

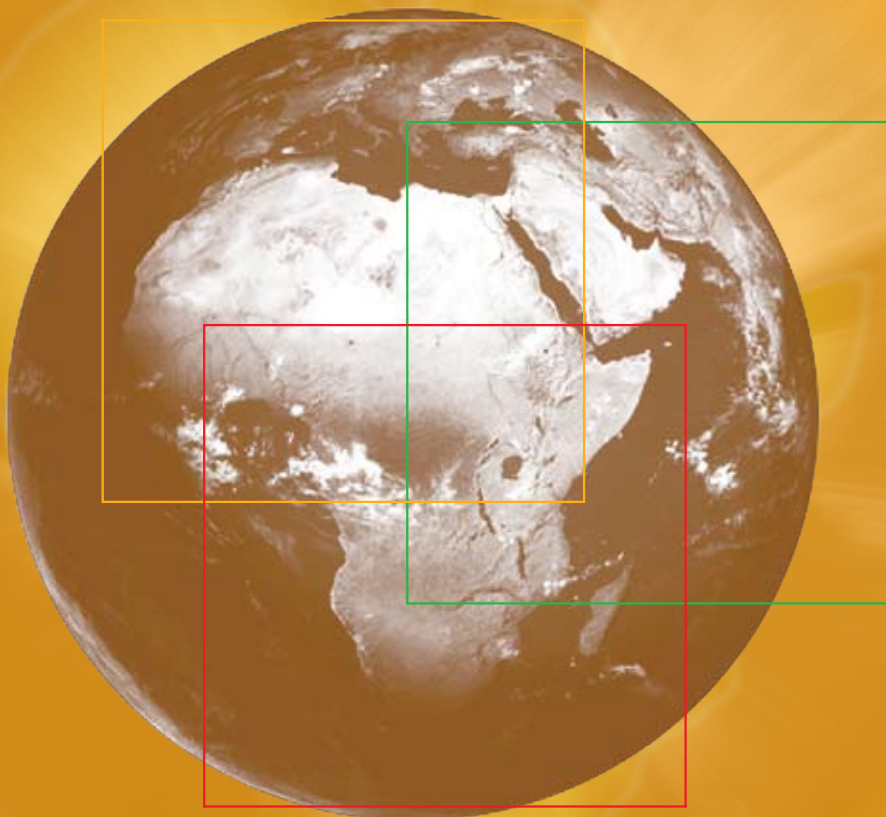


International
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Coop^{AFRICA} Working Paper No.14

Cooperatives in Tanzania mainland: Revival and growth

Sam Maghimbi





The Cooperative Facility for Africa (Coop^{AFRICA}) is a regional technical cooperation programme of the ILO contributing to the achievement of the Millennium Development Goals and the promotion of decent work in Africa by promoting self-help initiatives, mutual assistance in communities and cross border exchanges through the cooperative approach.

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List of abbreviations

BEEP	Business Experience Exchange Programme
COASCO	Cooperative Audit and Supervision Corporation
COMESA	Common Market for Eastern and Southern Africa
CRMP	Cooperative Reform and Modernization Programme
EAC	East African Community
IDA	International Development Agency
IFAD	International Fund for Agricultural Development
IFAP	International Federation of Agricultural Producers
ILO	International Labour Organization
INADES	Inades – Formation is a Pan African NGO
ISAD	Institute for the Study of Advanced Development
KNCU	Kilimanjaro Native Cooperative Union
LVIA	Associazione di Cooperazione e Valontariato Internazionale
MUCCOBS	Moshi University College of Cooperative and Business Studies
NCDB	National Cooperative and Development Bank
NSGRP	National Strategy for Growth and Poverty Reduction
PELUM	Participatory Ecological Land Use Management (NGO)
SACCOs	Savings and Credit Cooperatives
SADC	Southern African Development Conference
SAMCU	Songea Agricultural Marketing Cooperative Union Ltd
SCCULT	The Savings and Credit Cooperative Union League of Tanzania Limited
SHIRECU	Shinyanga Region Cooperative Union
SIDO	Small Industries Development Organization
TACTA	Tanganyika Cooperative Trading Agency
TANGO	Tanzania Association of NGOs
TFC	Tanzania Federation of Cooperatives
VFCU	Victoria Federation of Cooperative Unions Limited
WETCU	Western Zone Tobacco Growers Cooperative Union Ltd

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Executive summary

Cooperatives were founded by peasants in Tanganyika in 1925 with the purpose of enabling indigenous peasants to capture at least part of the trade profit of crops, such as coffee and later cotton. The paper gives a brief history of the cooperative movement in Tanzania mainland before the current situation of the cooperative movement is considered. The model of cooperatives in Tanzania mainland that has been adopted both currently and historically is outlined. It is observed that cooperatives were successful in the pre-abolition era (i.e. before 1976). Cooperatives suffered many setbacks in the post-abolition period (the period after 1982). It is adumbrated that the poor performance of cooperatives in the 1980s and 1990s limited the role of cooperatives in poverty reduction and national development. It is shown that the movement is now gradually picking itself up, but that considerable effort has to be made in education and training. Examples of primary cooperatives which have innovative practices and which have helped increase the income and social protection of members are shown. Problems of cooperatives, such as the lack of strong financial institutions to support the movement, are described. The current cooperative policy and laws are considered. It is indicated that the current laws aim at making the movement economically efficient and structurally flexible, and put emphasis on proper financial responsibility and auditing of cooperatives.

1. Introduction

1.1 *Historical overview*

There are many factors associated with the individual choice to cooperate. In Tanzania the pioneer cooperators were peasants who owned land and grew cash crops. These still make a large proportion of cooperators, although they have no title deeds to the land they farm on traditional lines. It has been observed that the holding of land in insecure tenures does not affect the decision either to cooperate or not (White and Runge, 1994:25).

Peasants in Tanganyika (now the mainland of Tanzania) started informal (unregistered) cooperatives in 1925 so that they could capture part of the trade profit of their crops. The first cooperative union in the country was the Kilimanjaro Native Cooperative Union (KNCU), which was registered with its eleven affiliated primary cooperatives on 1st of January 1933. The event took place in Moshi district, which by then comprised of the current Rombo, Hai, Moshi, Siha, and Mwangi districts. In 1924 there were 3,300 peasants growing coffee in Moshi district who sold 40 tons of parchment coffee. The formation of the KNCU saw the number of growers increase to 15,000 in the district. They sold 1,709 tons of parchment coffee valued at £ 39,000 in 1933. By 1966 KNCU was marketing 16,730 tons of clean coffee per year sold at £ 308 per ton (University Press, 1968:176; Kimario, 1992:4).

The Ngoni-Matengo Cooperative Marketing Union and its three affiliated primary cooperatives were registered in 1936 in what is now Songea region. In the same year tobacco output rose to 120 tons – up from one ton in 1930. Tobacco output reached four figure numbers in the 1950s (University Press, 1968:176:177). Increased tonnages of crops were reported in other areas as soon the cooperative effort was put into action (Maghimbi, 1990:84-85).

In the 1940s and 1950s other important cooperatives and unions were formed and registered. These were the Bugufi Coffee Cooperative Society in Ngara district, the Mwakaleli Coffee Growers Association in the Rungwe district. The latter went on to change its name to Rungwe African Cooperative Union. Others were the Bukoba Native Cooperative Union in Bukoba district, and the Lake Province Growers Association in the Lake Victoria area, which later changed its name to the Victoria Federation of Cooperative Unions Limited (VFCU) (University Press, 1968:177).

The VFCU was a remarkable organization that has gone down in history as a landmark. It grew dramatically in marketing and ginning cotton that was produced by peasants in the lake zone. It facilitated the supply of low priced inputs, such as cotton pesticides and seeds to members, which it purchased in bulk from manufacturers or wholesalers. It also started an industrialization process in the lake zone distinguishing itself in the operation of cotton ginneries. The federation bought and loaned tractors to its members; its famous building (Pamba House) in Mwanza town, where new tractors were on display for members to buy, was almost

a “pilgrim” centre for cotton farmers in the whole of the lake zone. By the 1960s the VFCU was the largest cooperative in Africa (Maghimbi, 1990:85).

By 1968 Tanganyika had the largest cooperative movement in Africa and the third largest cooperative in the world in terms of percentage of the market share of agricultural exports. It was observed that the cooperative movement in Tanganyika was expansive:

... cooperatives handle £27.5 million worth or 49 per cent of the country’s annual exports. Only in Israel and Denmark do cooperatives market a greater proportion of the nation’s overseas business (University Press, 1968:176).

Cooperatives increased rapidly in the country with firm support from the government. Agricultural marketing cooperatives were dominant, but different types of cooperatives were encouraged by the government. Hence the introduction of consumer cooperatives, such as the Cooperative Supply Association of Tangnyika (COSATA) and the Moshi and District Consumer Cooperative Society, the latter of which is still vibrant today. Transport cooperatives, such as Co-cabs and Coast Region Transport Cooperative (CORETCO) were formed, as were savings and credit cooperatives. These formed a cooperative union – the Savings and Credit Union League of Tanganyika (SCCULT). The increase in the number of cooperatives can be viewed in Table 1 below.

Table 1: Registered primary cooperatives and unions in Tanzania

Year	Primary cooperatives	Cooperative Unions*
1948	62	N/A
1952	172	N/A
1953	188	N/A
1957	474	N/A
1958	546	N/A
1959	573	N/A
1961	857	38
1966	1,500	33
1974	2,500	21

* The number of cooperative unions decreased from 1961 to 1974 because of the government’s policy to have one union for each administrative region.

Source: Maghimbi, 1992:221.

In most of the Arabica coffee growing areas, central coffee pulperies were built by primary cooperatives to process the cherries, thus ensuring high quality coffee. Tanzania coffee - and especially Kilimanjaro coffee became popular and in demand on the world market.

Both the colonial and nationalist governments supported cooperatives as institutions of the peasants. There were crop booms in the country from the 1950s up to the early 1970s and many observers agree that cooperatives contributed to this increase in crop output (Maghimbi, 1990:84:86).

The Cooperative Bank of Tanganyika was launched in 1962 and was replaced by the National Cooperative Bank (NCB) in 1964. The latter provided loans to cooperatives for purchasing crops. Cooperatives held shares and maintained current and fixed deposit accounts in the bank. The NCB also received overdrafts from the Central Bank of Tanzania. It was a success and a landmark in the history of the cooperative movement in the country. By 1967 it had accumulated TZS 1,800,000 as general reserves and TZS 1,100,000 as statutory reserves. In the same year it had appropriated TZS 250,000 in dividends, which was 7.3 per cent of its paid up capital. By 1970 the National Cooperative Bank had a share capital of TZS 4,500,000 and it made a profit of TZS 5,000,000 (Kimario, 1992: 24). This was no mean figure at a time when the exchange rate was TZS 7- to USD 1.

The holding company for the National Cooperative Bank was the National Cooperative and Development Bank (NCDB). The NCDB did not operate as a bank, but the National Cooperative Bank and the National Development Credit Agency (NDCA) operated as its subsidiaries.

The NDCA function was to provide the agricultural sector with credit in the form of cultivation and development loans. Legal backing for the cooperative movement was strong. The National Cooperative Bank and the NDCA were established under the National Cooperative and Development Bank Act, 1964. In this act it was stated that the NDCA would lend for the following purposes:

... agriculture, agricultural purposes and enterprises, for marketing and processing of agricultural products from the development of storage and transport facilities and undertakings, for the development and encouragement of small industries and trades and for the development of cooperative facilities.

The NDCA used the primary cooperatives and unions as agents to offer loans to peasants and to collect repayment. The NDCA granted loans using its own resources and funds from a subsidiary of the World Bank, the International Development Agency (IDA). By using the cooperative movement to channel credit to rural areas, the NDCA was able to reach 100,000 small farmers every year. Between 1962 and 1966 the NDCA gave agricultural credit worth TZS 39,153,000 to cooperative members. In the same period it offered agricultural credit worth TZS 20,428,000 to non-cooperatives members (Kimario, 1992: 24 – 26).

Marketing cooperatives expanded their business tremendously in the early 1960s. One source indicates that in 1966 there were 1,616 registered cooperatives and out of these 1,339 were engaged in the marketing of agricultural products. In 1960

cooperatives handled 145,000 tons of produce, in 1965 they handled 496,000 tons, and in 1966 they handled 628,833 tons of produce, which was worth TZS 605,200,500. By 1967 the cooperative movement had 3,000,000 members in rural areas (Kimario, 1992: 27). Here it is interesting to cite the Ministry of Agriculture, Food and Cooperatives statistics as it indicates that cooperatives were making profit and had huge surpluses.

Table 2: Cooperatives in 1960 - 1967

Year	No. of registered cooperatives	No. of members	Share capita TZS	Reserves/surpluses TZS
1960	691	236,211	4,983,000.00	60,396,220.00
1962	974	330,644	9,140,720.00	54,350,080.00
1965	1,518	607,655	11,250,620.00	97,356,920.00
1966	1,616	N/A	N/A	N/A
1967	1,649	N/A	N/A	N/A

Source: Ministry of Agriculture, Food and Cooperatives

Many of the cooperatives formed after independence began in a hurry and little preparation was undertaken. Many people equated independence with economic development and there was political expediency to open many cooperatives, some of which were not feasible. Complaints of mismanagement and corruption were common. In January 1966 the president appointed a special Committee of Enquiry with the following tasks:

..... to review the staffing, and where necessary, the organizational structure of the Cooperative Movement and Marketing Boards in order to recommend what steps should be taken to strengthen them for the maximum benefit of producers and consumers alike (Report of Presidential Committee of Enquiry 1966:1).

The presidential committee of enquiry submitted its report to the government in June, 1966, and it listed the five basic problems of the cooperative movement, which included:

- shortage of the appropriate manpower;
- presence of an ununiformed membership;
- lack of democracy at union level;
- lack of skilled manpower;
- susceptibility of the cooperative movement to political interference.

In its response to the report of the presidential committee (in White Paper No. 3 of 1966) the government rejected the criticism relating to political interference in the cooperative movement. The government's view was that there was nothing

undemocratic in the procedure of electing cooperative unions' committee members among delegates from primary cooperatives who were themselves democratically elected. The government was also of the view that by their very nature cooperatives could not be detached from political life (Kimario, 1992: 30 – 31). It is interesting to note how political interference was viewed by the government. For example:

...to employ the economic aim of cooperation to achieve the political aim of socialism. In this way, it is inevitable and also necessary that the two should meet and overlap from time to time (Proposals of the Tanzania Government on Recommendations of the Special Presidential Committee of Enquiry into the Cooperative Movement, 1966, cited in Kimario, 1992: 31).

The government accepted all the other criticism in the report of the presidential committee (Kimario, 1992: 31). There was much justification for political inference in cooperatives in White Paper Number 3 of 1966. The Presidential Commission was the first move that would in later years bring the cooperative movement to a course of sharp decline. Among the things the commission recommended was the dissolution of the Victoria Federation of Cooperative Unions (VFCU) and the Tanganyika Cooperative Trading Agency (TACTA). TACTA was a country-wide cooperative tertiary body composed of coffee growing cooperatives and unions that was formed in 1952. TACTA organized marketing of coffee from cooperatives and individual growers in Tanganyika, Nyasaland (now Malawi) and Northern Rhodesia (now Zambia) from the 1950s onwards. It also supplied farm inputs and provided insurance services to cooperatives.

Also dissolved was another country wide organization - the Cooperative Supply Association of Tanganyika (COSATA). The Presidential Commission of Enquiry also recommended the formation of a Unified Cooperative Service Commission (UCSC), which would be responsible for the recruitment, discipline, terms of service and dismissal of all employees of registered cooperatives (Kimario, 1991: 31). The UCSC was created and organized in much the same way as the Civil Service Commission. The UCSC compromised cooperative members' autonomy and democratic right to hire and fire people of their choice. A further blow to the movement was the dissolution of the National Cooperative Bank and the National Development Credit Agency in 1970.

Radical changes in government policy on cooperatives occurred after the government's introduction of socialism to all macroeconomic and social programmes. On the 14th May 1976 all primary cooperatives were abolished by the government. Their crop marketing functions were taken over by communal villages. At the same time cooperative unions were also abolished and their functions were taken over by parastatal crop authorities, which had to buy crops directly from villages. The abolished cooperative unions never bought crops directly from peasants, but through primary cooperatives. The other services which were rendered by the abolished cooperatives, such as wholesale and retail trade, were taken over by state owned

companies, such as the Regional Trading Companies and District Development Corporations (Maghimbi, 1992:224-225).

The crop authorities failed in buying peasant crops and in providing price incentives. They did badly in the supply of farm inputs and credit. The impact on crop output was quickly felt as the government faced a shortage of foreign exchange due to the decline in peasant production. The treasury also lost the potential of local revenue that would have resulted from increased crop production. The government formally announced the re-introduction of primary cooperatives and cooperative unions in 1982 (Maghimbi, 1990:93-97). Nevertheless the damage was already done. Cooperatives lost much of their property and highly trained manpower during the abolition and up to now the movement has not fully recovered. The morale of members and potential members went down. Cooperative members became disenchanted with cooperatives and mistrusted the sincerity of the new efforts to revive cooperatives and the rhetoric that went with it.

1.2 Research methods

This paper is based on data collected in 2008. It was collected at all four levels of the cooperative movement, including the primary cooperatives (Uru North Njari Cooperative Society); the cooperative unions - Kilimanjaro Native Cooperative Union (1984) Ltd (KNCU) and the Savings and Credit Cooperative Union League of Tanzania (SCCULT); the federations / apexes - Tanzania Tobacco Cooperative Apex (TTCA); and the confederation - Tanzania Federation of Cooperatives (TFC). Additional data was collected from the Department of Cooperative Development of the Ministry of Agriculture, Food Security and Cooperatives and from the Moshi University College of Cooperative and Business Studies (MUCCoBS), which is a constituent college of the Sokoine University of Agriculture. The latter is a government owned university under the Ministry of Education. In-depth interviews were conducted with various officers in all these cooperative institutions.

Officers in the Small Industries Development Organization (SIDO) and in the donor community were also interviewed. SIDO is a parastatal organization under the Ministry of Industries and Trade promoting small and medium enterprises (SMEs) in the country by offering training and technical support. SMEs include cooperatives. Further information was obtained from documentary sources. Documents, including reports and books were obtained from REPOA library in Dar es Salaam, TFC, MUCCOBS, the government bookshop in Dar es Salaam and the library of the University of Dar es Salaam.

1.3 Guide to the document

After the background presented above, the reader is in a better position to comprehend the current situation of the cooperative movement and its potential for social and economic transformations. In the next section cooperatives in Tanzania, including the predominant cooperative model is discussed. Section three reviews

cooperative legislation and policy. Sections four and five look at both cooperative and other institutions that support the cooperative movement. Section six deals with the significance of the cooperative movement for development and includes discussion on employment, income and poverty reduction, social protection, voice and representation and vibrancy. The final section provides recommendations and conclusions.

2. Cooperatives in Tanzania

2.1 Cooperative models

Traditionally the type of cooperative that has been dominant in Tanzania mainland is the one that has focused on marketing of peasant's agricultural crops. This kind of cooperative has been dominant in terms of members and volume of trade since the birth of cooperatives in the 1920s. The present day dominance of SACCOs is thus a recent phenomenon that started in the 1990s.

The dominant model of cooperatives in Tanzania has not been the Rochdalean model. This is the model associated with consumer cooperatives (Melnyk, 1985:3). Neither can the dominant model be described as a Raiffeisenian/Schulze-Delitzschian, the model which is dominated by rural cooperative credit cooperatives and cooperative banks (Akpoghor, 1993:8-15).

The cooperative model which thrived in the country from the 1920s to abolition in 14th May 1976 is what we can term the Chayanovian model. In this model peasant crop marketing cooperatives dominate. Similar models have been found in Russia before the communist revolution in 1917 and in India from the beginning of the 20th century up to present. In this model cooperatives have thrived well in large countries that are dominated by millions of peasants (Maghimbi, 2006).

Peasant cooperatives had no social base in Western Europe, as the time when cooperatives were invented, the Western European peasantry was almost extinct. Peasants were nevertheless numerically the majority in Russia during that period. A strong peasant cooperative movement was founded and thrived before it was destroyed by the communists after they took power in 1917 (Maghimbi, 2006). Russian scholars, such as S.N. Prokopovich, wrote serious scientific works on the organization of cooperatives in 1913. The most famous Russian theorist on the peasantry also formulated a theory of peasant cooperatives in 1919. This was Alexander Chayanov (Chayanov, 1991).

Prokopovich argued that any cooperative association represented a free and self-managing alliance of members enjoying full and equal rights. He argued that the modern cooperative system functioned under the conditions of the market economy and in accordance with its laws. Another Russian cooperative theorist, Tugan-Baranovskii, believed that cooperatives could do a great deal to defend and improve the peasant economy and even lead to its profound transformation (Chayanov, 1991: XIV-XIX).

The Chayanovian model of cooperatives is most relevant to Tanzania, as it considers situations of developing countries where peasants dominate. In 1919, the year Chayanov's theory of peasant cooperatives was first published, this scholar was already then analyzing problems which Tanzanian peasants are now facing under globalization. Chayanov was interested in organizations and particularly how cooperatives would help the peasantry to not be overrun by large-scale production organizations. The problems of very large organizations associated with the threatening of small scale producers was well known at the end of the 19th century (Chayanov, 1991: XXIV).

Chayanov appreciated the importance of peasant cooperatives after studying the situation in Belgium where large firms were undermining small scale producers. He was particularly interested in the interaction between cooperatives, publicly organized agronomical facilities and state policy; in the process of the radical marketisation of agriculture, and in the conflicts between large-scale and small-scale forms of production (Chayanov, 1991: XXII).

According to Chayanov, the cooperative advantage is that it can advance the position of the poor without making any special changes in the economic equilibrium and without substantially destroying the organizational plan of the small-scale rural economy. He was of the view that cooperatives could organize some of the particular technical economic activities where large-scale production has an undoubted advantage. The cooperative can organize these production activities by technically detaching them and merging them with similar activities being undertaken by neighbours. Chayanov demonstrated that the cooperative can protect the small-scale peasant household under conditions of market competition in his theory of vertical integration (Chayanov, 1991: XXVIII; Chayanov, 1966; Maghimbi, 2006).

In Tanzania the peasant cooperatives were successful in organizing markets for members and supplying inputs at low costs. There were crop booms in all the crops handled by cooperatives in the 1950s and 1960s (coffee, cotton, tobacco, cashewnuts). Cooperatives also contributed to growth in food crop production as the members were able to benefit from the supply of inputs and loans to purchase tractors as in the case of Victoria Federation of Cooperative Unions Limited. Between 1954 and 1968 Tanganyika was the only African state that consistently maintained a growth trend in food production higher than that of its population (University Press, 1968:113; Maghimbi, 1990:83-84; Kimario, 1992:3-13).

2.2 *Recent history of cooperatives in Tanzania*

The literature indicates that in Tanzania cooperatives were re-introduced in 1982. Although they had been abolished for a relatively short time, when they were reinstated they failed to recover their old vibrancy. The post-abolition crop marketing cooperatives have not performed well and most of them have been liquidated or gone under receivership (Banturaki, 2000; Maghimbi, 2006).

Cooperatives which were liquidated or those which went under receivership after 1982 included many primary cooperatives that were collecting crops from members for marketing. Also included were large cooperative unions, such as Shinyanga Region Cooperative Union (SHIRECU) and Ruvuma Region Cooperative Union (RURECU). The pre-abolition cooperatives had price stabilization funds, but current ones lack this support. In 1960 marketing cooperatives which were the core of the movement were able to meet 33.5 per cent of the funds needed to purchase members' crops, but in 1996 they could raise only 0.7 per cent of the funds (Banturaki, 2000).

Saving and credit cooperatives (SACCOs) were not as numerous as the crop marketing cooperatives in the pre-abolition period. However, SACCOs have grown rapidly since the 1980s and as institutions they have remained more stable than the crop marketing cooperatives. In the 1980s and 1990s when most crop marketing cooperatives collapsed, the SACCOs continued to survive (Maghimbi, 2006).

According to SCCULT, there were 4,524 SACCOs in 2007 with 758,829 members. In the same year it was recorded by the Cooperatives Development Department that there were 8,151 primary cooperatives in Tanzania mainland. The crop marketing cooperatives amount to 2,670 and the total number of members of registered primary cooperatives was 1,600,000 in June 2008. Thus, SACCOs are now the leading type of cooperative in terms of numbers of cooperatives and cooperative members. The current model of cooperatives in Tanzania can thus be described as Chayanovian cum Raiffeisenian. Nevertheless, it leans more towards the Chayanovian model because many of the members in both the crop marketing cooperatives and SACCOs are peasants.

The literature indicates that when cooperatives were re-introduced in 1982, they were allowed to form without share capital subscription in the strict and practical sense. Members of cooperatives were required to pay only non-refundable dues and cooperatives were thus unable to build up capital. The law was changed in 1991, but marketing cooperatives lacked crop buying funds (Banturaki, 2000:41).

When cooperatives were re-introduced in 1982, cooperative legislation placed the confederation under the patronage of the political party that was ruling the country. Membership was almost compulsory, but not clearly defined because every village in the country was supposed to be a political wing of the ruling party and a multi-purpose cooperative at the same time. With the 1991 cooperative law, membership became voluntary and peasants were not obliged to sell their crops to cooperatives. Cooperatives made attempts to make their members contribute to share capital and this resulted in low number of members (Mchomvu et al., 2002:33). Cooperatives failed to offer price incentives as had been the practice in the pre-abolition era, and thus they lost their traditional role in protecting peasants. In 2001 cooperatives in Tanzania mainland were reported to be in an appalling state. By May 2001 they owed banks TZS 17.8 billion. They had accumulated this huge debt despite the cancellation of their TZS 44 billion debt by the government in the previous ten years (Mchomvu et al., 2001:34).

After re-introduction, cooperatives were placed under the wing of the sole (ruling) party, Chama cha Mapinduzi – Swahili for “The Party of Revolution” (CCM) of the country as its mass organization. The movement was also merged with that of the Isles (Zanzibar). This was a forced “marriage” that ended in a bitter “divorce” in 1991 when the liberalization policies allowed multi-party politics. The cooperative movement under political patronage was not member-based. Government control and political patronage lowered members’ morale and negatively impacted on their attitudes towards cooperatives.

3. Cooperative policy and legislation in Tanzania

The cooperative movement performed poorly after reintroduction in 1982 and in the 1991 cooperative law, as it was too restrictive. The Government of Tanzania appointed a Presidential Committee in March 2000 to look into the contributory factors and advise the government on appropriate measures to be adopted. The Presidential Committee recommended the formulation of the Cooperative Development Policy and a new cooperative Act. The new act (Cooperative Societies Act, 2003) was passed in parliament and gazetted on 6th February 2004 and came into effect on 1st August 2004. In 2003 a Declaration Order was signed by the President of Tanzania, which transformed the Cooperative College Moshi into Moshi University College of Cooperatives and Business Studies (MUCCOBS). MUCCOBS operates as a campus of SUA until it attains full university status.

There are feelings among leaders of cooperative organizations that the current cooperative law (2003) has some flaws which are likely to impede cooperative development in the country. This was made abundantly clear by the Tanzanian delegation to a sub-regional seminar on Cooperative Policy and Legislation held in Manzini, Swaziland in 2008. It nevertheless appears that the Cooperative Department is not interested in revising the law soon.

Currently there is a move to decouple cooperative development from government ministries by creating a semi autonomous Cooperative Development Commission (CDA). A Presidential Order of 13th January 2009 sanctioned the formation of the Commission and the process of its establishment is underway. Discussions have reached cabinet level, but so far it appears that cooperative stakeholders have not been consulted sufficiently.

The cooperative movement has adopted various structures at different periods (two-tier, three-tier, four-tier). The Cooperative Societies Act, 2003 was passed bearing in mind that more levels or tiers might result in less scope for member control and increased costs for members. This Act is flexible and only primary cooperatives and the confederation are recognized as the basic structures of the movement. Members of cooperatives are free to decide whether or not to form middle level structures (i.e. secondary and tertiary cooperatives) depending on their needs.

The 2002 Cooperative Development Policy was formulated in line with the 1995 ICA Statement of Cooperative Identity and Principles. The 2003 Act that came out of the policy progress places great emphasis on the economic viability of cooperatives. As economic organizations, cooperatives have to prove their potential to operate as business entities that are capable of generating surplus for sustained growth.

Both the tenure of cooperative board members and corruption has been burning issues within the movement. The Cooperative Societies Act, 2003 has a provision limiting tenure to three terms of three years each. There are provisions in the code of conduct for cooperative management to require proof of credibility on cooperative leadership that has a tarnished image. The code of conduct focuses on the integrity of the cooperative leadership and the qualifications of executive staff. In the act there are also provisions for vetting of cooperative staff and declaration of personal property of cooperative board members and cooperative management staff. Executive staff of cooperatives will be vetted to check on their past history and qualifications, and will be employed on fixed term contracts. Leaders of cooperatives will go through training on business skills and good governance. Audits and inspections will be improved to curb embezzlement and thefts in cooperatives. Services of Special Prosecutors will be sought in speeding up investigations and cases involving cooperatives. The prosecutors will be appointed by the Director of Public Prosecution.

The Cooperative Development Policy of 2002 led to the 2003 Cooperative Societies Act. The Cooperative Rules of 2004, which are part of the Act, provide an elaborate list and definition of the various kinds of cooperatives which can be established. This has opened the door for formation of cooperatives in all sectors. However, there is a feeling in the movement and among cooperative experts that even with the new policy the government seeks to help cooperatives; it also seeks to control them. There is also a view from the SACCO movement that crop marketing cooperatives are more favoured. The current policy of a presidential fund loaning money for small entrepreneurs all over the country was cited as the only support for SACCOs. It was mentioned that the SACCOs movement was not involved in preparing the current Cooperative Societies Act. The case could be that the consultation was not broad enough to address all the main stakeholders. The problem of good management by qualified staff and training is not adequately addressed. Nevertheless, it was also mentioned that SCCULT and a few SACCOs participated in the formulation of the policy and law and that more members of the movement were involved in stakeholder meetings. It was also reported that the government supported the election of new leaders and the removal of dishonest and uncommitted ones. The government is currently supporting the training of SACCO managers at MUCCOBS, as well as recruitment of qualified managers in unions and SACCOs. The government owns the most advanced cooperative college in Sub Saharan Africa, but most of the training at higher levels is for non-movement personnel. The only training at MUCCoBS that directly and exclusively targets cooperative members and pre-members is the training provided under the ICCDE. The operations of cooperatives could improve if cooperatives could send more employees for training at MUCCOBS.

The department of cooperatives has limited staff (60) and it may be hard to implement the new cooperative policy. Cooperatives were involved in formulating the current government major long term development policy, the National Strategy for Growth and Reduction of Poverty (NSGRP), but no large scale case of poverty reduction through cooperatives are cited so far. Example of increased income for cooperative members is limited to a few areas, such as Rombo district.

The new government policy aims at developing sustainable financial mechanisms for cooperatives. The government has asserted that it will encourage and assist cooperatives in establishing sustainable long term mechanisms through the establishment of cooperative financial institutions, including SACCOs. The creation of strong financial institutions is expected to go hand in hand with increased cooperative membership as the new cooperative policy is implemented. Nevertheless, only two small cooperatives banks exist, including the Kagera Farmers Cooperative Bank and the Kilimanjaro Cooperative Bank. These banks cannot meet all the financial services that are demanded by the cooperatives in the two regions. The other expected institution, a National Cooperative Bank has not yet been created, but is mentioned in the new cooperative policy.

According to the office of the Director and Registrar of Cooperatives, the number of primary cooperatives in the country was 7,544 in 2007 and 7,868 in 2008. However, cooperatives have not been consulted in many policy domains, such as decent work, agricultural programmes, marketing and export, crop innovation, Agenda 21, NEPAD and land tenure policy issues. Nevertheless, cooperatives have been involved in the implementation of a programme known as Member Empowerment in Cooperatives (MEMCOOP). MEMCOOP was conceived and tested as a pilot project in Kilimanjaro and Arusha regions in 1996-2000. Today it involves MUCCOBS, the Department of Cooperatives, SCCULT, TFC and COASCO. This project aims at capacity building through education and action. Cooperative education aims at giving members the practical tools to evaluate the performance of their cooperatives and the cooperative effect. MEMCOOP supports capacity building activities, enabling cooperative members to assume responsibilities of running their cooperatives. From 2004 some cooperatives under the MEMCOOP project started making major decisions to carry out the business of their members (selling crops to the final buyer). Cooperatives in MEMCOOP were able to access TZS 1,286 per kilogram of coffee compared to TZS 600 per kilogram for cooperatives which had continued with the traditional market channels.

4. Cooperative support institutions

There is an elaborate structure of institutions which support cooperatives in Tanzania. These include two particular types: cooperative and government institutions. This section discusses the predominate cooperative institutions that support cooperatives, including the Tanzania Federation of Cooperatives, The Savings and Credit Cooperative Union League of Tanzania Limited (SCCULT) and the Tanzania Tobacco Cooperative Apex Ltd (TTCA).

The current organizational set up of the cooperative movement in Tanzania mainland is a four-tier structure which is prescribed by the law (The Cooperative Societies Act, 2003). This is a flexible four-tier structure and the compulsory structures in the law include primary cooperatives and a confederation. Members of cooperatives are free to form middle level, intermediary cooperatives, secondary cooperatives (cooperative unions) and tertiary cooperatives.

Cooperatives have a long history in the country, as indicated in section one, having existed for eighty years. It is safe to say that every adult Tanzanian knows what a cooperative is. Cooperatives are recognized under the law (Act No. 20 of 2003). However, their decline between the 1970s and 1990s has resulted in many people, especially peasants who had depended on cooperatives, to doubt the motives and relevance of these institutions.

When the government recognized the problem it set up a Presidential Special Committee on the Revival, Strengthening and Development of Cooperatives in Tanzania in 2002. The outcome of this effort was the formulation of the new Cooperative Development Policy of 2002 and the Cooperative Societies Act of 2003 (Act No. 20 of 2003) and cooperative support institutions now work under this framework. This Act is more flexible than its predecessor - the 1991 Cooperative Societies Act- and allows cooperatives to make by-laws that enable them function more efficiently.

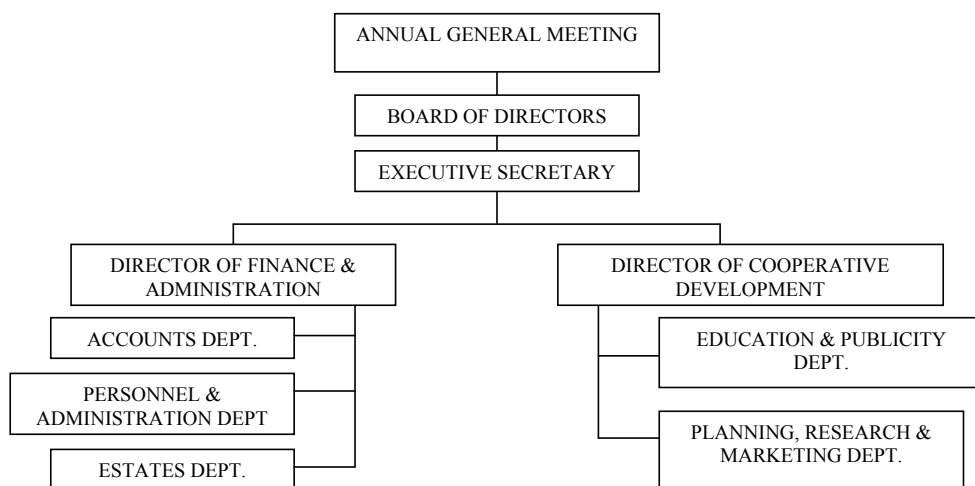
4.1 *Tanzania Federation of Cooperatives*

At the top of the cooperative structure is the Tanzania Federation of Cooperatives (TFC). This is a confederation that represents, promotes, serves and coordinates the development of all cooperatives in Tanzania mainland. TFC was registered on 8th December 1994 (registration No. 5503) under the 1991 Cooperatives Societies Act. It is an independent non-political, non-governmental and non-partisan organization that observes international cooperative principles and is a member of the International Cooperative Alliance. Currently TFC has 14 members (thirteen cooperative unions and one federation organization). When it was registered on the 8th December in 1994 (Registration Number 5503) TFC started with only five founding members.

In all the cooperative institutions (primary, union, federation and confederation) the highest authority is the annual general meeting (AGM). This meeting discusses all

the major decisions of the cooperative. In the case of TFC, like other cooperatives, the board of directors exercises the power of supervising day to day activities on behalf of the AGM, except those reserved for the AGM. The executive secretary heads the functional structure and is assisted by two directors and five functional department heads (accounts, personnel, estates, education and planning) as is indicated in the figure below.

Figure 1: Organization structure of TFC



Source: TFC

The first cooperative law enacted in 1932 did not provide for a national cooperative confederation. A specific law to set up this structure was passed in 1961 and since then the role of the confederation has been recognized. The current confederation (TFC) was formed in 1994 after the passing of the 1991 Cooperative Societies Act. However, there has been organizational continuity for the organization since the Cooperative Union of Tanganyika (CUT) was formed in 1961. The original CUT was replaced by the Union of Cooperatives, then the Cooperative Union of Tanzania when the organization covered Tanganyika and Zanzibar. The current TFC is a transformation of the former Cooperative Union of Tanzania with a new registration and name.

As an organization, TFC is stable and has considerable estate property. For a long time the eleven storey building which TFC owns in Dar es Salaam was the highest building in the city.

The number of permanent staff employed by TFC is indicated in the table below. In term of profession, the staff members include managers (4), accountants (3), auditors (1), cooperative expert (1), secretaries (2), legal officer (1), office supervisor (1), clerks (2), lift operators (2), estates (4), marketing (1), promoter (1), publicity (1). Two of the four managers have received cooperative management training. TFC members make annual subscription fees to the organization.

Table 3: Permanent staff of TFC

Year	No. of permanent staff
2004	55
2007	30
2008	24

Source: TFC

TFC is empowered by law to make by-laws and the latest by-laws were passed in 1997. However, the by-laws are not effective and it appears that they are not used. Disputes and problems are solved through discussions and meetings. Disputes between TFC and SCCULT and between TFC and the Cooperative Union of Zanzibar were solved this way.

TFC's most stable source of income comes from its properties - especially the buildings. Its accounts are audited by internal and external auditors (the Cooperative Audit and Supervision Corporation). The last time the accounts were externally audited was 2008 and the auditors' report was presented to the TFC board.

The TFC is considered to be the main voice of the cooperative movement by the government, members and international organizations, such as the International Cooperative Alliance (ICA). The TFC, along with other cooperative stakeholders was instrumental in advocating and organizing for the Cooperative Reform and Modernization Programme (CRMP). CRMP is the framework for policy and legal implementation for implementing the 2003 Cooperative Development Policy. TFC continually makes assessments of cooperative policy and legislation. It produces simple versions (layperson's guides) of key documents, such as the Cooperative Development Policy and the Cooperative Societies Act for rank and file cooperative members.

The TFC has created a website (www.ushirika.coop) and it collects and disseminates market information for the member cooperatives. At the request of cooperatives, TFC can help to find buyers for their products. TFC also helps with business development of cooperatives, for example, it provided assistance for vanilla production and soybean marketing for cooperatives in Songea region. As part of its marketing strategy TFC produces and broadcasts a weekly 15 minute radio programme to promote cooperation and cooperative information that is targeted to members and the general public. However, the marketing services extended by TFC to cooperatives are still limited. Complaints of lack of markets and low price for cooperatives - especially by crop marketing cooperatives - are very common in the local media.

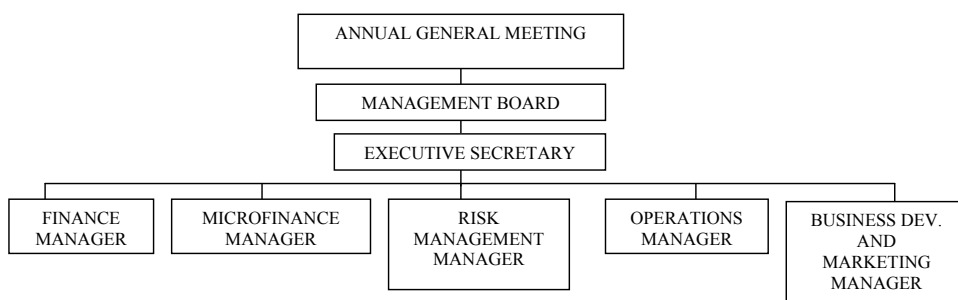
TFC also organizes trade and promotional shows for cooperatives. For example, TFC organizes trade fairs for cooperatives on the Peasants' Day, which is celebrated on the 8th of August of each year, and also on the International Day of Cooperatives, which is observed on the first Saturday of July every year.

Face to face consultation with members of the movement that are in need is lacking. There seems to be a failure on behalf of the confederation to respond to the needs of the unions and the federations that deal directly with cooperative members. TFC is nevertheless working hard through cooperative education to disseminate information to make members in remote areas and potential members aware of the cooperative movement and to improve the support and services that it provides to its own members. However, the task is not easy because the confederation has a staff of only twenty four people and there are over 8,500 registered cooperatives in the country.

4.2 *The Savings and Credit Cooperative Union League of Tanzania Limited*

SACCOs are the most prominent and visible cooperative organizations in Tanzania. The SACCO movement has opted for both two-tier and three-tier structures to support its activities. The Savings and Credit Cooperative Union League of Tanzania Limited (SCCULT) is the national association for registered SACCOs. SCCULT is a cooperative union and some SACCOs are not its members, but are members of TFC. The organizational structure of SCCULT consists of the Annual General Meeting (AGM), which is composed of delegates drawn from the primary cooperatives. As is shown below, the AGM includes a management board whose members may range from a minimum of five to a maximum of nine, including the chairman and vice chairman. Members of the management board are elected at the AGM. According to SCCULT, there were 4,524 SACCOs in 2007 with 758,829 members, but only 1,205 SACCOs are affiliated to SCCULT. The organizational structure of SCCULT is typical of the other unions, although the latter use the title of general manager for their chief executive officer and not executive secretary, as is the case with SCCULT.

Figure 2: Organization structure of SCCULT



Source: SCCULT

The strongest organization for cooperatives in Tanzania is SCCULT. This union has numerous members (1,205) and is organizationally and financially more stable than the other non-primary cooperative organization. SCCULT was registered in 1992 under the 1991 Cooperative Societies Act. Its certificate of registration is number 5480 (issued on 19th October 1992). This national association or union for all registered SACCOs is also registered with the Tanzania Revenue Authority as a tax payer with Tax Identification Number (TIN) 103-127-661.

SCCULT employed 41 people in 2008 (33 men and eight women). This is a drop from 48 employees in 2006. To strengthen its organizational structure and to ensure representation for all members in the AGM, SCCULT has opened regional offices in all the 21 regions of Tanzania mainland. SCCULT is affiliated to TFC and is in the process of becoming a member of the World Council of Credit Unions.

SCCULT provides the following services to SACCOs.

- Central Finance Programme (CFP);
- Lobbying and Advocacy;
- Representation;
- Capacity Building and Development;
- Agency (in Education and Training);
- Sales of Stationery and Equipment (i.e. buys in bulk to reduce prices);
- Accounting Pool Services;
- Research, Consultancy and Business Development;

SCCULT introduced an inter-lending programme for SACCOs known as Central Finance Programme (CFP) in 1998. By December 2006 many SACCOs (560) had joined the programme as members and had accumulated a total saving of over TZS 2.7 billion. The amount loaned out to SACCOs up to 31st December 2007 was TZS 4.2 billion. This programme has benefited SACCOs because the fund created by SCCULT lends SACCOs development loans at competitive rates. The SACCOs offer members education, loans, quick loans, booster loans, festival loans, agricultural inputs loans, front office loans, and loans for purchasing equipment, such as computers and photocopying machines.

SCCULT has mobilized saving for housing loans (the SCCULT Housing Fund) where members of SACCOs have to raise 20 per cent of the purchase or construction cost to qualify for a housing loan. Repayment period ranges between three and ten years. The interest on savings stands at two per cent and interest on loans at 15 per cent per annum. A single SCCULT Housing Fund grants loan ranges between TZS 20 million and TZS 30 million.

In January 2004 SCCULT introduced Risk Management to SACCO members. The programme has been joined by 154 SACCOs and they are guaranteed reasonable rates of premium, special prompt settlement of claims and payment of rebate, writing off of outstanding loans and payment of funeral expenses. The limits of shares, loans and funeral cover have been raised to meet the need of individual SACCOs.

SCCULT is involved in the organization of local and international educational tours and visits for SACCOs. It also organizes in-house programmes. Through its short-term education and training programmes, it has popularized the idea of SACCOs all over the country. SCCULT has organized many promotion courses for SACCO members (members' education) and national and regional seminars for delegates, committee members and SACCO staff. These courses have helped to spread the visibility and

network of savings and credit cooperatives. They now dominate in the country and their sign posts can be viewed in work places in towns and villages. SACCOs have the largest number of cooperative members (764,602 in December 2007). Although not all of them are members of SCCULT, its strength can be gauged by the fact that SACCOs are the most visible and rapidly developing cooperatives.

Table 4: 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
Savings (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

Source: SCCULT.

4.3 Tobacco 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 that was established and registered in June 1994 under the Cooperative Societies Act no.15 of 1991 with registration No 5497. The founder members of the TTCA were Songea Agricultural Marketing Cooperative Union Ltd (SAMCU) of Songea district in Ruvuma region and Western Zone Tobacco Growers Cooperative Union 1994 Ltd (WETCU) of Tabora and Kigoma regions. The following cooperative unions have since then joined the federation, bringing the total membership to six.

- Kahama Cooperative Union Ltd (KACU 1995) of Kahama and Bukombe districts in Shinyanga Region.
- Central Zone Tobacco Growers Cooperative Union 1995 Ltd (CETCU) of Manyoni district in Singida Region.
- Lake Tanganyika Tobacco and Coffee Cooperative Union 1995Ltd (LATCU) of Mpanda district in Rukwa Region.
- Chunya Tobacco Growers Cooperative Union 2001 Ltd (CHUTCU) of Chunya district in Mbeya Region.

TTCA's vision is:

building a stronger cooperative apex that will ensure an effective and sustainable cooperative movement capable of fulfilling members' socio-economic needs.

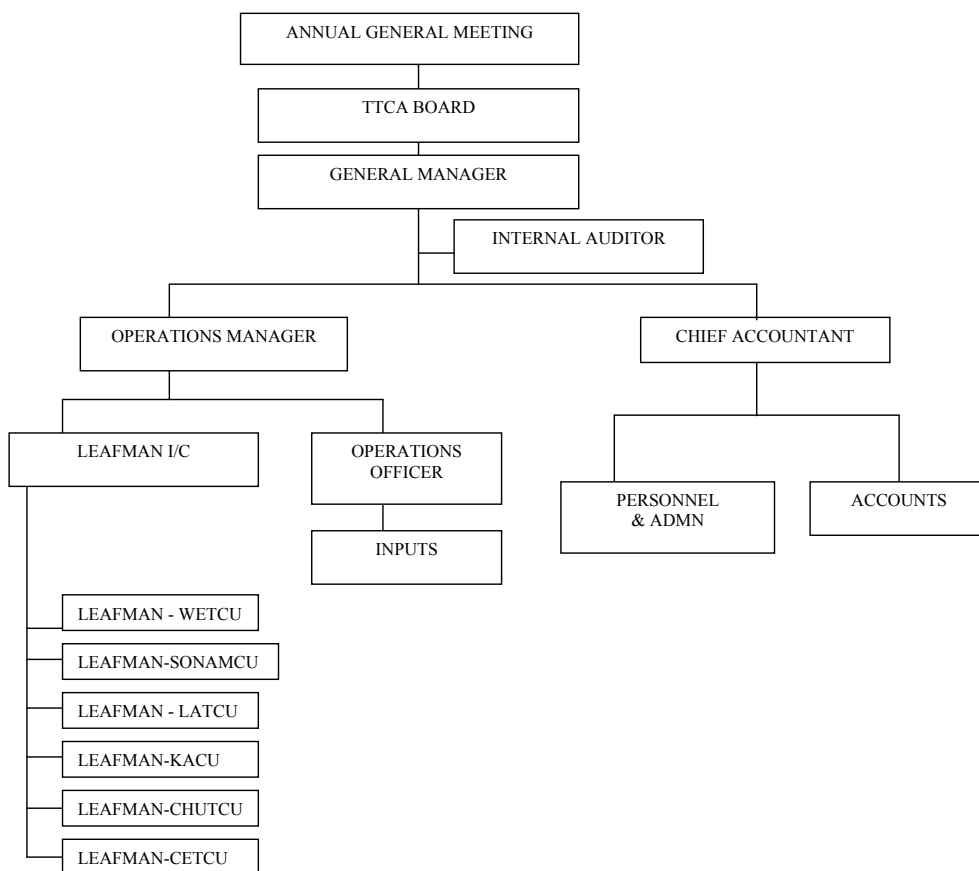
Its mission is:

ensure that all tobacco farmers are cooperative members who are producing good tobacco in both quality and quantity so as to meet the challenges of competitive free market economy in this corporate world.

The goal is to produce quality tobacco that will contribute to poverty alleviation efforts amongst member farmers and improve their livelihoods and the national economy at large. TTCA performs the following functions:

- To explore domestic and foreign market trends so as to establish basis for tobacco price negotiations between the producers and buyers.
- To search and disseminate information on inputs prices and availability to members.
- To represent member farmers in local and international conferences / fora on issues pertaining to the tobacco industry.
- To provide technical advice on production and marketing aspects.
- To encourage and promote cooperative education and identity training needs.
- To represent members (farmers) in price negotiations meetings.
- To facilitate operations of member cooperative unions.
- To sensitize and ensure production of quality tobacco by raising members' awareness on the use of improved technologies.
- To collaborate with tobacco classifiers and other tobacco experts to supervise tobacco grading and baling in order to ensure that tobacco is not mixed with any other foreign matter.
- To represent member farmers in tobacco markets by appointing competent representative.
- To verify inputs debts owed by farmers to tobacco contracting companies before the start of marketing season.

Figure 3: Organization structure of TTCA



Source: TFC

5. Other institutions supporting cooperatives

As mentioned, there is an elaborate structure of institutions that support cooperatives in Tanzania. On the government side there is the office of the Director and Registrar of Cooperatives. This is the government department (under the Ministry of Agriculture, Food Security and Cooperatives) which oversees cooperatives. This department has regional offices in all the 21 regions of Tanzania mainland, with each region headed by a senior government cooperative adviser (also known as Regional Cooperative Officer). The department also has an office in every district in Tanzania mainland that is headed by a District Cooperative Officer. This department prepared the Cooperative Development Policy in collaboration with stakeholders. The department has a staff of 60 people at its headquarters (55 in Dodoma and five in Dar es Salaam sub-headquarters office). There are approximately 21 staff in the regions and 450 in the districts. The regional cooperative officer serves as an assistant registrar, performing the duties of the registrar at the regional level. It is the duty of the cooperative department to ensure that cooperatives operate according to the 2003 Cooperative Societies Act. The role of the Registrar is to promote,

inspect and advise cooperatives. It is also the duty of the department to encourage the formation of cooperatives, which it does through seminars and campaigns. It disseminates government policy through meetings and the public media and encourages the youth and women to join existing cooperatives or form new ones that respond more effectively to their needs. The assistant registrar undertakes the registration of primary cooperatives and supervises activities related to cooperative development in his/her region.

The department carries out audits of some cooperatives as the Cooperative Audit and Supervision Corporation (COASCO) cannot cope with the backlog of unaudited accounts. COASCO is a semi-autonomous parastatal organization that was enabled by the Cooperative Audit and Supervision Corporation (COASCO) Act of 2005 was passed by parliament on 20th April 2005. It was originally established in the early 1960s as the Cooperative Audit and Supervision Fund under the Department of Cooperatives before being transformed into COASCO. It is responsible for the audit of the financial affairs of cooperatives in the country and for ensuring that records are maintained by cooperatives. Its headquarters are in Dodoma and it has 14 zone offices spread all over the country that provide auditing and supervision services.

A second support institution on the government side is the Moshi University College of Cooperative and Business Studies (MUCCOBS). This institution is a constituent college of the Sokoine University of Agriculture. It came into being in 2004 after the former Cooperative College Moshi was upgraded to offer university degrees. MUCCOBS certificates, diplomas, and degrees (Bachelor of Arts in Accounting and Finance, Bachelor of Arts in Procurement and Supply Management, Bachelor of Arts in Cooperative Management and Accounting) have a heavy cooperative studies input. The courses are open to all professional people and not just the cooperative movement. MUCCOBS specifically targets cooperative members and potential members through distance education, which is organized under its Institute of Continuing Cooperative Development and Education. A third support institution on the government side is the Small Industries Development Organization (SIDO). SIDO is an important support institution for cooperatives and groups which are cooperative-like. SIDO is a government owned institution which supports Small and Medium Enterprises (SMEs) including cooperatives. SIDO's support is in training, technology, marketing and credit. MUCCOBS and SIDO, along with support provided by donors, are further discussed in the sections below.

5.1 Moshi University College of Cooperative and Business Studies

MUCCOBS has a staff of 380, including 100 teachers with advanced qualifications (masters degree) and five with doctorate degrees. MUCCOBS, (popularly known by its old name - "Cooperative College") is a very stable organization that has been training people since its establishment in January 1963. This institution is a constituent college of the Sokoine University of Agriculture and it came into being in 2004 after the college was upgraded to offer university degrees. Currently

MUCCOBs runs a total of 13 programmes, an increase from eight before the institution was transformed into a university college.

Table 5: Course offered by MUCCOB in 2008

Course level	Course name
Certificate Courses	<ol style="list-style-type: none"> 1. Information Technology 2. Accounting and Finance 3. Microfinance Management 4. Management and Accounting 5. SACCOs Management (foundation certificate) 6. SACCOs Management (professional certificate)
Diploma Courses	<ol style="list-style-type: none"> 1. Diploma in Cooperative Management and Accounting
Bachelors Degree Courses	<ol style="list-style-type: none"> 1. Bachelor of Arts in Accounting and Finance 2. Bachelor of Arts in Cooperative Management and Accounting 3. Bachelor of Arts in Procurement and Supply Management 4. Bachelor of Arts in Community Economic Development
Postgraduate Courses	<ol style="list-style-type: none"> 1. Postgraduate Diploma in Accounting and Finance 2. Postgraduate Diploma in Community Development 3. Postgraduate Diploma in Cooperative Business Management 4. Postgraduate Diploma in Management and Organizational Development for SACCOs 5. Postgraduate Diploma in SACCOs Management

Source: MUCCOBS

The above courses are meant for staff of cooperatives and their support institutions. However, many people not employed by cooperatives or cooperative institutions also attend these courses. Education and training programmes for cooperative members and elected leaders are organized by the Institute of Continuing Cooperative Development and Education (ICCDE). The Institute started in 1964 with the support of the Swedish Cooperative Movement. The Cooperative Education Centre (CEC), as it was then known, was regarded as the Education Department of the former Cooperative Union of Tanganyika (now TFC) and remained as such until it was merged with the Cooperative College (now MUCCOBS) in the 1970s.

The functions of the ICCDE include empowering members, secretaries and leaders of cooperatives through cooperative education. It prepares training materials for field education and supports initiatives at grassroots levels across the movement. On the basis of identified needs, the ICCDE also conducts training for community based groups, cooperatives and the general public. It conducts seminars, workshops and short courses for cooperative members, staff and committee members with the expectation that they may join more advanced courses at MUCCOBS. The Institute also organizes gender responsive programmes aimed at creating favourable conditions for sustainable development for all.

Since 1964 ICCDE has been conducting courses through distance education for cooperative members and pre-members. Courses offered include:

- Book-keeping for cooperative secretaries;
- Primary cooperatives secretaries' course;
- Savings and credit cooperative management;
- Principles of cooperative management;
- Basic economics;
- Duties and responsibilities of a cooperative committee member;
- How to read a balance sheet.

The Institute runs a weekly radio programme which broadcasts basic cooperative education and spreads the idea of cooperation. It employs 32 people, including one associate professor, eight senior lecturers, five lecturers and sixteen programme officers. The ICCDE's training programmes have benefited from international cooperation. In 2004 five members of its staff received two-week training in competence development from Capacity Building International (INWENT) and the International Fund for Agricultural Development (IFAD). In 2006 twelve ICCDE staff received a three-month course in microfinance from the International Institute, St Francis Xavier University (COADY). In 2008 seven ICCDE staff received a week-long course on child labour in cooperatives from the ILO.

Table 6: Training by ICCDE (MUCCOBS)

Type of attendants	Duration	Trainers	No. trained	Funding
SACCOs staff	2 weeks	ICCDE	346	HAKIKA Catalys (NGO)
SACCOs members	3 days	“	300	SACCOs
AMCOS leaders and staff	3 days	“	200	KNCU
AMCOS members	3 days	“	600	Norges Vel (NGO)
AMCOS leaders & staff	1 month	“	250	NGOs

Source: MUCCOBS

The training material used for the ICCDE's distance education courses are old (most of the lessons were written in the 1960s and 70s – some of them by Mr. Sam Mshiu who was the first manager of the CEC's Correspondence Institute), and have not been updated to reflect current trends and developments as should be the practice with all training materials. This may have a bearing on the quality of training provided to cooperative members. However, the ICCDE has a plan to update all its lessons for distance education.

The MUCCOBS is a highly visible institution that has a country-wide network. Its courses are popular even for people who are outside the movement and many people, (including the government's department of cooperatives) pursue certificates, diplomas, degrees and postgraduate studies through this institution. MUCCOBS advises the government on cooperative policy and it has carried

out research and consultancies on cooperatives for the government and other institutions. It has participated in restructuring and reorganization of the Ugandan Cooperative Movement in collaboration with FAO, the Netherlands Government and the Ugandan Government. It also completed appraisals for the Kilimanjaro Cooperative Bank (KCB) and the Mufundi Community Bank.

5.2 *Small Industries Development Organization*

SIDO employs 400 people, but staff turnover is a problem in this institution, especially for accountants, economists and engineers who have an annual turnover rate of 50 per cent, 10 per cent and 10 per cent respectively. SIDO is funded by the government, but also gets considerable donor financial support from the United Nations Industrial Development Organization (UNIDO), ILO and the East African Development Bank. It also receives income from its own programmes, which include training and consultancy. Its staff members are trained in cooperatives. For example, every year ten graduate staff receives short courses (in most cases one week) on cooperation.

SIDO identifies the training needs of small and medium enterprises (SMEs) by consulting its regional offices and the parent ministry, the Ministry of Trade and Industries. In 2006 SIDO trained 25 members of industrial primary cooperatives from all over the country with funding from the government. The training focused on such themes as leadership of cooperatives, business skills and constitution of cooperatives. Some staff of the Cooperative Development Department also participated in the training. The industrial cooperatives from which participants were drawn were members of the Tanzania Industrial Cooperative Union (TICU) which helped in identifying those cooperatives.

The organization deals mostly with industrial cooperatives, but non-industrial cooperatives also benefit. For example, it provides credit and training to some SACCOs. SIDO has regional offices in the regions of Tanzania and helps SMEs to acquire technology from its regional workshops. However, some members of one industrial cooperative, the Buguruni Carpenters Cooperative Society Ltd – registration DSR 287, indicated that although SIDO helps in training the conditions for loans are not different from those of other lenders. Additionally, the payback time of the loans is very short.

Tanzania Gatsby Trust supports SMEs through SIDO. The Commonwealth Secretariat (COMSEC) also supports SIDO financially. During the past ten years UNIDO has been supporting SIDO with funds for the purchase of packaging material. Similarly, COMSEC has over the past three years given financial support to buy packaging material (for food processing SMEs) which were sold to SMEs - including cooperatives - at a low price. SIDO has also received support from International Fund for Agricultural Development for its own institutional development. The support included motor vehicles and computers for six regions.

SIDO training for SMEs has traditionally focused on business skills development, including marketing, technical skills and entrepreneurship. Currently SIDO has included information technology in its training, but this is still a very small component of its programme. SIDO can be cited as a successful support institution for cooperatives and SMEs. This implies that there is a great potential for SIDO to help in advancing industrial (and other) cooperatives.

5.3 Donors

There is little direct donor support given to cooperatives compared with previous times. In the 1990s under the National Agricultural 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 the Kigoma region.

The Dunduliza system of SACCOs is funded by NGOs. Dunduliza is a financial cooperative system which allows SACCOs to network. The structure of SACCOs allows affiliation, but this is affiliation for basic administration of democracy, solidarity and limited financial intermediation. Dunduliza is a community system of SACCOs that uses an integrated approach to support cooperation among cooperatives. In the network of SACCOs there is guarantee of basic professional services such as auditing, supervision and management. There are now three clusters of the Dunduliza movement that are based in Ruvuma, Dar es Salaam and Mara regions. Each cluster has 15 to 20 SACCOs using the same management, operational and accounting system. A cluster is under one supervisory and professional management system and standards. Management information systems provide easy access to information for decision making purposes. The approach allows the cooperatives to share overhead costs, such as ICT, human resources and auditing at affordable unit costs. It facilitates the sharing of information and eases intra-SACCOs financing needs, such as inter-lending between surplus and deficit spending SACCOs. This integrated or federated system of financial services cooperation can ultimately connect all the SACCOs at the lowest level, creating an integrated financial cooperative movement at the national level. Several NGOs involved in microfinance, including FISEDA, PRIDE Tanzania, FINCA, COOPEDEC, Poverty Africa, SEMIDE and DID-Dunduliza of Canada, collaborate with this programme.

The Business Experience Exchange Programme (BEEP) is a collaborative research initiative of the Rural Producer Organizations (RPOs) and research institutions in Tanzania, Zambia, Uganda and Malawi which was implemented in 2003-2006. The aim of BEEP was to share and exchange business experiences in the four mentioned countries through RPOs that included the National Smallholders Farmers' Association of Malawi (NASFAM), the Uganda Cooperative Alliance (UCA), the Tanzania Federation of Cooperatives (TFC), the Agribusiness Support

to Small Farmers Programme Forum (SFAP) and the Zambia National Farmers Union (ZNFU). The programme was supported by research institutions through the undertaking of research using formative process methodology in order to support RPOs develop small-scale agricultural activities that suit the new national and international economic framework. The participating research institutions were MUCCOBS from Tanzania and one from each of the other countries. BEEP was financed by the Norwegian Cooperation Agency-Norges Vel, through a framework of agreement with NORAD, while the Norwegian Institute for Urban and Regional Research (BIRD) coordinated the research component.

6. The significance of the cooperative movement for development

Currently the cooperative movement in Tanzania is large in terms of membership. However, it appears smaller in business volume and impact when compared to what it was in the 1950s and 1960s. By June 2008 there were 8,597 primary cooperatives. Their distribution according to type is shown below.

Table 7: Number of registered cooperatives in Tanzania

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 Users/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

Source: Department of Cooperative Development; TFC.

The total number of members of registered primary cooperatives in June 2008 was 1,600,000. Most cooperative members are adult males. The average household size in Tanzania according to the 2002 Population and Housing Census was 4.9 and we

can gauge that approximately 7,840,000 people in Tanzania mainland are directly dependent on the cooperative movement. The population of Tanzania mainland was 33,584,607 in 2002. Thus the cooperative movement is by number, one of the largest economic movements in the country. There are other people who depend on cooperatives, for example the employees of primary cooperatives, cooperative unions, the federations and confederation. The tobacco cooperatives have their own federation and the Tanzania Federation of Cooperatives (TFC) is the highest organization in the cooperative organizational pyramid. The TFC employs 24 people and SCCULT (the Union for SACCOs) employs 41 people (33 men and 8 women).

Cooperatives also hire seasonal labour during crop collection and processing. Savings and Credit Cooperatives provide loans which help members to start small businesses that provide them with employment. Others use the loans to buy animals or expand crop output. In the process they gain self-employment.

6.1 Employment, income and poverty reduction

The TFC employs 24 people and a typical crop marketing primary cooperative employs three or four people on a full time basis. Crop marketing cooperatives employ more people during the crop collecting season. SACCOs employ 4,524 people. There are approximately 30,000 jobs which are about to be created in the cooperative movement. This will be achieved by sensitizing people to establish and join new types of cooperatives, such as mining, fisheries and crafts. This estimation is based on sensitizing that TFC undertook from 2004 onwards.

The quality of employment in cooperatives may be low. However, the standard of living of cooperative members in villages (peasants) is low, but better when compared to those who are not members of cooperatives. The standard of living of cooperative members was measured by observing their housing, dressing, schooling of their children, freedom from debts and ownership of bicycles, radios and mobile phones. It was also measured by looking at the socio-economic activities in which they engaged. In some areas, such as Uru North, the cooperative provides services to the community that increase the community's quality of life, for example, building of schools, water development, a dispensary and caring of orphans.

Another example is Tanga Dairy Cooperative Union Ltd. (TDCU) (established with the assistance of Tanga Dairy Projects, financed by HIVO – a Dutch NGO). TDCU includes nine dairy primary cooperatives. The union supports small livestock keepers by providing them with highly productive milk cows and organizing a milk plant and milk marketing.

The reduction of poverty is a central issue in the cooperative movement. In the past five years the TFC has encouraged cooperatives to have strategic plans. Members' needs are now more readily obtainable once solicited and participatory approaches to planning are mainstreamed. Strategic planning aims at evolving the practice of business to encourage economically viable cooperative enterprises through building a culture of entrepreneurship and business insight.

The poor performance of cooperatives in the 1980s to 1990s has limited the participation of cooperatives in official poverty reduction programmes. Cooperatives are still the most numerous organizations in the rural areas. They participate in poverty reduction, but they do not fit centrally in the large official poverty reduction programmes, such as NSGRP. However, there is a gradual change in attitude and this has helped to promote cooperatives and cooperative type of organizations, such as farmers associations. The National Network of Smallholder Farmers in Tanzania (MVIWATA) has a network of 150 groups of small farmers with about 50,000 members.

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 8: 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	4,631,508	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

Source: TFC

6.2 Social protection

Cooperative members provide social protection to each other through mutual support. Mutual support systems between cooperative members are found mostly in SACCOs. Nearly all SACCOs have established special borrowing schemes and members can borrow money when they are bereaved or have other emergencies. Some industrial primary cooperatives have solidarity funds to which a member contributes regularly and out of which she/he is helped with an agreed sum of money when an occurrence, such as death of a spouse or child occurs. Some cooperatives, including Uru North Njari Cooperative Society, have teamed with two other cooperatives and formed a SACCO to act as a facilitating mechanism for providing loans, especially in emergencies. Indeed, one of the driving forces behind the success and the fast spread of SACCOs is the social protection it provides during emergencies. Even without emergencies SACCOs are viewed as a mechanism for

social protection for the millions of people whose only available channel of credit is the local SACCO.

In Same District some primary cooperatives have increased social services by providing water to their members. These cooperatives that operate as water users associations include Chaivombo, Bere and Chome. The three cooperatives have also facilitated access to electricity for the members (Kaleshu et al, 2007:32-37).

Table 9: Access to electricity by members of three rural cooperatives

Name of Cooperative	No. of members	Members with electricity	% of members with electricity
Chaivombo Water Users Association	25	12	48
Bere Water Users Association	40	7	2
Chome Catchment Cooperative Enterprise Association	65	19	29

Source: Kaleshu et al, (2007:35)

Cooperatives are engaged in activities that help to mitigate the impact of HIV/AIDS. This is done through sensitization seminars and skills training. The interventions to prevent HIV/AIDS are mentioned as a responsibility of the Cooperative Reform and Modernization Programme (CRMP), but so far only modest work has been done in this area. A good example is the KNCU, which now supports 288 children made vulnerable by HIV/AIDS through providing assistance with school fees and uniforms. TFC has also published and widely disseminated publication titled ‘A Cooperative Policy on HIV’.

6.3 Giving voice

The cooperative movement lobbies through TFC. The chairman of TFC is a member of the National Executive Committee of the ruling party in Tanzania. This is not necessarily a positive feature, as partisan politics may be dragged into cooperatives. TFC has been silent on the issue of revising the current law as it has been found to have flaws. However, the current cooperative law gives cooperative members wide powers to communicate concerns through their organizations and to take action within the movement to empower themselves economically and socially. Cooperative members are much freer in association and can bypass cooperative unions and federations. For example, 13 primary cooperatives in Kilimanjaro region have side stepped their union (KNCU) in the coffee business. They have exercised their democratic right to cut out the costs of intermediaries, including their old union (KNCU), and the benefits associated with increases income have been evident. Poli Meru Primary Cooperative Society in Arumeru district has also raised its voice, seceded from its union (Arusha Region Cooperative Union) and now markets its coffee independently. GOMATA Coffee Rural Cooperative Society

in Same District has also taken initiative to sell its coffee independently and now bypasses the Vuasu Cooperative Union (Mwaibasa et al, 2007:76-84).

Cooperatives link up with other movements directly and through TFC. There are strong links between some cooperatives in Kilimanjaro and Tanga regions with other movements. The voice of cooperative members is raised in meetings and it is heard by cooperative movements in other countries, especially Western Europe. This has enabled assistance to be made directly to primary cooperatives. For example, a Dutch NGO (HIVO) financed nine dairy primary cooperatives in Tanga region and they have now established a very successful dairy cooperative union (Tanga Dairy Cooperative Union or TDCU) which supplies fresh milk and milk products to the city of Dar es Salaam. MVIWATA or the National Network of Smallholder Farmers (which has facilitated the formation of over 30 SACCOs) networks and collaborates with various foreign organizations, including FERT, LVIA, TRIALS, Agriterria, IFAP and INADES. MVIWATA is a member of several international associations, including IFAP, CAFÉ and PELUN. Its other regional affiliations and networks are RELMA, EAFE, SADC, COMESA, EAC, ISAD and NEPAD. Locally it networks and collaborates with SCCULT, PELUM Tanzania and TANGO (Kaleshu, et al, 2007:17-19, 32).

6.4 *Vibrancy*

The movement has shown signs of regeneration and the number of cooperatives has been increasing since 2004 as is indicated in the table below.

Table 10: Newly registered primary cooperatives

Year	New cooperative registrations
2004	573573
2005	268268
2006	127127
2007	1,4421,442
2008	1,2981,298

Source: Cooperative Development Department, TFC

However, despite the growth in the number of cooperatives, the movement requires support in certain areas. For instance, crop marketing cooperatives are heavily indebted to banks. They owed over TZS 48 billion in December 2004. The exact amount owed now is not known and the government has chosen to offset part of these huge debts at times.

Moreover, less than 80 per cent of registered cooperatives are active. To further illustrate, out of the 44 cooperative unions eight are relatively dormant and do not all hold annual general meetings as is shown below.

Table 11: Number of general meetings held by cooperative unions

Year	Number of AGMs held	% of unions holding AGMs
2004	30	68.2
2005	25	56.8
2006	30	68.2
2007	33	75.0
2008	36	81.8

Source: TFC

Each primary cooperative is represented by at least two delegates in the annual union meeting. Representation of primary cooperatives ranges between 65 to 95 per cent. There are examples of primary cooperatives that have had successful innovative practices during the past three years; these include Kanyoro Primary Cooperative Society in Kigoma, Kinole SACCO in Morogoro, Kitunda SACCOs in Dar es Salaam, Uru North Njari Primary Cooperative Society and Posta na Simu SACCO in Dar es Salaam. The economic success of these primary cooperatives is based on active member participation, dedicated board and chairpersons, and effective management of business, transparency and other affairs of the cooperative.

Membership of primary cooperatives is voluntary and this point is emphasized during the formation of cooperatives and at AGMs. Members make all the major decisions in a democratic manner. The one member one vote principle is always followed. In 2006/2007 nearly all active primary cooperatives in the country elected new board members through democratic voting. Members contribute to the capital and do business with their cooperatives and decide on how the surplus should be distributed and/or expended.

Primary cooperatives are free to affiliate to any partner or representative organization based on the economic and non-economic gains anticipated. Primary cooperatives are self-propelled and act without undue government control, political/government or external interference.

Seminars are organized for members and leaders and information is regularly disseminated. Training budgets were mentioned by some members of the movement, but by and large current cooperatives do not have training funds. This is in contrast to the cooperatives of the 1950s and 1960s, which saw cooperative contributed a percentage of their surplus towards an education fund.

Cooperatives cooperate with each other. For example, three primary cooperatives in Uru North in Kilimanjaro region have come together to form an association that provides common services and undertakes common ventures. Primary cooperatives utilize part of their surplus to pay for community projects, such as water and education activities. The association of three primary cooperatives in Uru North has initiated a community water project, built classrooms, and paid school fees for orphaned and other vulnerable children in the community. It works in close collaboration with the village governments and all the development programmes in the area.

7. Conclusions and recommendations

Findings from this analysis show that cooperatives are gradually giving voice to their members. Some successful cooperatives, such as Tanga Dairy Cooperative Union, are examples of this. The paper also shows how policy reforms have been effective and that the authorities have instituted strong institutions (for example, SIDO and MUCCOBS) to support the advancement of the movement in the country. The movement is big and it is estimated that there are over 5,000,000 people, in addition to the 1,600,000 cooperative members, use cooperative services for their livelihood. Nevertheless the conclusion reached is that the movement is not strong when compared to movements on other continents, in other African countries, and even to its own historical past.

The positive conclusions which can be drawn from the paper are that there is a significant potential for the movement to help reduce members' poverty and contribute to the social protection and economic growth of the country. The rapid growth of SACCOs in recent years is encouraging, though there are only two small cooperative banks in the country. The more numerous cooperative financial institutions (SACCOs) are not strong enough and are only offer modest loans to members. However, these loans, small as they may be, are very important for the welfare of members and their households. There is thus a need for the department and the movement to appreciate the formidable task of developing SACCOs so that they can become strong cooperative financial institutions that can successfully participate in crop buying. Much work is needed in training and legal reform to make it easier for SACCOs to be registered as microfinance companies. Currently few SACCOs in urban areas have the organizational capacity to properly administer the demand for their services as the necessary manpower is lacking. This means that even if there was injection of capital to cooperatives (by the government, donors and from members' savings), the problem of low organizational capacity would be a constraint. Most of the training done at MUCCOBS is not for staff belonging to the cooperative movement. MUCCOBS and the other players and stakeholders should reposition themselves so that they can direct more education and training to the movement. Cooperative organizations need to be more active in education, training and information-sharing. They can also take advantage of the proliferation of the electronic and print media in Tanzania.

The heavy debt of the crop marketing cooperatives was mentioned as an issue. Cooperative members and experts interviewed indicated that few unions in crop marketing are strong. Only Kagera Cooperative Union (KCU) and Karagwe District Cooperative Union (KDC) were mentioned as financially strong unions in crop marketing. The two unions have members (primary cooperatives) which market coffee. Nevertheless, despite the presence of a few good examples, the territorial picture is not good. In the past thirty years coffee output has gone down or at best stagnated in some areas because of lack of strong cooperatives to support marketing and the supply of inputs at competitive prices (Bank of Tanzania, 2006; Mhando, 2005; Ikeno, 2007).

It is recommended that the movement be reformed in a way that allows cooperatives to take advantage of the current laws and regulations of the warehouse receipt system. The warehousing system has been given legal basis by the enactment of The Warehouse Receipts Act, 2005 (Act No. 10 of 2005) and Warehouse Regulations 2006. Only a few cooperatives have so far adopted the warehousing idea (the idea is new in the country) but it is a very important innovation. Warehousing can be combined with traditional crop marketing cooperatives and SACCOs. According to one cooperative expert that was interviewed, some five SACCOs which are currently using the warehousing system show signs that the idea can help increase the income of peasants. Crises, such as the global financial crisis, drive the prices of some crops, such as coffee and cotton, down. Such decline means less saving for cooperative members, as they depend on crop sales to make saving with their SACCOs. With the warehouse receipt system the crops are stored in a warehouse while the owner (a cooperative member) can use the crops as collateral to borrow money from the SACCOs that administers the warehouse.

Qualitative data collected from SACCOs indicates that the incomes of the SACCOs member who grow rice and coffee have improved. However, both the local and the international markets are very volatile and if cooperative members have no means of securely storing crops for some time they can easily be put out of business as they will be compelled to sell when prices are at their lowest. Without warehousing the only realistic alternative is processing. This can also be pursued by cooperatives and supporting institutions. However, given the low financial, organizational and technical capacity of the cooperatives, warehousing is most feasible short term strategy and processing can be the longer term strategy.

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Cooperatives in Tanzania mainland: Revival and growth

Sam Maghimbi

In Tanzania nearly eight million people are dependent on the services and employment opportunities associated with the cooperative movement. The movement shows strong and persistent organizational stability. The Tanzania Federation of Cooperatives continually undertakes assessments and makes contributions to cooperative policy and legislation. Their capacity to lobby on behalf of cooperative members has made it possible for them to reach other cooperative movements, especially in Europe, and there is now some networking between local cooperatives and foreign cooperative organizations. However, marketing services of the Tanzanian Federation of Cooperatives are limited and complaints of lack of access to markets and low prices for cooperative members' crops are very common. Crop marketing cooperatives are heavily indebted to banks, which highlights the need for growth in the number of cooperative banks. Savings and credit cooperatives have been more successful in increasing social protection for members, by providing loans for emergencies, social fees and funerals, among others.

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