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Perspectives for Co-operatives in East Africa

Presentation Paper :

**TANZANIA COOPERATIVES:
THEIR ROLE IN SOCIO – ECONOMIC DEVELOPMENT**

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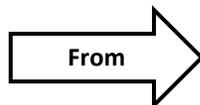
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**CO-OPERATIVE ENTERPRISE DEVELOPMENT
CENTRE**

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Abbreviation and Acronyms

Arusha Declaration: Tanzania’s blueprint for ideological socialist transformation as was issued in 1967 in Arusha

CCM : Chama cha Mapindizi : Ruling Political Party

CO- OP (s) : Cooperatives (s)

COOPEDEC : Cooperative Enterprise Development centre

Political Parties: TANU (mainland) and ASP (Zanzibar) merged in 1977 to form one political party in the United Republic of Tanzania, ie CCM (Chama cha Mapinduzi)

SACCOs : Savings and credit Cooperative Society (s)

SCCULT : Savings & Credit Cooperative Union League of Tanzania

TANU : Tanganyika African National Union (former ruling Political Party)

TFC : Tanzania Federation of Cooperatives

TANZANIA COOPERATIVES: THEIR ROLE IN SOCIO – ECONOMIC DEVELOPMENT

1.0 HISTORICAL OVERVIEW

1.1 At the Inception stage: in colonial time

The importance of the cooperative movement for Tanzania rural development can not be overestimated. Indeed, rural development found its primary expression in the movement of agro-marketing cooperatives.

The coffee farmers associations of 1925 came to form the first eleven agro-marketing cooperative societies in 1933 in Kilimanjaro area. They were registered together with their secondary society named "Kilimanjaro Native Cooperative Union (KNCU) – which is still in its existence today.

The success of the first registered co-ops in the Kilimanjaro area spurred the move in the 1940s and 1950s to establish such type of co-op organisations in other cash crop growing areas in the country. However, the peasants easily accepted their formation simply because of their motive to uproot the Asian traders as there was an increasing dissatisfaction with the marketing and crop processing monopoly held by these Asian traders. The British adopted the spread of marketing co-ops in cash crop growing areas in the 1950s. Since then, the co-ops were usually given a marketing monopoly in their respective areas of operation. This compelled many to join the co-ops, for it was the only way to market agricultural produce. The success of co-ops during this period was attributed mainly to strict observance of economic viability criteria in forming the co-ops.

The numbers of cooperative which were already registered before the Independence Day were 857 primaries and 38 cooperation unions.

1.2 Cooperatives: From Independence to the Arusha Declaration 1967

The rural co-operative aim was since Independence, the socio-economic advancement of the rural individual person, the local community, and the nation. The rural co-ops were looked at as institutions that could make a contribution to economic and social

progress, and were brought into economic spheres and given a definite place in national planning. The rural co-ops were envisaged by the government as people's organisations capable of mobilising local resources for local development. It was in this period that the co-op movement was provided with opportunities to enable improvement of the economic and social condition of the rural masses (*The First Five – Year Development Plan, 1964 – 1969*). The rural co-ops were commandeered by the government as "quasi automatic" prime movers of development. They were reckoned, too, by the government to be suitable local organisations at the village level to efficiently promote small farmers with government aid to bring about rapid social change and economic development. On realising that the co-op movement was a means of broadening the base for popular participation in the development effort and for equitable sharing in the benefits of development, the government directed itself towards the promotion of rural co-ops. The designated mission of rural co-ops was to improve every aspect of the lives of the rural poor.

On the implementation, this period was characterised by a continuation of the policy of encouraging the formation of single purpose marketing co-ops. The difference from the colonial period was that the expansion of co-ops was then uncontrolled, and such coop organisations were set up everywhere in the country regardless of whether a viable basics for their operations could be found or not. The number of co-ops, about 700 registered with the government at the time of Independence, almost trebled in the early years after Independence. Encouraged by the economic success of the co-ops during the colonial period, the newly independent Government was convinced that co-ops were in line with the efforts to build an African type of socialism. Government leaders and TANU politicians proposed their formation in all corners of the land. However, the rationale was no longer primarily economic nor financial but political. Co-ops were set up as a matter of principle. Little consideration was given to their feasibility and contribution to the economy. They came to mean the creation of political and economic power for the individual and for the TANU political party, rather than enhancing service delivery to peasant members who formed the co-ops.

This indiscriminate expansion of co-ops resulted in a number of problems and shortcomings in their running. These were quickly intensified. It was because of this that the 1966 Presidential Commission of Inquiry into co-ops was formed to look into the management of the co-op movement. The report that came out urged the Government, among other things, to expand co-op education, to strengthen control over co-op movement and to increase the powers of the Registrar of co-ops in order to enable the Government to fire incompetent and corrupt co-op leadership. All these recommendations were enacted in the 1968 co-op legislation, as a Government move to alleviate the worsening situation in the co-op movement.

1.3 *Co-operatives and Ujamaa (Socialism), 1967 - 1975*

During this period the Government outlined the rural development strategy through the Arusha Declaration 12 to be centred on policies for socialist transformation by using "Ujamaa Villages" as basic units of co-operation and not "the co-op societies" as previously. Following major reorganisation of the co-op movement, the Government unveiled the policy of Ujamaa Villages. Rural co-ops were to be registered as multipurpose village co-ops for multi-functional activities which included commercial-cum political-cum administrative activities at village level. The old co-op institutions were substituted by new ones in the form of Ujamaa Villages.

The policy of Ujamaa villages differed from the previous co-op development approach in three major ways:

- ***Co-ops were to be for multi-functional activities***, i.e. multipurpose village co-ops. Besides political and administrative functions at village level, the co-ops had additional commercial activities, viz; wholesale distribution of basic commodities and transportation. However, most of the co-ops were unprepared for the additional duties, so execution fell short of expectation, as was to be expected with hindsight. As a result of moving into these other activities, much of the attention to peasants' needs was diverted. This caused failure to deliver better services to the peasants, and thus made their lives more difficult than before.

- ***Communal production of crops in the village was paramount*** hence, establishing communal ownership of land and thereby rescinding individual ownership of land as formerly prevailed under co-op activities.
- ***Creation of small co-ops*** was introducing Ujamaa socialist principles at the primary society level. Every village was to be registered as a village co-op, in a move to give the co-op movement a socialist perspective.

In order to speed the socialist transformation process and to bring the Ujamaa villages under legal force and recognition as basic units of co-operation, the Government enacted the 1975 Villages legislation to replace the 1968 Co-op Act. Villages/Ujamaa Villages became registered as multipurpose co-op units. The TANU party and the Government then reconsidered the role of marketing co-ops. The decision was to dissolve them. In May 1976 all marketing co-op unions and societies were dissolved. The lame argument of the TANU party was that the co-ops had lost their representative nature amongst the rural peasants!

1.4 The Situation Without Agro-marketing Co-operatives: 1976 to 1982

Following the dissolution of marketing primary co-ops in 1976, the ujamaa villages stood in their place. Ujamaa, a programme that was meant for restructuring of rural marketing and production, was both a pragmatic strategy and an ideological rallying call for the State to take the initiative on behalf on peasants' interests. Thus, the seven year period was characterised by extended State control over agricultural marketing to its furthest reaches, placing all levels of produce buying down to the village under parastatals, as the marketing co-ops were by then defunct. In the meantime there was an attempt to retain the esteem of its electorate-cum-clientele in the face of marketing facilities, transport and personnel which were vastly inadequate for the understanding.

The Crop Authorities, as parastatals, designated to carry out produce marketing direct from the villages and to perform other activities of the defunct co-op unions, failed to deliver appropriate services to the beneficiaries. It was found that Crop Authorities could

not meet demand of the producers; and so there arose mounting complaints from all directions against their bureaucratic attitude, inefficiency, corruption and non-prompt cash payment for peasants' crops. In short, this meant total mismanagement and irresponsibility. Rightly, this was indeed the assertion of many that parastatals were not of peasants' formation and interests, but of the State. The poor and chaotic performance of the Crop Authorities was contrary to the expectations of the party CCM and its government, and thereby the government was forced, after Ngwilulupi Commission of Inquiry, to reinstate the co-operatives immediately.

1.5 The Reinstated Co-operatives: 1982 to 1990

This period was characterised by explicit Government contravention of basic co-op principles and intervention in the management affairs of the reinstated co-op movement. To many, re-establishment of co-ops meant the relinquishing of a considerable amount of centralised government control over produce marketing and over the co-op organisations themselves as a whole. The people were demanding structural reforms in the local marketing organisations and which were to become organisations of their own formation in order to meet their needs; they demanded democratic management and control by the membership of the co-ops.

On the contrary, the 1982 legislation for the reinstatement of co-ops was largely based on the recommendations of the CCM Party which directed that all reinstated co-ops were to be multipurpose, a system which had previously failed to work. Secondly, the Co-op Unions were to exist at regional level without considering other factors which needed co-operation to be successful. Thirdly, and most striking, the legislation brought the co-op movement under the CCM structure, as a political party mass organisation.

Under such a structure, the co-op movement got direct command, directives and control from CCM and the Government. That is why the election of co-op leaders at all levels and employment of Co-op Unions' senior staff had to be screened and approved by CCM organs. By forcing the co-ops to recruit leadership not of their own choice, the CCM political party made easy the entry of incompetent non-committed opportunists and

other corrupt people into the co-op movement. In this way, the co-ops were obviously plunged into serious mismanagement under the weight of State and ruling political party bureaucracy. In 1989, the Government confessed publicly that its own policies and directives were responsible for 87 percent of the total Co-op Unions' debts amounting to Tsh.40 billion. In addition, the co-op members had nothing much in terms of their own organisation, but were there in total frustration and despair at co-op prospects. Co-op leaders directed their loyalty to CCM. This was where they were made accountable. They were no longer accountable to the co-op membership, who were the "owners" of the co-ops.

Following the 1985 CCM directive that by December 1987 all villages should be registered as multipurpose village co-ops along the CCM structure, the reinstated co-ops were forced to undergo other structural changes. These necessitated the breaking up of their larger associations in order to form village multipurpose co-ops, under the legal style of "voluntary division" on political criteria rather than of "economic viability" or on "efficiency and effectiveness" criteria of a co-op towards serving its membership. The members then realised rightly that the co-ops were the property of CCM and the Government and so they could not cater for their own needs.

1.6 *The Current Co-operative Reforms of 1991 to 2000*

This period was characterised by energetic efforts on the part of the government to institute a viable reform program, using the Rochdale model, as outlined earlier. This government move was vital because the co-ops were no longer true self-organisations of and for the members. It had been an open secret that the co-ops had been serving the interests of non-members and other outside bureaucratic forces, and not their members' interests. It had long been realised that the members and local beneficiaries had lost all interest in the co-op organisations. Thus the "reforms" referred to earlier, blighted the life of the co-operative movement in Tanzania. Thus precisely, the planned reform had drawn its origin from the contravention of co-op principles in terms of legal and political interference; the withering of co-op democratic management and co-op autonomy –and absence of member-empowerment; the failure and the effects of the

multi-purpose village co-op system; and also from the dictates of the national Structural Adjustment Programme (SAP).

This co-op reform programme was embarked in two phases: (i) the setting up of the co-op institutional framework and the creation of an environment in which co-ops could then operate more autonomously for the interest and benefit of their members; and (ii) promoting capacity building for the co-op movement in order to achieve member empowerment and higher degree of efficiency and effectiveness. The main instrument for this co-op reform was the Co-op Societies Act, 1991, in which the internationally recognized co-op principles were brought to the centre to help reshape the co-op movement in Tanzania.

It was during this period that the country adopted the macro-economic changes which introduced the free market economy. In 1997 the first Cooperative Development Policy was formulated after some 70 years of Tanzania's cooperative history. However, its scope did not match with the already introduced free market and trade liberalization policies.

Following the trade liberalization policies, the agro-marketing cooperatives lost their monopoly of crop marketing and also stopped to enjoy Government guarantees for crop financing. Thus, the cooperatives then collapsed. The 1991 Cooperative Act and the 1997 Cooperative Development Policy could not rescue the cooperatives stance.

1.7 Cooperatives in the Trade Liberalization and up to the Present

The free market policies forced the cooperatives to undergo structural changes. By this situation, the Government formulated new progressive Cooperative Development Policy of 2002 and also passed the 2003 Cooperative Societies Act in order to accommodate inevitable changes in the cooperative movement.

However, despite of all such conducive environment placed by the Government, many agro-marketing cooperatives have collapsed, for they have failed to reform themselves. Those which are yet limping, cannot render desired agro-marketing services at a

satisfactory level. Precisely, some have died away, others are just dormant for simply they lack corporate capacity to carry on agro-marketing functions. They still claim that trade liberation was introduced before they were made prepared for such economic changes.

Micro –financial Intermediaries:

It was during this period that cooperatives in financial intermediation got a strong rise with strong influence just overshadowing the prominence of agro-marketing cooperatives, and these are the Savings and Credit Cooperative Societies (SACCOs).

The SACCOs have scored a pervasive receptivity and easy entry to all economic and social sectors where the membership has been attracted at the highest by credit–driven rather than saving–driven motive. In all working places, in urban and rural areas, the word “SACCOs” is mystifyingly claimed to be the armstick of the poor. The SACCOs have even attempted the Government’s high echelon to let SACCOs undertake agro-marketing activities instead of the registered agro-marketing cooperatives which some are in dormancy.

Table No. 1: Number of registered cooperatives in Tanzania by 2007 & 2008

Type of Cooperative	2007	2008
Industrial	101	185
SACCOS	4,445	4,780
Crop Marketing	2,670	2,614
Livestock	119	71
Service	209	218
Fishery	113	129
Housing	7	11
Mining	16	3
Water User/Irrigation	96	98
Consumers	96	103
Transport	10	4
Others	269	335
TOTAL	8,151	8,551
Unions	44	44
Federation	1	1
Confederation	1	1

2.0 POLICY ANALYSIS AND COOPERATIVE LEGISLATION IN TANZANIA

2.1 *After Independence and up to 1990*

The Government policies on co-ops that followed after Independence up to 1990 had four major aspects in common. First, they disregarded the co-op membership as owners of the co-op organisations, which were to cater primarily for their socio-economic interests, and which were to be managed and controlled democratically and autonomously by the members themselves. Second, the policies were politically motivated, that is, they encouraged political prominence of the nation rather than the economic and social progress of the members and of the local communities. Third, the co-ops were established from above and on a scale not coinciding with primary objectives of the membership. Fourth, these policies resulted in destabilising the co-ops, for the co-ops became weaker and weaker in managerial, financial and operational stance so that they could not satisfactorily recoup their internal resources. The co-op dynamism dissolved; and these policies apparently positioned the co-ops look impractical for solving the socio-economic problems of the rural poor.

Similarly, subsequent co-op legislation in the same period and more clearly after the Arusha Declaration had the effect of separating the people from their co-ops, and due to long usage, the owners came to believe that the co-ops were not their own property but that of the State.

Rightly, the explicit purpose of Government policy in the post independence period to sponsor the co-ops was to use them as agents of rapid socio-economic progress, particularly in the countryside. All along, the role of co-operatives as instruments for the implementation of the "new" development policy had been considered by the government to be more important than their character as self-help organisations to serve primarily the interests of the membership. Indeed, immediately after Independence, the Government embarked on the co-op expansion policy whereby co-ops were hurriedly formed in both cash and food crop growing areas based primarily on political interests, member education and staff training. The co-op goals were, thus mainly set from outside i.e. set by the Government.

The results of this, were that those co-ops which were formed without genuine member support, later collapsed, and most co-ops were plagued with mismanagement, irresponsibility, and insolvency. It became imperative to have a new co-operative legislation instead, in order to save the situation. Along with that stance, the then newly enacted 1968 co-op legislation did not give room to co-op autonomy nor provide member support to enable them to manage and control their co-op affairs democratically and independently. Likewise, the legislation did not kindle member empowerment. But on the other hand the Government strengthened its control and such other strict measures of control in order to keep the registered co-ops obedient without active member support and autonomy.

The explicit expression of Government policies in implementing the socialist strides as dictated by the Arusha Declaration, was the denial of people's right to form and manage their own self-organisations for their socio-economic destiny. The 1975 Ujamaa Villages Act spelled out the mode for the implementation of the Government policy towards socialist transformation whereby co-ops were disbanded. This was total annihilation of people's self-determination. Ujamaa villages initiated by the Government stood instead to take over co-op activities. Ujamaa villages only served the government's political interests.

During 1982 to 1990, Government policy ensured the reinstated co-ops to become part of the structure of CCM's mass organisation.

This implied a total contravention of internationally recognised co-op principles, which stress neutrality to political factions. Thus, under CCM structure, the co-ops received commands and directives from CCM and Government at all levels, and this was total intervention in co-op affairs. The 1982 legislation for the re-establishment of co-ops was another legal endorsement to bring the co-op movement under political structures. The implications of this were many. The co-op membership was frustrated, the ownership of co-ops shifted into the hands of CCM and government, and there was no effort at all to recoup the internal resources for strengthening the co-ops. The co-ops were tuned to serve the political interests and not the interests of the members.

2.2 *The Co-op Revival: 1991 up to 2000*

The Government policy on co-ops since 1991 has been explicit on three broad aims. First, to ensure the institutionalisation and implementation of the basic co-op principles and structural development of a genuine co-op enterprise. Second, to ensure capacity building in co-ops in view of achieving member empowerment and higher degree of efficiency and effectiveness. Third, to ensure the government create conducive environment in which co-ops can operate their activities with efficiency and effectiveness under the true characteristics of democratic and autonomous co-op organisation along the Rochdale co-op principles model.

Upon the policy outline, the 1991 Co-op Act has stressed the importance of promoting autonomy and member-empowerment and the essence of co-op ownership. This is so that the co-ops can become responsible organisations of the members, for the members, and by the members themselves. In this way they can be real instruments for eradicating rural poverty.

2.3 *The Period of Free Market Economy to the Present*

The Cooperative Development Policy of 2002 which ignited the promulgation of the 2003 cooperative legislation makes an important departure in the definition of roles and responsibilities of the Government and other stakeholders in the promotion and support for Cooperative development. The major departure points are in the following areas:-

- (a) It repositions government commitment to support cooperatives which are owned and managed by their members according to the internationally recognized cooperative principles and values;
- (b) The policy recognizes the structural and historical factors that constrain the development of cooperatives in liberalized market environment, and thus creates the required conducive environment for cooperatives to operate and compete more effectively and efficiently;
- (c) The policy recognizes economic groups as important initiatives towards genuine member- based cooperatives; and

(d) The policy puts emphasis on commercially oriented business minded leadership instead of civil-service oriented management in running the cooperative movement.

The focus of the objectives of the Policy are therefore, to encourage, support, foster and widen the establishment of member-driven cooperatives, which are economically viable and strong.

Table No.2: The Growth Trend of Rural Co-operatives and Their Individual Membership in Tanzania, 1949 – 1995

	Year/period marketing PCS	Rural Coops	Individual membership Per PCS	Average
1	1949: The inception period	79	60,445	765
2	1959: Pre-maturity period	617	324,994	617
3	1960: The maturity period	691	326,211	472
4	1964: (i) The expansion programme period (ii) The period before Government Intervention: Political socialist ideology	1066	513,206	487
5	1965: -do-	1,219	585,777	481
6	1976: (i) At the time of rural cooperative disbandment (ii) Rural co-ops already in political socialist band-wagon.	2,000	702,181	351
7	1989: (i) The period following the reestablishment of rural co-ops (1982 Co-op Act) (ii) Socialist transformation in action; rural co-ops were the vehicles, and so turned into political, village multipurpose co-ops. Their formation based on political criteria	5,359	577,951	107
8	1990: -do-	6041	528,666	86
9	1992: -do-	6196	562,125	91
10	1994: (i) The period following the 1991 Co-op Law: abandoning political Socialist approach (ii) The period of co-op restructuring based on economic criteria	2,575	187,675	71
11	1995: -do-	2,556	185,048	72

Source: Ministry of Agriculture and co-operatives.

3.0 THE CURRENT STATUS OF COOPERATIVES

3.1 Structure of Cooperatives

(a) The Cooperative Movement

The Tanzania's cooperative movement is of four tier structure as per current cooperative legislation. The structure of cooperatives is made up from primary societies at the base level and the Federation at the top. However, subject to the wishes of cooperative members, the structure may comprise of middle societies such as secondary societies (Unions) and apexes.

- Primary may form – secondary societies (unions)
- Secondary may form – apex societies
- Apex societies may form - a Federation

(b) Tanzania Federation of Cooperatives (TFC)

- (i) **TFC is formed and registered** to provide, organise and supervise effective centralised services for the member societies and also to provide cooperative education and training and such other services as may be necessary or expedient for its members. TFC was formed in 1994 replacing the former Cooperative Union of Tanzania (CUT). TFC is financed by its own sources: annual subscription fees and income from its properties, especially renting its buildings.
- (ii) **Membership:** TFC gets its members direct from the primary level, ie. primary societies without necessarily having affiliation linkage with a Union. Also TFC gets its membership direct from the secondary cooperatives without necessarily having affiliation linkage with an apex.
- (iii) **The Structure:** Presently, the TFC's four tier structure is practically non-visible. For it is not built for the clear expression of socio-economic development of its members and the general cooperative stakeholders. There

is no socio-economic delivery service linkage between the Federation and the primary societies. Most of primary cooperatives are not aware of the existence of TFC, for it apparently has no socio-economic function at all at the primary level. Thus, they claim the ladder in between is too long and too high to effect a meaningful cooperation. Precisely, it is talked of that TFC excels its publicity to the external world whereas its publicity downward to the primary cooperative members is not there at all or has remarkably faded away.

The cooperators, having noted that TFC has distanced itself afar from the primary cooperatives, are requesting now a new structure to be established that will show a clear socio-economic delivery service linkage and clear TFC commitment towards helping the rural poor cooperators who founded it some 50 years ago

(c) Linkage between the Primary and Secondary Coops

The cooperative legislation states that any agro-marketing cooperative, a primary or a secondary or an apex, may carry out crop marketing functions for its members for internal as well as for external market – that is as direct sales transactions, in its own capacity as a legal business entity without passing its crop through affiliation channel. It is in this context, that some agro-marketing cooperatives which carry out their crop marketing functions up to the buyers, find the cooperative Unions redundant. Some coffee primary coops are selling their coffee crop direct at the auction for internal and overseas buyers.

Further to that, from the previous study it was acknowledged that while the primary co-ops become affiliates to the co-operative unions for help, the co-op unions in the same way affiliated them for devouring. Much trouble and misunderstanding between the PCS and the co-op unions have greatly affected the delivery of services to farmer-beneficiaries. For the co-operatives in the upper order have expressly claimed ownership over the others in the lower order. The co-op unions have acquired strength by styling themselves the “owners”, or the “bosses” of the primary

co-op affiliates; they dictate terms to them. The co-ops in the upper order have assumed overwhelming authority over the affiliates, whereby they have been used to unreservedly issue instructions, usurping the management of the affiliate enterprises.

For these reasons, the cooperative vertical structures are subject to be weak, and not to have a meaningful recognition, especially among the agro-marketing cooperatives.

(d) The Savings and Credit Cooperative Union League of Tanzania Limited (SCCULT)

The Savings and Credit Cooperative Union League of Tanzania (SCCULT) is the national association of registered SACCOs. SCCULT is a cooperative union, however some SCCOs are not its members. SACCOs may become members of SCCULT or may affiliate to other types of savings organizations or may affiliate direct to TFC; the affiliation is not mandatory.

The SACCO movement has opted for both two-tier and three-tier structures to support its activities. SCCULT, which was registered in 1991, is presently recognized as the strongest organization in Tanzania; it has about 1,205 members. Annual membership fees and service charges receivable are the main sources of internal self-financing.

Table No.3: Situation of SACCOs

Indicator	December 2007	June 2008
Number of SACCOS	4,428	4,445
Members	764,602	765,931
Shares (TZS)	22,331,918,765	21,766,545,131
Saving (TZS)	73,760,474,837	74,609,319,888
Deposits (TZS)	26,537,874,906	16,960,121,642
Loans issued (TZS)	185,587,647,366	186,582,194,810
Outstanding Loans (TZS)	79,852,376,245	80,202,150,450

(e) APEX Cooperatives

Tobacco marketing cooperatives are the only cooperatives that have opted for a four- tier structure. The Tanzania Tobacco Cooperative Apex Ltd (TTCA) is a national tobacco farmers' cooperative organization, which was established in 1994. It has six affiliates – tobacco cooperative unions. Annual membership fees and crop levy are the main sources for financing the Apex.

Tobacco growers seem to have made more progress in increasing the income of their cooperative members than cotton growers. In the main traditional crops (coffee, cotton, tobacco, cashewnuts) cotton growers are most numerous. The income of tobacco cooperative members shown below indicates above average incomes when compared to those who are not members of cooperatives.

Table No. 4: Income of tobacco cooperatives

Unions	Primary Coops	tobacco Growers	Production			
			2006/07		2007/08	
			(Kgs)	D	(Kgs)	Value USD
WETCU	129	39,676	24,367,911	23,568,643	23,142,134	27,045,333
KACU	43	8,735	5,217,250	5,740,540	5,017,845	6,062,809
LATCU	48	6,954	4,831,883	4,996,650	5,002,289	6,188,166
CETCU	11	2,500	1,335,177	1,193,247	1,770,799	1,911,574
CHUTCU	6	9,327	5,140,409	4,631,585	6,026,585	6,465,458
SONAMCU	20	6,500	1,380,070	1,034,983	2,739,379	2,420,432
TOTAL	257	73,692	42,272,700	41,165,573	43,699,031	50,093,774

3.2 *Sectors in which Cooperatives are most active*

SACCOs have been more aggressively spread to the salaried employment sector that includes the industrial as well as the service sector. The Forces (Police, Military and Prisons) have excelled in membership; for they have automated membership for all, however, with one's volition in obscurity.

The SACCOs receptivity in the agricultural sector is generally low as well as in the rural areas, whereas in urban areas SACCOs are well recognized and are used accordingly.

Agro-marketing cooperatives are well known for traditional cash crops, especially for coffee, cotton, and cashewnuts. Much of agricultural produce, that includes traditional food crops – maize, paddy/rice, groundnuts, oil seeds, etc, are marketed through private hands, and very little through cooperatives.

3.3 *Where is the biggest need for co-operatives*

The biggest need for co-operatives is in the agriculture sector. The agro marketing coops lost their hold in agro marketing activities since the 1976 abolition of agro marketing coops. Their re-establishment in the 1980s came along with confusion whereby co-operatives were brought under the ruling political party hegemony.

The introduction of trade liberalization which brought about the rescission of agro-marketing monopoly and government guarantee for crop financing was another hypnotic blow to co-operatives; they are yet narrowed in dormancy.

In this trade liberalization period, agro-marketing co-operatives have not chanced yet to be patronized with political cum-administrative benevolence of the government and of the general public that could retrack them to rural economic development scenery. For the government instrument that was to be applied for their retracking, viz: the "CO-OPERATIVE REFORM AND MODERNIZATION PROGRAMME" has been put aside for unknown reasons, and is still now a dream to be implemented.

If the agro-marketing subsector is revitalized, the youth- the productive working age, will be attracted to engage themselves in agricultural production, for they will be assured of marketing their crops through co-operatives. Irrigators Co-operatives are coming up but they need promotional support.

3.4 Revitalization of the Co-operative Movement

The Government is in its arrangement to detach the "CO-OPERATIVE DEVELOPMENT DEPARTMENT from the Government Ministry and then to make it an autonomous establishment under the name of a "CO-OPERATIVE COMMISSION". This is looked at as government effort to revitalize the co-operative movement, for the Commission will be vested with clear promotional powers and resources that can be used to revitalize the co-operative movement. It is hoped that the coming Commission would put into action the "Co-operative Reform and Modernization Program" for revitalization of co-operatives. For it was been designed to "initiate a comprehensive transformation process of co-operatives to become organizations which are member owned and controlled, competitive, viable, sustainable and with capability of fulfilling member' economic and social needs".

4.0 LEGISLATIVE/REGULATORY FRAMEWORK IN WHICH CO-OPERATIVES OPERATE

4.1 The set-up of legislative/regulatory framework

The legislative/regulatory frameworks in which Tanzania co-operatives operate has the following setting:

- The Co-operative Act and the Rules, and Co-operative Bylaws
- The Registrar of Co-operatives
- Co-operative Audit & Supervision Corporation (COASCO)
- Other Laws related to operations of the society
- Code of Conduct

4.2 Tanzania's Co-operative Societies Act No. 20 of 2003

This Co-operative Societies Act is the principal legislation for the Tanzania's co-operatives. Then, there are " The Co-operative Societies Rules, 2004, which are formulated to assist in the regulation of co-operative businesses. The Co-operative Bylaws are the Society's constitution which are made by the members and are the "official legal instrument" and so binding to the members and the co-operative society itself.

The Act provides direction on how co-operatives should be established, managed and guided, and in accordance to the co-operative values and internationally accepted "Co-operative Principles". Co-operative legislation is thus meant:-

- To promote co-operative development in country
- To safeguard interests of co-operative societies and of co-operative members
- To direct co-operative operations and co-operative establishment.

4.3 The Government Role and Responsibility to co-operatives: *as stipulated in the Act*

The Government has committed itself to provide and create conducive social, economic and legal environment for the development and prosperity of co-operatives. It stands therefore, to provide encouragement:

- For the co-operative development for economic, social and cultural purposes and for human advancement on the basis of self- help, and
- For the development of co-operative societies so as to become a MEANS of:-
 - (i) Improving the economic situation of their members
 - (ii) Contributing to the economy and increased measure of self reliance and democratic control of economic activity
 - (iii) Increasing personal and national capital resources by encouragement of thrift, the prevention of usury and the wise use of credit
 - (iv) Raising the level of general and technical knowledge of co-operative members,, and co-operative functionaries, and
 - (v) Achieving goals of development programs though people’s participations and which is a key requirement.

4.4 Minister’s Responsibility to Co-operatives: *as stipulated in the Act*

The Minister responsible for co-operatives, is to take such measures as he deems necessary for the encouragement generally of co-operative development for economic, social and cultural purposes, and human advancement on the basis of self-help and in particular for the encouragement of the organization of co-operative societies.

4.5 Registrar of Co-operatives: Functions and Responsibilities: *as stipulated in the Act*

His functions include:

- (a) To register, promote, inspect and advise co-operative societies in accordance with the provisions of this Act;
- (b) To advise the Minister on any matter relating to co-operative societies, and in particular in respect of any assistance, financial or otherwise, which may be required by co-operative societies;
- (c) To encourage the establishment of co-operative societies in all sectors of the economy and to assist co-operative societies to increase their efficiency:

- (d) To provide services designed to assist in the formation, organization and operation of societies and to give advice on co-operative management to all kinds of societies registered under this Act;
- (e) To perform such other functions in relation to the development and well being of co-operative societies such as he may be directed by the Minister;
- (f) To promote, or facilitate education and training of members and staff of co-operative societies.

4.6 COASCO

In the Act, COASCO (Co-operative Audit and Supervision Corporation) is vested with powers of inspection and audit of the co-operative societies affairs.

4.7 Code of Conduct : *as stipulated in the Act: as stipulated in the Act*

The code of conduct requires the co-operative societies to be managed in accordance to the ICA co-operative principles. It makes an emphasis on the high integrity of the co-operative leadership-the management board and the executive staff. It also lays down the mode of election of the leadership and of engaging the employed staff. It sets mechanisms to fight corrupt elements and to protect co-operative properties against misuse and abuse.

5.0 THE ROLE OF THE GOVERNMENT ON CO-OPERATIVE DEVELOPMENT :AS STIPULATED IN THE ACT

(a)The role of the government in cooperative development is well stipulated in the Cooperative Development Policy, 2004, as well as in the Cooperative Societies Act, 2003.

The Policy defines the roles and responsibilities of the government, and, thus-

- (i) Repositions government commitment to support cooperatives which are owned and managed by their members according to the internationally recognized cooperative principles and values,
- (ii) Recognizes the structural and historical factors that constrain the development of cooperatives in liberalized market environment, and thus creates the required conducive environment for cooperatives to operate and compete more effectively and efficiently;
- (iii) Recognizes economic groups as important initiatives towards genuine member-based cooperatives; and
- (iv) Puts emphasis on commercially oriented business minded leadership instead of civil service- oriented management on running the co-operative movement.

The Act defines the role and responsibilities of the government

(a) The government is to provide and create conducive social, economic and legal environment for the development and prosperity of cooperatives. It is there to provide encouragement:

- For the cooperative development for economic, social and cultural purposes and for human advancement on the basis of self-help, and
- For the development of cooperative societies so as to become a MEANS of:-
 - (i) Improving the economic situation of their members
 - (ii) Contributing to the economy and increase measure of self reliance and democratic control of economy activity
 - (iii) Increasing personal and national capital resources by encouragement of a thrift, the prevention of usury and the wise use of credit

- (iv) Raising the level of general and technical knowledge of cooperative members, and cooperative functionaries, and
- (v) Achieving goals of development programs through people's participation and which is a key requirement.

(b) What is required from the Government at present is to promote Co-operative "Corporate capacities" that they become able to carry on inter-state business trade on agricultural economic products in the Partner States of the EAC. Or else, the Tanzania farmers will be left out from the main stream of Participation in the regional socio-economic integration of the EAC.

6.0 CHALLENGES AND PROSPECTS FOR THE FUTURE OF COOPERATIVES

Tanzania's cooperative movement is faced with many and various challenges, and among them are:

(d) Regaining of members' and stakeholders' confidence

This aspect may be taken as the first in the priority list. The integrity of cooperatives has been reckoned to be eroded for so long, and no justifying efforts have been made to bring them back to the sphere of regaining confidence. Cooperatives' life-cycle here has been of ups and downs, but more seriously is remarked to see the cooperatives fail to come out from the hazy state of mismanagement, corruption, irresponsibility, non-accountability thievery, etc the situation that has made cooperatives unable to provide desired services to the members. Unless cooperatives reform themselves in order to get labeled with cooperative values, that could help in building their "corporate capacities", the regaining confidence of the members and stakeholders will continue to be a serious challenge facing the cooperative movement.

(e) Cooperative Reformation

Many cooperatives have failed to reform themselves despite of having a new Cooperative Development Policy of 2002 and a new cooperative legislation of 2003, which have all been formulated along the free market and trade liberalization policies.

They are to undergo basic organizational structures, business management structures and cooperative capital formation structures. Or else, they will have to face the exit from the cooperative movement. Without reformation they can not stand to carry on inter-state business trade in the EAC.

(f) Building cooperative capital formation structures

The Cooperative Development Policy and the cooperative legislation have cited the importance of having strong cooperative capital in cooperative enterprises. The cooperative movement has all along been featured with weak cooperative capital. Before the trade liberalization, co-operatives enjoyed cheap crop financing by

government guarantees when they were also enjoying the monopoly of agricultural crop marketing. At present, many agro marketing cooperatives are dormant simply because they have no cash funds for crop marketing.

The building of cooperative capital formation structures should be taken seriously by looking first at their economic base which they have.

(d)Acquisition of Cooperative Education, Knowledge and Awareness

Lack of adequate cooperative education, knowledge and awareness amongst the cooperators and the leaders, is really a big challenge to the cooperative movement.

Members with adequate cooperative education/ knowledge could likely enjoy more the latitude of loyalty to their cooperatives and the latitude of active participation in the management of cooperative affairs. Cooperatives are mismanaged partly because the tripartite democratic management is impaired; the members fail to make mean cooperative fully contribution to the discussion as well as to the decision making.

The transmission of cooperative education, knowledge and awareness to the cooperators at the bottom is another serious task that requires various resources and strategic planning.

(e)Acquisition of new cooperative models

In order the cooperative movement to have a sound revival and to acquire competent " corporate capacities", there should be innovative approaches purposefully attuned to enable the formulation of clear models for cooperatives to undertake big and serious economic businesses. New models to be formulated should posit the cooperatives in a sphere that they could-

- (i) Carry on "value – added production activities
- (ii) Aggressively attract all members, especially smallholders, to participate actively in cooperative activities

- (iii) Make the diversification on economic activities in order to allow new economic activities for new and enlarged membership
- (iv) Promote the formation of sound cooperative capital
- (v) Create large opportunities for employment in the agriculture sector and related subsector
- (vi) Carry out the inter-state business trade in other Partner States of EAC.

Indeed, the setting of cooperative models needs sound innovative approaches.

(f) Prospects: Prospects for the future of cooperatives in Tanzania are positively big and wide. Cooperatives with inherent advantages, stand unopposed chance to gain prominence in economic service delivery in urban as well as in rural areas with a concentration to the poor. The coming up of inter-state trade in the EAC will indeed force the cooperatives to reshape themselves in order to capture the competitive opportunities whereby agricultural products of smallholders will be marketed through cooperative corridors along the parameters of the EAC Treaty's Protocols of Customs Union and the Common Market.

Other prospects to be looked at are the inevitable aggressive entry of the youth – the productive working age, into the cooperative sector. If the cooperatives accept new organizational models, business management models and such other models, the cooperative movement will be swarmed with the active youth who will engage themselves in agricultural production, artcraft production, livestock keeping, in cooperative housing construction, in SACCOS, etc.

The cooperative movement should then get ready to accommodate such prospects for its bright and promising future.

7.0 CONTRIBUTION OF COOPERATIVES TO SOCIAL AND ECONOMIC DEVELOPMENT

Since their inception in the 1930s in Tanzania, cooperatives have all along expressed their concern to promote socio- economic welfare of the members and of the general cooperative stakeholders and also their concern to promoting socio-economic development in local communities to which they belong. Precisely, rural cooperatives with their multiple advantages of being grass root organizations, having membership participation and accessibility, made rapid expansion whereby the rural people acknowledged co-op successes and achievements as marvels of cooperation.

Really, rural areas in which most people live, witnessed the success of cooperatives undertakings in a wide spectrum of economic and social nature, and the rapid ramification of rural socio-economic infrastructure in different dimensions just arising from the rural cooperative action in the 1950s up to mid 1970s. It was a pride, indeed, to witness the zenith of the empire of "Cooperative Influence". That is why the Independent government appealed to the cooperatives to be instruments for change in an effort to eradicate rural poverty.

Indeed, Cooperatives, despite their various problems and operational setback, managed to show their potential of carrying out production and service oriented activities. These include agro-marketing functions, crop processing, milk processing, farm inputs distribution, wholesaling and retailing of basic commodities, transport, school education, farmers education and democratization. Over 80% of agricultural production and marketing has been done through cooperative hands before the introduction of trade liberalization in the early 1980/90s. With their inherent catalytic elements of being grassroots organizations, having membership participation and accessibility and their "*modus operandi*", cooperatives have identified themselves as practical, dynamic and potential instruments in providing desired socio-economic services to the people.

Thus, the Government, having acknowledged their potential, designated the cooperatives as development promoters, as potential agents of rural socio-economic change, as the vehicles for rural transformation, and hence, as instruments for poverty alleviation.

8.0 POLITICAL ADVOCACY BY COOPERATIVES OUTSIDE THEIR CORE AREAS OF ENGAGEMENT

At present no apparent political advocacy by cooperatives can be acknowledged outside their core areas of engagement. Formerly, the cooperative movement was a political constituency where members of Parliament and Members of the National Executive Committee of the ruling political Party were picked.

However, political advocacy is an important action in order that the movement gets political support for its implementation of cooperative undertakings.

9.0 DONOR SUPPORT

There is little direct donor support given to cooperatives compared with previous times. In the 1990s under the National Agriculture Extension Programme, the World Bank gave a loan for training extension officers and FAO assisted with the provision of training. Donor support has been mostly technical support in the area of training and capacity building. Donors who have assisted the TFC and MUCCOBs include COADY, IFAD and ILO. Two NGOs were also mentioned –INWENT and the Norwegian Cooperative Association (Norges Vel). Belgium Technical Cooperation gives support to cooperative-like organizations (beekeepers associations) in Kigoma region.

There are also local firms like COOPEDEC (Cooperative Enterprise Development centre) which provides cooperative technical services of training, research, consultancy and cooperatives literature development and publishing. Other several NGOs involve in microfinance, including FISEDA, PRIDE Tanzania, FINCA, Poverty Africa, SEMIDE and DID-Dunduliza of Canada which support the SACCO movement and the general microfinance intermediation

10.0 CONCLUSION

The Government's political and administrative will and commitment are pivotal to the development of cooperatives in Tanzania. The cooperatives which are designated and looked at as practical instruments to assist the poor in alleviating poverty, can not be left to go their own way without much and deliberate concern of the designator, the Government. The Government, therefore should be expected to provide meaningful promotional interventions that will ensure the building of corporate capacities of the cooperatives. That is, if the cooperatives are practical key actors in assisting the smallholders to market their crops, let them be promoted in the actual sense so that they provide the desired agro-marketing services to the poor at a satisfactory level.

Indeed, on the EAC aspect, the participation of Tanzania majority poor to effect the regional socio-economic integration of the EAC will be in much doubt for an individual smallholder can not succeed in cross-border trade for selling his agricultural produce in another Partner State of the Community. The cooperatives are their organs to do the inter-state business trade to market agricultural produce of smallholders. New cooperative models are to be put in place urgently so that the cooperatives enter into inter-state business trade competitively with other Partner States. Or else, Tanzania participation to the regional socio-economic integration will be left to the few big businessmen and big companies who will put the poor smallholders in a disadvantaged sphere. This will, indeed, deny the poor to participate on their own right and respect in the regional socio-economic integration in the EAC, thus, forfeiting the vision and mission of the EAC.

It is hoped that Tanzania Government will ensure that its cooperatives acquire corporate capacities and are placed in an enabling environment in order that they become competitive in carrying out inter-state business trade whereby the agricultural crops of smallholders in particular, will be marketed to a wide EAC market through cooperative corridors.

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