of the impression that:-

- (1) the relation between the two is complex and often difficult to quantify;
- (2) the Registrar's supervisory powers do not necessarily have positive, but may have negative, effects on co-operative efficiency as well;
- (3) the application of these powers, those they are discretionary, is not a priori flexible and tends to be inflexible in relation to development trends in the co-operative movement;
- (4) new developments in co-operative activities and types (especially the formation of ujamaa villages) are already posing challenges to these discretionary powers of the Registrar;
- (5) the historical development of the Tanzanian Co-operative Movement in the last three decades demonstrates the phenomenon of the Registrar's powers tending to increase with higher degrees of development in the co-operative movement (i.e. as the movement takes a more dynamic and effective role in the national economy)

then you have got the message. The reasons underlying these observations may interest some research workers and may indeed warrant the attention of the I.C.A. as well.

THE ROLE OF A UNIFIED AND STANDARDISED ACCOUNTING  
SYSTEM IN MAKING SUPERVISION AND CONTROL MORE  
EFFECTIVE AND IN PROMOTING EFFICIENCY OF CO-OPERATIVES

By: R.S. Saini

INTRODUCTION

During the course of this seminar, we are looking into Supervision as a means of achieving increased efficiency in Co-operatives. We have noted that we have no jurisdiction to look into the reasonableness or otherwise of the overwhelming powers vested in the Commissioners or Registrars under current legislation. However we have been examining the feasibility and practicability of some of the provisions of our Acts. In this paper we are not going to look into some of the controversial powers of Registrars but we are going to examine the role of accounting in making Supervision effective and in promoting efficiency of Co-operatives. You will recall that our legislation, in common with legislation of our neighbours, deals mainly with the following:

- promotion of Co-operative Societies
- supervision and inspection.
- accounting and audit
- internal relationships of the members and the societies and their relationship and mode of conduct with outside bodies

I am going to talk about accounting and audit in relation to Co-operative Societies.

REASONS LEADING TO THE EVOLVEMENT OF A UNIFIED AND STANDARDISED SYSTEM

There are almost 2,000 registered societies in Kenya out of which a little over 1,000 are reckoned to be economically viable and are doing well in their business operations. The principal reason for the failure of quite a large number of the societies was their reluctance or inability to keep proper books of account which would show them the trend of their business and financial health they were in from time to time. Society managements had no basis on which to make decisions and take corrective measures. It is said that the business efficiency and standard of performance of the management of an organization is equivalent to and dependent upon the order and the standard of efficiency and reliability of its Accounts Section. A properly run Accounts Section is a vital tool in ensuring business efficiency and better management in the societies. In the case of viable and larger societies, it is all the more imperative that their bookkeeping, accounting, and financial functions are properly organised and implemented so that they can continue to develop by knowing the results of their operations from day to day and having a reliable budgetary and financial control system which would highlight areas of irregularities, departure from pre-set standards and variations of performance as compared to competitors and previous results. Corrective measures can only be taken if there is reliable information on actual performance, and actual performance as compared to forecast budgeted performance



As I said on the opening day of this seminar in an observation on Mr. Holmberg's paper that all routines in a co-operative or for that matter in any business pass through or end in the accountancy system. All business transactions are expressed or translated into terms of money. This needs to be recorded through a book-keeping and accounting system. The purpose of book-keeping is to record in a systematic and permanent manner all transactions of a business in a way which will give maximum information in a convenient manner. To be of use for policy and decision making this information needs to be up-to-date.

Unfortunately in most Co-operative Societies this has not always been possible on account of the following:

- (i) books of account have not been properly maintained, nor kept up-to-date, nor adequately cross-referred to primary data. This can be traced back to the unwillingness or reluctance or inability on part of some societies to employ book-keepers. Societies need to be educated to the reality that no business can expand without access to reliable information on which to base plans and decisions. Absence of up-to-date and reliable book-keeping means that the societies remain in darkness as to the trend of their business and there is no control over income and expenditure.
- (ii) original vouchers remain unsupported, unsigned and badly filed.
- (iii) store records leave a lot to be desired. There is no control of stocks, cash, debtors, creditors and produce.
- (iv) budgets are either not prepared or if they are, they are not accurate and realistic. The budgets appear to be mere exercises in arithmetic and are not made use of to control societies operations. These are filed and forgotten and hence there is lack of budgetary and financial control.
- (v) trial balances are either not prepared or if they are they remain meaningless on account of either their unreliability or because they are not used as a basis of management control.

From the above it would be clear that it is imperative to improve upon existing accounting systems and design of forms and books so as to produce from them sufficient reliable information. Inbuilt into the system there should be stages and controls beyond which society book-keepers and record keepers should not proceed until the controls have been agreed and reconciled.

Let us take a simple example:

- large Coffee Society - 15,000 members - active members account for 13,000 tons of cherry -  $\frac{1}{2}$  m. individual receipts and debts requiring entry to members business records
- issue receipts - summary - members ledger - payouts, members business records - 50,000 payout cheques.



Ensures members produce recorded correctly and reconcilable before being processed into the main ledgers.

Comprises Stock Control and Members Savings Systems.

Enables:

avoids errors due to multiple record system monthly reconciliation  
paid exactly for what they have delivered  
members records up-to-date  
payment into savings account.

- (iv) Introduction of Duplicate Cash Book at Society level.  
Transmission of information between societies and Unions where book-keeping centralised.

Centralisation of accounts at Unions using accounting patterns which accommodate most societies

advantages:

- reduce number of inspectors required
- eliminate most unnecessary travel
- permit closer supervision of societies
- facilitate recruitment of suitably qualified accountant at a suitable competitive salary
- permit on the job training
- book-keeping and allied problems retarding bookkeeping at society level avoided
- provide periodic information for management
- reduce stationery costs.

- (v) experimenting in posting cash books mechanically by operators catering for a large number of societies.

- (iv) Mechanisation/computers  
Punch cards at month end and run on computer previously programmed  
Reduce number of employees  
Eliminate manual work & errors  
financial statements

- (vii) Standardised presentation of Balance Sheet and Accounts.

#### ADVANTAGES

Classification and coding of accounts based on a Uniform and Standardised system is the framework within which bookkeeping is accommodated.

It sets a pattern which is uniform all through the country. Expense Accounts, Revenue Accounts, Assets and Liabilities accounts have the same code nos. which are flexible to be adapted for various activities or factories etc. within the same society.

Facilitates:

- (i) meaningful comparisons
- (ii) presentation of accounts in a systematic manner
- (iii) more meaningful trial balances
- (iv) accurate and uniform statistics for comparison with previous performance and other societies. Statistics essential for proper guidance to society's operations, preparation of budgets and as a basis for budgetary control
- (v) promote uniform books, records and primary documents. Reduce costs. Standard business and book-keeping records can be produced to accommodate the business activities of nearly all societies.
- (vi) facilitate courses of instruction in society book-keeping. No diversification of limited resources on various systems.
- (vii) Step towards mechanised accounting
- (ix) mobility of accounts staff. A newly appointed trained book-keeper knows exactly what to do. "Breaking-in" period shorter - job rotation
- (x) Standardised trial balances

Conventional TB's prove only arithmetical accuracy of books. Standardised TB's besides this objective almost as good as final accounts. Shows Income and Expenditure and Financial position. Shows also financial results of each activity comprised in the society's operations.

- (xi) Standardised Budgets

Financial plan for the coming year. Items exactly as in the TB. Quarterly budgets show seasonal variations.

TB's compared against budgets. Reduce risk of overspending. Facilitate verification of available funds before countersignature of cheques.

- (xii) pre-printed forms less typing work.  
Accounts numbers in serial order automatically.

(xiii) Programmed auditing.

Specified responsibilities of an auditor appointed under the Act are in no way diminished by the advent of a standardised accounting system. But certain problems appertaining to the conduct of the audit are simplified and facilitated.

- (1) Standardised Audit Papers. Reduce amount of detail work; Check and devote time to systems analysis, matters of accounting principles, economic appreciation etc. greater emphasis on the reliability of internal control
- (2) continuous audits. Prevention of frauds and errors by moral deterrent
- (3) Balance Sheet Audit
- (4) Mechanised Accounts. Audit not of details but of systems
- (5) less expensive
- (6) vouchers filed according to account numbers verification simple.

So indirectly, a standardised and unified accounting system will assist us in catching up with the backlog of audits. However, arrears of audits cannot be entirely blamed on either lack of proper book-keeping or non-availability of suitably qualified audit staff. Some of the factors delaying early completion of audits are:

- (i) unco-operative attitude of Society Officials who deliberately attempt to frustrate efforts of auditors on account of irregularities and mis-appropriations which would otherwise be highlighted. Books are either not given for audit or given reluctantly in a piecemeal manner. Information is at times kept back and queries not answered.
- (ii) At present however 50% or more time of auditors is spent on bringing societies book-keeping up-to-date.

IMPLEMENTATION OF UNIFIED ACCOUNTING SYSTEM

This is rather a specialized aspect of standardised accounting system. Books previously in use have to be closed, audits done and final accounts produced before the new system is introduced. Since the Standardised Systems have new innovations previously unknown both to the Movement and to Departmental Staff, a massive education programme has had to be undertaken.

But implementation teams had to be set up to implement the systems. These teams are comprised of:

A Nordic Adviser, Co-operative Officer,  
Co-operative Assistant.

EFFICIENCY IN CO-OPERATIVES

by Arne Holmberg

1. Efficiency in an economic enterprise, of any type, is the use of available resources in the best possible way, without waste.
2. In a competitive situation, the more efficient enterprises gain advantages over the less efficient ones and, if there are only private (capitalistic) enterprises on the market, there is a risk for mergers and cartels, creating a monopolistic situation, usually resulting in misuse of resources and inefficient operations.
3. In a mixed economy private, co-operative and public enterprises may compete with each other on even terms. Particularly, the competition between co-operatives and private enterprises has become an important means of achieving efficiency in many industrialised countries.
4. In the socialistic, planned economy nations of Eastern Europe, co-operatives are today important countervailing powers to public enterprises in many sectors of the economy.
5. For any enterprise, whether co-operative, public or private, a monopolistic situation may easily lead to inefficiency. Nevertheless, in neither of the mentioned forms of economic enterprise can a monopolistic situation be excluded, but there will be situations when it is bound to exist. The inefficient use of available means is, therefore, something that may be found in any community, and which we must learn to observe and be on our guard against.
6. This essay is not mainly dealing with co-operatives working in a competitive situation. If they are efficient, they will remain working and be of great importance both to the members and the public economy, if they are not successful either something must be done to improve their performance or they shall gradually disappear.
7. The problem of covering a major part and up to 100 per cent of the market mostly concerns the producer or production co-operatives and particularly the agricultural co-operatives.

As soon as e.g. successful marketing co-operatives cover some 75 per cent of the potential membership, it is necessary to consider how the remainder shall market their produce. The natural thing is then either to persuade them all to join the co-operatives or to introduce the single-channel marketing system.



8. To achieve efficiency in a co-operative society, we stress the importance of education of staff, committee members and members and also the good understanding and joint efforts of these three groups. This is not the place to enter into details on co-operative education; only to underline that it must be diversified and practical. Loyalty of the members is one of the keys to co-operative efficiency, but to be loyal, members must be well informed and feel that their views and propositions are seriously considered by the management.
9. It is generally agreed that smooth communication between staff, committee members and members is very important for co-operative efficiency, but to achieve this it is often good to survey the democratic organisation of co-operatives. The organisation of large primaries and of secondary societies is often improved if indirect democracy is applied.
10. Another important aspect is the performance of the Committee, or Board of Directors. For them to strike the balance between the staff and the members is not easy. To show good judgment in all situations either calls for experience or for studies. In the rural areas of East and Central Africa, not much experience can be drawn from the work of other societies or clubs and very practical study material must, therefore, be worked out and studied to guide the committee members.
11. The routines of the co-operatives are, of course, decisive. Usually there has been too little work on accountancy systems, for various types of co-operatives and for the primaries and secondaries of each type.

All routines originate from the accountancy system used, also control, supervision and audit.

12. We are prepared to give the members a decisive influence on all the affairs of the co-operative, through the general meeting and through the Committee.

Strangely enough, we have not given the members a corresponding influence on control, supervision and audit. This is carried out by the staff of the Co-operative Department and audit even sometimes by private firms.

It should be possible to elect layman auditors or an auditing committee at the Annual General Meeting and to let these auditors do some of the time-consuming ticking, to read minutes as compared to the requirements of the bye-laws etc. This is not to suggest that the present system for control, etc. could be replaced by such layman auditors, but it is good:-

- (a) to install an element of members' control, and
- (b) to relieve the CD-staff from some of the routines jobs, they can be of better use in advising on management.

13. Increased government control and supervision of co-operatives may not improve management and efficiency. It could even make information within the society more difficult and cause suspicion. Drastic measures are necessary and justified in cases of mismanagement and misuse of funds, but we are interested in the preconditions for the smooth and efficient running of co-operatives.
14. Having established the educational institutions, suitable routines and other infrastructure to enable the co-operatives to work as far as possible on their own within a given frame, the Co-operative Department will still have to provide (a system for) control, supervision and audit. However, this should not be regarded as the main function of the Department.
15. Advice on management, assistance to co-operatives in improvement of present activities and planning future development is a paramount task in an expanding economy. This includes the provision of models for multi-purpose societies and unions and for national organisations. Short of a careful planning to allow the co-operatives to play their constructive role in an expanding community, the Co-operative Movement may be left behind.

Thus, the key-word is not supervision and control, but management.

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ICA REGIONAL SEMINAR FOR SENIOR DEPARTMENTAL OFFICERS  
LUSAKA, ZAMBIA, 30TH OCTOBER - 4TH NOVEMBER 1972.

SUMMARY OF PROCEEDINGS

1. The above Seminar which was attended by Senior Officers and heads of Co-operative Development Departments from Botswana, Ethiopia, Kenya, Mauritius, Swaziland, Tanzania and Zambia (see appended List of Participants), was held at the Ridgeway Campus of the University of Zambia, Lusaka.

"Effective Supervision as a Means of Achieving Increased Efficiency in the Performance of Co-operatives" was the theme of the Seminar following an expressed need in the Region for the provision of a forum at which high level personnel from the Co-operative Departments in the Region could discuss the various powers of inspection, supervision and control vested in the personnel of Co-operative Development Departments under current legislation enforceable in their various countries. This broad theme also sought to examine critically but constructively the effectiveness or otherwise in the enforcement of these duties and responsibilities, with the aim of recommending possible improvements.

2. OPENING:

The opening ceremony was performed on Monday, October 30th at the Water Affairs Offices of the Ministry of Rural Development, Lusaka, by the Honourable Mathew Nkoloma, MP, Cabinet Minister in the Ministry of Rural Development, under which the Department for Co-operative Development in Zambia falls. In his opening address, the Minister emphasised the need for continued effective supervision, education and training, the lack of which attributed to failures in the development of Co-operatives. The Opening Ceremony was also attended by Mr. S. Mwamba, Director of Co-operatives in Zambia and Senior Officers from his Department.

After the opening ceremony, the Seminar commenced its sessions at the Ridgeway Campus of the University of Zambia, under the Chairmanship of Mr. Dan J. Nyanjom, Regional Director, ICA Regional Office for East and Central Africa.

The preliminary seminar programme prepared earlier by the ICA Regional Office was reviewed by the participants, who generally approved its substance and relevance to the theme of the Seminar in the light of existing conditions in the various countries represented in the Seminar (see appended copy of the Programme).

3. THE COOPERATIVE MOVEMENT IN ZAMBIA The topic was introduced by Mr. Mayungano, the Registrar of Co-operative Societies in Zambia. The Seminar noted the concerted efforts that had been made to develop Co-operatives in Zambia - particularly in the post-independence period when the movement had assumed a significant role in the Social and economic development of the country. Mr. Mayungano also enumerated the various problems that were being encountered in the supervision of Co-operatives, and measures that were being taken by the Department in counteracting them.

It was noted that with the establishment of a Co-operative Planning and Research Team and the introduction of "Mobile Education Units," the Department was on the way towards minimising problems of efficiency in the Co-operatives. The new simplified accounting system currently under review was also another effective measure in this direction.

4. EFFICIENCY IN CO-OPERATIVES: A lecture was given by Mr. Arne Holmberg, Senior Co-operative Planning Officer in the Department of Co-operatives, Zambia. He presented a paper which attempted to define efficiency as applied in Co-operatives, and outlined some of the factors that led to the efficient running of a Co-operative. This was followed by an interesting general discussion which was centred mainly on the highly debatable subject of "the criteria for determining the efficiency or otherwise of a Co-operative". The seminar noted that this topic had been discussed in previous international conferences and seminars - the latest being one held in Nairobi during December, 1971, under the topic entitled "Efficiency in the performance of Co-operatives". The Regional Office was requested to distribute to the participants copies of the report of that Seminar when ready.

5. COUNTRY REPORTS: An appendix of the Statements and Country reports presented by participating countries is attached.

6. CO-OPERATIVE LEGISLATION AND EFFICIENCY: The topic was introduced by Mr. Nyanjom, followed by a discussion on the enabling Acts & Rules of the various countries and the extent to which these were being enforced. After a thorough examination of the Co-operative Acts and rules thereof, the Seminar noted that:

6.1 Although in some countries the Acts did not provide for intervention powers, this did not render the Co-operatives deficient. On the contrary, the exercise of such powers in some countries might dispirit members of democratically owned and controlled institutions. The inclusion of such powers therefore was very much contingent upon whether they were actually needed.

6.2 Where the Department was compelled to suspend an erring Committee of a Co-operative, and a caretaker one appointed, the latter should preferably be exclusively composed of bona fide members of that co-operative and not non members as it were the case in Kenya.

6.3 On the whole, it was found that Co-operative legislation in the countries represented in the seminar was similar in most respects.

7. THE ROLE OF THE DEPARTMENTS IN PROMOTING EFFICIENCY

A detailed discussion was carried out during this session, and participants identified and listed the following areas in which the Departments should make concerted efforts in order to achieve increased efficiency in the running of the Co-operatives:

- Supervision
- Inspection
- Control
- Advice
- Education and Training
- Management (within the Department and the Movement).

8. THE USE OF INSPECTION REPORTS: The seminar studied two Inspection Reports tabled by Tanzania and Kenya, and discussed how properly conducted inspections could contribute to effective supervision. The following improvements were suggested, with the aim of achieving a standard Inspection Report:-

8.1 An Inspection Report should be designed and used primarily to keep those in the Department and the Movement informed about the vital aspects of the Society's business, e.g. its flow of trade, financial position, etc. and should also cover any common and easily detectable malpractices in the society - such as thefts, pilferages, etc.

8.2 It should show the actions of the Committee - e.g. implementation of recommendations passed in meetings, their regular attendance of meetings, etc.

8.3. The Report should include a special column for any instructions from the Department to the Movement.

8.4 It should be able to show whether the reporting supervisor has actually been doing his work properly.

8.5 As the supervisor's functions are not confined to audit work, the Inspection Report should also show the other activities of the society which he is supposed to inspect - e.g. credit schemes, education and training programmes within the society, etc., and generally present a cross section of the society's activities. (ICA to assist in designing a standard inspection report.... see Resolution One)

9. UNIFIED ACCOUNTING SYSTEM (THE KENYAN EXPERIENCE): A paper on the Kenyan Unified and Centralised Accounting System was presented by Mr. R.S. Saini, Deputy Director of Audits, (Co-operatives), from which the Seminar made the following observations:-

9.1 The Movement had assumed a positive attitude in implementing the new system although there were indications that the cost of stationery was comparatively high, and, at times, too much to bear - particularly for the smaller Societies.

9.2 The system was simple enough for anyone to learn, and did not call for high qualifications in accountancy for those who were implementing it. This did not however render thorough training dispensable for those who were using it. In fact, the system was already being taught at the Co-operative College of Kenya and a manual on its application had been produced. "Implementation Teams" had been formed in the provinces.

9.3 The system seemed to speed up Bookkeeping, and it was hoped that on the long run it would be mechanised so as to promote increased efficiency.

9.4 Although the system facilitated the compiling of statistics, there was a need to put such statistical information to some practical use - e.g. a comparative analysis of the Society's development trend, etc. It was emphasised that statistical data served no purpose if it were not interpreted into a practical and informative form.

After this presentation of the Kenyan experience, the Seminar entered into discussions on the subject of Unified and Centralised Accounting systems. It was noted that:-

9.6 Tanzania had its own system that had been used for years. Statistics were also being compiled and put into practical use.

9.7 In Zambia a new system was being formulated which although based on the old One, was on the same lines as the Kenyan System. There would be Provincial Centres from where the system would be operated. It was pointed out however, that this system was experimental and that its usefulness or otherwise would only be proved by time and experience.

9.8 The rest of the countries had not changed their systems.

9.9 Nearly every country represented in the Seminar had a backlog of unaudited accounts - some of these dating back to 1965. Although such a problem could be more rightly attributed to lack of competent accounting and auditing personnel rather than the system in use, the availability of a simplified, unified and standardised accounting system could possibly help solve the problem.

9.10 A simplified and unified accounting system seemed to be interesting but it needed to be studied further before it could be adopted. Asked whether the ICA could carry out further studies of this system, the Chairman informed the Seminar that the ICA Office had a Working Party on Audits, Accountancy and Statistics which carried out such studies, but it had been disbanded by the Co-operative Commissioners of East and Central Africa for having outlived its purpose. (See Resolution Two: Request for reinstating the Working Party).

## 10. SUPERVISION IN THE CHANGED MULTIPURPOSE SITUATION

10.1 Tanzania: The Ujamaa Co-operative was a clear example of a multipurpose production-oriented co-operative. It was a complex establishment embracing almost all activities fulfilling the needs of a Community, such as production, marketing, consumer shops, transport, savings and credit services, educational programmes, etc. The promotion and development of these Co-operatives was not left to the Department of Co-operatives alone; it called for an integrated approach which also involved other Government Departments and institutions.

10.2 Kenya: The development of production oriented/multipurpose Co-operatives had been a bit slow owing to the fact that in the past these had been based only on the framework of the existing marketing Co-operatives which had a few other functions apart from marketing of agricultural produce. Over the years however, these marketing co-operatives had added onto their functions a variety of services - among which were the provision of agricultural development loans, supply of farm requisites, transport, insurance etc.

The concept had also developed to wider dimensions, and of late a number of production oriented/multipurpose Co-operatives had emerged. Examples of these were the Settlement Co-operatives involved in actual production, marketing and a variety of other services. There also existed a Production Credit Scheme through which agricultural development loans were channeled to the Co-operatives. Here the role of the Department was to assess the needs, advise the members on the utilisation of the loans, supervise the loan applications and co-ordinating of surveys with other Departments.

The Co-operative Development Centre in the Sugarbelt of Kenya was a shining example of the practical application of this concept. In this area, a prototype production oriented/multipurpose Co-operative system had been developed, catering for almost every need of the community, with activities ranging from collective farming and produce marketing to medical facilities and literacy classes. The Co-operative Department had spearheaded this development.

10.3. Zambia: The new Government Policy was to form multipurpose/production oriented co-operatives hence the Amendment of the Co-operative Act to accommodate this concept. The Regional Block Farming Co-operatives at Kafulafuta and Kafubu in the Copperbelt Province were an instance of the attempts being made in this direction. The Research Team set under the Co-operative Department, had among its terms of reference, the task of exploring the possibilities of developing and strengthening this new form of co-operatives. Model Bye-laws were already being worked out.

10.4 Plenary discussions then followed leaning mainly on the role of Supervision in these co-operatives. It was generally accepted that supervision remains the same whether it be in multipurpose or single purpose co-operatives, although it should be emphasised that in the former case planning should be intensified.

10.5 The Seminar was informed that the entire subject of Multipurpose Co-operatives would be dealt with thoroughly in a Seminar to be organised by the ICA Office during 1973.

11. RECRUITMENT AND TRAINING The Seminar discussed the training programmes for Departmental Personnel in the various countries represented in the Seminar. These were briefly outlined as follows:-

11.1 Tanzania:

Basic Entry Requirements: School Certificate Ordinary Level or equivalent, with passes in mathematics as compulsory. New entrants assumed the position of Trainee Co-operative Inspectors and underwent four months field training while taking co-operative studies by correspondence course from the Co-operative Education Centre, Moshi. This was followed by a three months practical and theoretical training at the Co-operative College, after which they worked in the field for four months before going back to the College for another six months course. The most advanced course offered by the College lasted for eighteen months and was attended by both the movement and Department personnel. On successful completion of the course students were awarded Diplomas in Co-operative Management. Those from the Department were placed as Co-operative Officers Grade III.

11.2 Kenya: School Certificate - ordinary level, was the necessary entrance qualification. The new recruits assumed the position of Co-operative Assistants. After a period of familiarisation field work, they were sent to the Co-operative College for a three week Induction Course after which they worked in the field for a period of time before being sent back to the College for a three month course. Advanced course in co-operatives were offered at the Kenya Institute of Administration.

11.3 Zambia: New entrants assumed the position of Co-operative Assistants. After one year of field work, they underwent a three month training. A nine month Progressive Course in Co-operatives was being offered at the Evelyn Hone College of Applied Arts and Commerce. As there was no institution for advanced Co-operative Studies, Officers were sent for such studies outside the country.

In the future, co-operative studies would also be conducted at the President's Citizenship College where a Department for Co-operative Studies was to be set up. The Swedish Co-operative Research and Planning Team had also proposed to set up a Co-operative College in Lusaka.

For recently recruited graduates, they had to work in the field for sometime before being placed in charge of any district or Unit.

11.4 Ethiopia: At the moment, short courses were being held at the Co-operative Training Centre in Awassa. Officers were receiving their intermediate and advanced studies outside the country.

11.5 No training institutions for Departmental Officers were known to exist in Mauritius, Botswana and Swaziland.

11.6 The case of Officers leaving the Department for better paying jobs elsewhere had been experienced in some countries. To minimise such tendencies, the Kenya government intended, as an incentive to give salary increments to those officers who proved diligent in performing their duties.

11.7 It was generally felt that there was a need for the senior Departmental Officers to help their subordinates - particularly the newly recruited officers - build up a career within the Department, by advising, encouraging and taking an interest in their work. To help them develop positive attitude towards their career, it was necessary that they worked under favourable conditions where their efforts were being appreciated by their superiors and their struggles rewarded.

11.8 It was further felt that there was need for creating systematic career development programmes for the Departmental personnel - aiming at giving them security of employment, incentives and opportunities within the Department. Such exercise should, preferably be tied up with the national co-operative education and training programmes. (See Resolution IV: ICA to carry out research into educational and career development programme.)

12. RELATIONSHIP BETWEEN THE DEPARTMENT AND THE MOVEMENT:

It was noted that there were satisfactorily good relationships between the Departments of Co-operatives and the Co-operative Movements in all the countries represented in the Seminar. It was emphasised that this relationship should be sustained and that any tendencies likely to strain such relationship should be avoided. (See Resolution Five: call for Closer Cooperation between the Movement and the Department)

13. CONCLUSION: In winding up the Seminar, a summary of the proceedings and the resolutions passed therein were read out to the participants.

14. CLOSURE:

The Seminar was officially closed on Saturday 4th November by Mr. Willima, Permanent Secretary in the Zambian Ministry of Rural Development. The closing ceremony was also attended by Mr. S. Mwanba, Director of Cooperatives in Zambia.



RESOLUTIONS PASSED BY THE ICA REGIONAL SEMINAR FOR SENIOR DEPARTMENTAL OFFICERS ON "EFFECTIVE SUPERVISION AS A MEANS OF ACHIEVING INCREASED EFFICIENCY IN THE PERFORMANCE OF CO-OPERATIVES".

We the participants representing six African countries and the Island of Mauritius, attending the ICA Regional Seminar for Senior Departmental Officers under the theme "Effective Supervision as a Means of Achieving Increased Efficiency in the Performance of Co-operatives", do hereby RESOLVE as follows:-

RESOLUTION ONE \* We REQUEST the ICA Regional Office for East and Central Africa to carry out a comparative study of the various Inspection Report forms currently in use in the different countries of the Region with a view to formulating a standard Inspection Report for possible adoption by all the countries represented in the Seminar;

RESOLUTION TWO \* We REQUEST the Co-operative Commissioners of East and Central Africa to reinstate the ICA Working Party on Accountancy, Audits and Statistics as it still has a useful role in the Region, and that when revived, this Working Party should elevate its role to meet the prevailing needs in the field of Accountancy, Audits and Statistics;

RESOLUTION THREE \* We REQUEST the ICA Regional Office for East and Central Africa to carry out a study on the training programmes currently in use in the Region, and explore the possibilities of equipping the Departmental Supervisory personnel with better skills and abilities for the performance of their duties;

RESOLUTION FOUR \* We OBSERVE and EXPRESS the urgent need for every country represented in this Seminar to formulate a career development programme providing for favourable terms and conditions of service for the supervisory personnel so as to give them incentives for a more effective performance of their duties, such programme to embrace also clearly stated career development opportunities within the Department;

RESOLUTION FIVE \* We URGE for increased good relationship between the Departments of Co-operative Development and the Movement, and CALL FOR co-operation and co-ordination between the two parties when planning and when formulating various policies involving the development of the Movements;

RESOLUTION SIX \* We DRAW THE ATTENTION of the ICA Regional Office to the five observations made at the end of the Tanzania paper presented to this Seminar, and REQUEST the said ICA Regional Office to initiate a research into the reasons underlying these observations, as it is our considered opinion that these observations call for a careful study.

ICA REGIONAL SEMINAR FOR SENIOR DEPARTMENTAL OFFICERS,  
LUSAKA, 30TH OCTOBER, - 4TH NOVEMBER, 1972.

PROGRAMME

MONDAY

- 30/10/72 - 09.00 Official Opening  
10.30 The Co-operative movement in Zambia.  
11.30 Efficiency in Co-operatives  
- Arne Holmberg  
14.00 Country Reports: "Problems of supervision"  
- Kenya, Tanzania, Ethiopia, Mauritius.  
15.30 Plenary Discussion on Country Reports.

TUESDAY

- 31/10/72 - 08.30 The Co-operative Acts and Efficiency.  
- Short Introduction  
10.30 Plenary Session on "Co-operative Acts."  
11.30 The Role of the Department in Promoting Efficiency  
- Short introduction by Dan Nyanjom  
- Plenary Discussions  
14.00 Plenary Session on "The Role of the Department  
in Promoting Efficiency".  
15.00 The Application of a Comprehensive Inspection  
Report and its Contribution to Efficiency.  
- Presentation of Tanzanian and Kenya Case  
studies  
- Plenary Session

WEDNESDAY

- 01/11/72 08.30 The Role of Unified Accounting System in  
Promoting Efficiency - Kenya Case Study.  
10.30 Plenary Session  
11.30 Supervision in the Changed Multipurpose  
Situation  
- short introduction by Dan Nyanjom  
14.00 Plenary Session  
15.00 Advice, supervision and control:  
- their relative role in promoting Efficiency.

THURSDAY

- 02/11/72 Whole day: Study Visit to Co-operatives in the Copperbelt.

FRIDAY

03/11/72

08.30

The Supervisor: Recruitment and Training

09.30

The Supervisor: Incentives and Motivation

10.30

Plenary Session: Recruitment, Training, Incentives and Motivation.

14.00

Relationship Between the Movement and Departmental Staff (in the light of efforts to achieve efficiency).

- Plenary Session.

SATURDAY

04/11/72

08.00

- Summing up
- Conclusions
- Recommendations

09.30

- CLOSURE.

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ON

"EFFECTIVE SUPERVISION AS A MEANS OF ACHIEVING  
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LUSAKA, ZAMBIA, 30TH OCTOBER - 4TH NOVEMBER, 1972

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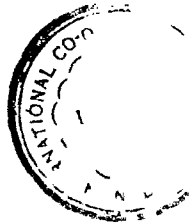
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