

# Tanzania's cooperatives look to the future

**Andrew Bibby**

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## **Tanzania's cooperatives look to the future**

## **A time of change**

This is a time of change for Tanzania's cooperatives.

Cooperatives in Tanzania have a long history, dating back to the late 1920s. In times past, they played a vital role in rural and urban economic and social development of the country.

However, more recently the image has become a negative one. For many people in Tanzania, coops are seen as stuck in the past, unable to cope with modern economic realities. Far from being models of member self-empowerment, their image is tarnished by poor administration and leadership, poor business practice, and by corruption.

Cooperatives developed historically – in Tanzania as elsewhere in the world – because they performed a valuable role. That role remains as relevant as ever today. Without cooperatives, small producers are left with almost no form of collective organisation, at an immense disadvantage when taking their products or crops to the market. Without savings and credit cooperatives, many poor people have no safe home for their savings and nowhere to go for loans. Coops can also provide solutions through collective action in other areas, too, such as fisheries, forestry, minerals and housing.

If they are to meet their potential in the future, however, a comprehensive transformation of cooperatives in Tanzania will be necessary. The task is to focus back on the key cooperative principle: that coops are owned and controlled by their own members. The purpose of coops is, above all, to fulfil their members' economic and social needs.

To achieve their goals, cooperatives need to be commercially viable enterprises, able to survive and prosper in the marketplace. To be sustainable, cooperatives have to be run on a business-like footing. In contrast to other businesses, however, the rewards from their trading activity are available to be shared between all the members, on a collective basis.

A number of important initiatives in the past five years have put in place the foundations for a rebirth of Tanzania's cooperative sector. They include the 2000 Special Presidential Committee on reviving cooperatives and new cooperative legislation of 2003. These and other efforts have culminated in the production of a key strategic document, *The Cooperative Reform and Modernisation Program 2005-2015*.

This report (a 'home grown' initiative rather than the product of external consultants) has been produced with the direct involvement of the Tanzanian cooperative movement. It is honest about the problems: it identifies problems of poor management, inappropriate coop structures, corruption and embezzlement, lack of working capital, lack of cooperative democracy and education, weakness of supporting institutions and, in general, an inability to compete in a liberalised market economy.

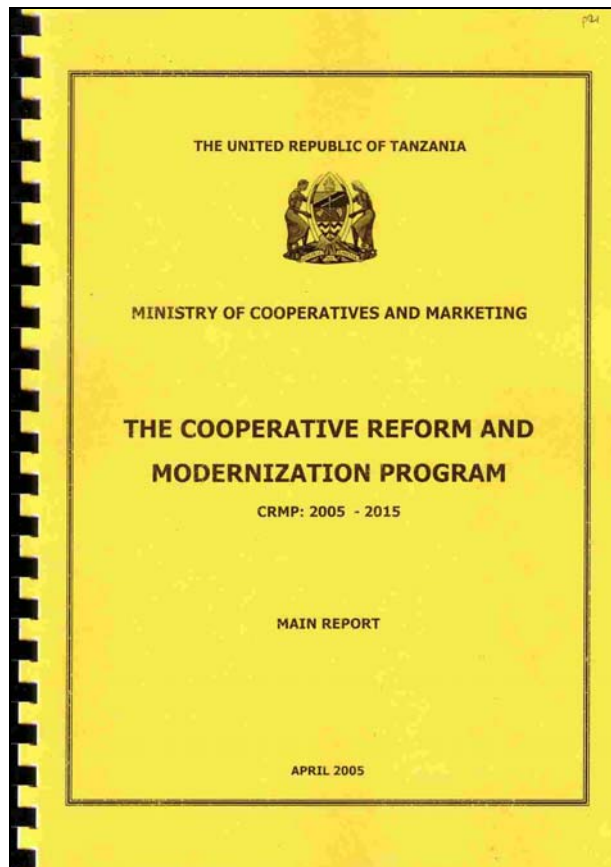
However, it also sets out detailed strategies for overcoming this problematic inheritance. The goals of the Reform and Modernisation Program are clearly identified:

- Economically strong cooperative societies, capable of facing competitive challenges
- Strong savings and credit cooperatives, providing better services and offering a source of capital for cooperatives
- An empowered membership
- Good governance and accountability in cooperative societies.
- A network of cooperatives with efficient and cost effective structures, able to respond easily to the needs of their members.

The Program links directly with MKUKUTA, the National Strategy for Growth and Reduction of Poverty adopted in June 2005. The message, recognised by strong government support for the cooperative reform agenda, is that cooperatives have

a significant role to play in helping the country meet the goals set out in MKUKUTA.

This booklet has been produced to bring the message of the Cooperative Reform and Modernisation Program to a wider audience. It explores the key aspects of the strategy for change, and identifies some existing examples of good practice. It also offers a wider perspective – because Tanzania is not alone in rediscovering the potential of cooperatives for economic development and poverty reduction. Recent events, including the International Labour Organization's *Promotion of Cooperatives Recommendation* (2002), signal a renewal of interest worldwide in the potential of cooperatives, as grassroots member-led agencies for development and social change.



## **Promoting member empowerment and healthy cooperative democracy**

Cooperatives are internationally recognised as enterprises democratically owned and controlled by their members. To meet their full potential, Tanzania's cooperatives need to have members who feel able to participate and actively engage in the life of their organisation.

As the Reform and Modernisation Program puts it, "it is only when the grassroots membership is empowered that Tanzania will see a true emergence of democratic and economically viable cooperatives". Thus far, it admits, the involvement and participation of members remains weak.

Strong emphasis, therefore, is given to the need for member empowerment, as a key part of the work of rebuilding cooperatives in Tanzania. This is described as "a process of power sharing with the ordinary members, in order to build their confidence and their ability to manage their own economic affairs and their cooperative organisation".

Empowering members requires the creation of an enabling environment, one which encourages participatory ways of tackling and solving problems. It also requires a change of attitude on the part of cooperative leaders and support workers, so that they become facilitators and agents for change.

Fortunately, there is already firm evidence that this can be achieved. Between 1996 and 2000, an innovative pilot programme promoting member empowerment took place in the Kilimanjaro and Arusha regions. A total of 171 primary societies participated in the project, known as MEMCOOP. About 60,000 coop members went through a MEMCOOP training programme, and additional training was held for well over 2000 committee members and coop secretaries.

It is clear, both from academic research and from empirical data, that the programme successfully helped change the behaviour and attitudes of members, so that they felt a new sense of ownership over their cooperatives. There were

strong business benefits, too. For example, coffee marketing coops participating in the programme obtained an average price of 1,286/- per kg of coffee in 2003/4; the average for coops outside the programme was, by contrast, only 600/-.

The MEMCOOP programme also stressed the need to involve women in cooperatives, and to seek more involvement from disadvantaged groups such as young people and the disabled.

The Reform and Modernisation Program calls for this experience in member empowerment to be replicated throughout the country. The Program sets out a detailed series of intended interventions, targeted at coop members, coop leadership and coop support institutions.

#### *What's happening already?*

- Cooperative awareness sessions are being run for new would-be cooperatives before they become formally registered. These sessions, open to all, explain the responsibilities of membership and summarise the working of the new cooperative law.
- The process of re-establishing cooperative Boards through special elections (see below) is providing an opportunity for members to find out more about the cooperative reform process.

#### *The global picture*

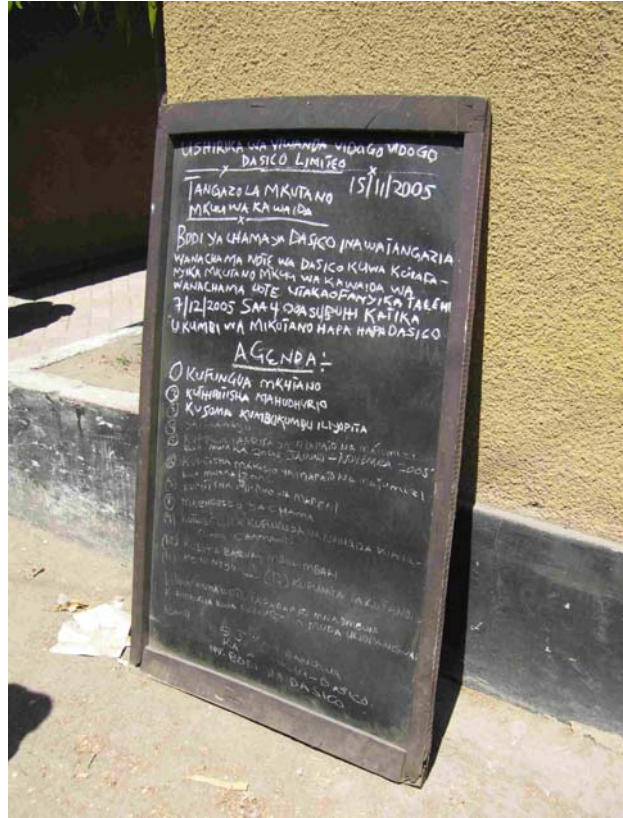
- The internationally agreed Cooperative Statement of Identity and Principles was approved by the International Cooperative Alliance in 1995. The second Cooperative Principle, *Democratic Member Control*, includes the following text: "Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership".



Dasico (Dar Es Salaam Small Industries Cooperative) members at a General Meeting of the cooperative. Dasico is one of the oldest cooperatives in the Dar Es Salaam area, currently with 398 members. Coop members are engaged in a range of activities including carpentry, metalwork, paper bag manufacture and welding.

The agenda for forthcoming general meetings of members is written up on a series of blackboards, prominently displayed throughout Dasico's premises (below).





## **Establishing strong corporate governance**

Central to the process of cooperative reform in Tanzania is the emphasis being placed on strong corporate governance.

The Reform and Modernisation Program admits that coops in Tanzania have, too often, suffered from poor leadership and bad management. Cooperative leadership has, it says, become associated with lack of accountability of members, untrustworthiness and persistent corruption.

Good corporate governance goes hand-in-hand with effective member empowerment and healthy internal democracy. Moves to strengthen members' role in their own cooperatives also strengthens the coop's leadership and management.

Beyond this, a number of concrete actions are being taken to ensure that coops are overseen by leaders who are honest and properly accountable. As a consequence of the Cooperative Societies Act of 2003, the Code of Conduct for cooperative management for the first time limits cooperative Board members to no more than three three-year terms. After nine years, in other words, a Board member automatically ceases to hold office.

There are also more rigorous procedures which are now in place for coop members wishing to stand for election to the Board. The Code of Conduct provides for a minimum period of three years' active membership of a coop before a member becomes eligible for a leadership position. The Code also provides for minimum qualifications in terms of both cooperative education and formal schooling (normally coop leaders are expected to have completed secondary education).

As a direct consequence of the Reform and Modernisation Program, the process is now under way whereby every primary and secondary cooperative in Tanzania will hold a special general meetings, called for the purpose of holding new

elections to cooperatives' Boards. These meetings and elections are overseen by the Registrar of Cooperatives or his appointed staff.

Candidates for leadership positions are required to apply in writing, giving full details of appropriate past experience. Board elections take place under the auspices of an Election Supervising Officer, acting with powers given to them from the Registrar of Cooperatives, and an election Panel, comprising at least four people "of recognised integrity" appointed by the Election Supervising Officer. The Officer and Panel have the task of scrutinising applications for aspiring Board members and of ruling out of order those from candidates who possess insufficient experience and skills, or who have been associated previously with maladministration or malfeasance.

The Code of Conduct also introduces measures to help protect coops from leaders who try to use their position to advance their personal interests. There are more rigorous requirements to be met when cooperative employees are to be appointed.

#### *What's already happening?*

- The process of new Board elections is now complete for primary cooperatives in the Lake and Northern zone regions, and is well under way for secondary cooperative organisations. The elections have already had a profound effect for many cooperatives, demonstrating in a highly visible way the changes which are taking place. Many coop Boards now have a rejuvenated leadership. Conversely, some well-entrenched coop leaders have found themselves losing their seats and power bases.
- The election process is now being rolled out to other regions of the country.

#### *The global picture*

- There has been renewed emphasis in recent years on the core ethics and principles of the cooperative movement. The adoption of the ICA Cooperative Statement of Identity and Principles can be seen as a response to concerns that, in many countries around the globe, coops had been allowed to be turned into quasi-state bodies. The ILO Promotion of Cooperatives Recommendation 193 refers to the ICA Statement, and to the cooperative movement's ethical value of "honesty, openness, social responsibility and caring for others".



Members of Daimamuungano SACCO (Dodoma) at a General Meeting being addressed by Dr Anacleto Kashuliza, Registrar of Cooperatives. As part of the cooperative reform process, the Registrar and his staff are supervising new elections to the Boards of all primary and secondary cooperatives. Meetings are videotaped, to ensure a formal record is kept of all election proceedings.

## **Transforming cooperatives into viable businesses**

If they are to meet their wider social and community objectives, cooperatives need to be viable as commercial enterprises.

The Reform and Modernisation Program stresses throughout the need for cooperatives to be commercially viable businesses. There is recognition that, in the past, this has often not been the case: coops have been sheltered from the need to operate commercially, for example through direct and indirect Government support and subsidies.

In some instances, coops are still operating unprofitable facilities, such as hotels, oil mills or cotton ginneries. Without an emphasis on commercial viability, coops will not be able to shake off their past poor image. As the Reform and Modernisation Program puts it, “Too many banks and other trade partners consider cooperatives as not creditworthy. They are simply bad business partners.”

On the other hand, the Reform and Modernisation Program also recognises that, when the trade reform process was introduced in the 1990s, coops were given very little support to help them adjust to a liberalised economy.

There is a need now to ensure that coops can be helped to make the adaptations they need to run as sustainable business ventures. Coops are reminded that the competitive environment can be fast-changing, requiring the need for a proactive entrepreneurial approach.

The Reform and Modernisation Program strongly encourages coops to undertake strategic planning, and to draw up corporate strategies and action plans to be used as tools in the day-to-day management of the businesses. Once drawn up, corporate strategic plans are also valuable as a performance tool for use by members in holding their management accountable.

The goal of creating a critical mass of viable and sustainable cooperative businesses in Tanzania requires cooperative leaders and members with improved business skills. A culture of entrepreneurship and business acumen has to be built.

#### *What's already happening?*

- The Tanzania Federation of Cooperatives is currently half-way through a reform process set out in its Strategic Plan for the years 2003-2007. The Plan aims to put the focus back on TFC's central role, that of promoting and supporting its member coops and the cooperative movement. As part of this refocusing work, some former coop-owned businesses have been restructured or sold.

#### *The global picture*

- ILO Promotion of Cooperatives Recommendation 193 calls for the adoption of measures, among other things, to assist coops to "create and develop income-generating activities and sustainable decent employment". It calls for help to be given to coops "to develop their business potential, including entrepreneurial and managerial capabilities".



Dasico (see above, page 8) is currently unusual among primary cooperatives in having prepared a Corporate Strategic Plan for the years 2005-2009, which includes new emphasis on marketing and sales. The Plan includes a SWOT (strengths, weaknesses, opportunities and threats) analysis of the cooperative. Among the strengths identified are strong member commitment and integrity, and low management expenses. Weaknesses include poor management information systems and old and inefficient machinery, some more than thirty years old. The photograph shows the metal press used in making metal boxes and household objects.

## **Modernisation of Savings and Credit Cooperative Societies**

Tanzania's network of Savings and Credit Cooperative Societies (SACCOs) are grass-roots financial institutions which have stood the test of time as effective microfinancial institutions, offering members a convenient home for their savings and an access point for loans. For many people, membership of their SACCO is an invaluable safeguard against unexpected illness, accident or family death. Workers in the informal economy have increasingly looked to SACCOs in recent years to meet their needs.

Nevertheless, the Reform and Modernisation Program also recognises that SACCOs in Tanzania are not meeting their full potential. There are in total about 1700 SACCOs operating in Tanzania, between them with about 260,000 members. This represents less than 1% of Tanzania's population.

A number of factors have been identified as holding back the development of SACCOs. These include low capitalisation levels, a limited range of products and services and poor outreach. Some SACCOs suffer from weak internal control systems and high loan delinquency rates.

The Reform and Modernisation Program identifies a range of steps to be taken to strengthen the SACCO movement. Existing SACCOs are urged to reach out, to attract new members and to strengthen their capital and loan base. New SACCOs, where they can be financially viable, are to be encouraged, both in urban and rural areas. SACCOs are urged to consider whether they can provide members with innovative new products and services. New loan appraisal and loan monitoring methods are encouraged.

SACCOs have access through SCCULT (the Savings and Credit Cooperative Union League of Tanzania) to a risk management programme, which provides (among other benefits) cover against member default on loans in the event of death. SCCULT also encourages SACCOs to save collectively through its Central Finance Programme.



SCCULT is urging its member organisations to become more professional in their operations, where appropriate copying practices (such as smart front offices, or staff in uniforms) from commercial banks.

Not all SACCOs currently choose to be members of SCCULT. Strengthening the SACCO movement will include steps to rebuild SCCULT, so that it fully meets its role as a democratically run and accountable cooperative apex organisation able to adequately service its members.



Majengo Sokoni SACCO in Dodoma municipality has recently opened an impressive new front office (above). Another SACCO in Kibaigwa region has introduced a plastic ATM card facility, allowing its members to access cash through CRBD cash machines. This means that farmers and small traders don't have to carry large amounts of cash with them.

### *What's already happening?*

- Some previous legal constraints on SACCOs' powers have been removed through the Cooperative Societies Act of 2003 and the Cooperative Societies Rules which came into effect in August 2004. SACCOs can now have legal redress, for example, when employers fail to pass across deducted employee savings promptly.
- Successful SACCOs are not immune from the need to anticipate change. Posta na Simu is Tanzania's largest SACCO, providing services to employees of Tanzania Telecommunication Company, Tanzania Postal Company, Tanzania Postal Bank and Tanzania Communication Regulation Authority. But job losses, particularly in TTCL, threaten to reduce dramatically the number of members in the SACCO. Posta na Simu is responding in several ways. It is planning to develop front office services, to reduce its reliance on savings deducted at source from employees' pay. It is trying to help retrenched staff who are considering self-employment. It is also considering broadening its common bond, to widen the potential pool of members of the SACCO.
- SCCULT is looking to extend the range of services it offers to SACCOs. One service currently under discussion is the creation of a credit reference bureau, a facility which has proved very useful to SACCOs in other African countries.

### *The global picture*

- SACCOs in Tanzania are able to benefit from the work which has been undertaken internationally by the World Council of Credit Unions (WOCCU), for example on management information systems, corporate governance and best practice. WOCCU's work in Kenya to assist credit unions and SACCOs in addressing the HIV/AIDS pandemic is also of relevance.

## **Meeting cooperatives' need for capital**

Tanzania's cooperatives need access to capital, to enable them to develop as effective, commercially viable, businesses.

Historically, coops looked to build up their own reserves as a source of business capital. However, over time their capacity to build up internal capital became eroded, partly by government policies and partly by poor business performance resulting from declining margins (for example, in the case of coffee, cotton and cashew nut prices). From the 1970s, cooperatives increasingly relied on government support for finance. Although given out as loans, these were very often not repaid. Coops became trapped in a dependency/parasitic relationship with government which seriously weakened their ability to develop into sustainable business enterprises. This dependency also weakened member democracy.

Rebuilding Tanzania's cooperatives as effective member-owned businesses requires a clear break from this unfortunate historical legacy. Viable coop businesses today suffer from this legacy in a number of ways. Many commercial banks still view cooperatives as inherently not creditworthy. Many coops are weighed down by the presence on their balance sheets of accumulated debts dating back many years.

Sorting out this problem requires both immediate short-term measures and longer-term solutions. In the short term, the Reform and Modernisation Program proposes that the government relieves cooperatives of historic debt owed to state institutions. Coops would continue to be liable for debts to other creditors; here the government role is seen as facilitating negotiations to resolve these matters. The aim is to enable coops which are economically viable to draw a clear line under the past.

In the longer-term, adequate sources of business finance for cooperatives need to be established. The Reform and Modernisation Program calls for what it

describes as *Sustainable Cooperative Financing Systems*, comprising both internally generated capital and external loan funds.



Beds for sale at the Buguruni Carpentry Cooperative, Dar es Salaam. Furniture is made using traditional hand tools. The cooperative is keen to develop its business and to equip itself with machine tools, but is handicapped by an inability to access business capital.

The Tanzanian cooperative movement in the 1960s had created its own commercial bank, which successfully helped cooperative businesses meet their capital needs. The movement was weakened when this bank was subsequently nationalised by the government. The Reform and Modernisation Program calls for a study to investigate the viability of establishing a new National Cooperative Bank.

### *What's already happening?*

- The Tanzanian government, in approving the Cooperative Reform and Modernisation Program, agreed to write off 23 bn/- of accumulated debts.
- Cooperatives, as well as other small businesses, are benefiting from the Warehouse Receipt System, currently being piloted in eight regions of Tanzania. The Warehouse Receipt System, launched in 2004, is part of the Agricultural Marketing Systems Development Programme.
- A study of the possibility of a new National Cooperative Bank has been commissioned.

### *The global picture*

- ILO Promotion of Cooperatives Recommendation 193 calls on governments, where appropriate, to facilitate the access of cooperatives to investment finance and credit. Governments are encourage, among other things, to facilitate “an autonomous system of finance for cooperatives, including savings and credit, banking and insurance cooperatives”.



The Kilimanjaro Cooperative Bank is one of two regional cooperative banks in Tanzania. It was created in the early 1990s through the combined efforts of local cooperative societies, mainly primary coops, who were dissatisfied with the service available from commercial banks. KCB lends to small businesses and individuals (normally personal loans backed by employers) as well as to coops. It made a profit before tax of 243 m/- in 2004.

KCB suffered because of a potential default on a major loan made to a local cooperative organisation, an experience which pointed to weaknesses in corporate governance which have now been corrected. KCB, which is regulated by the Bank of Tanzania, would like to expand its capital base so that it can extend the services it offers, including if appropriate operating outside the Kilimanjaro region.

## **A woman's place is in her cooperative**

Women are a disadvantaged group in virtually all economic activities and unfortunately cooperatives are no exception. In primary cooperatives, women make up about one in five of the overall membership (2004 statistics suggest that, out of a total primary coop membership of 704,000, women comprise about 148,000). Women are underrepresented in leadership positions.

As the Reform and Modernisation Program points out, “where women have participated actively, the cooperatives are more successful”. This has particularly been true in SACCOs, where women have demonstrated that they are good savers and borrowers.

The Reform and Modernisation Program calls for a number of measures to address this issue. These include implementation of gender sensitisation and awareness programmes for coop members and support workers. The Program also calls for the development of women's cooperatives, which it points out can be an ideal platform for women to learn leadership skills and to build self-confidence.

### *What's already happening?*

- A project coordinated by the ILO office in Dar es Salaam in conjunction with government agencies, designed to support women's employment and reduce child labour, has led to the establishment of four women's SACCOs, in Dar es Salaam, Tanga, Pemba and Unguja. The SACCOs encourage regular savings of small amounts, and enable the women to obtain loans. As one woman member from Tanga put it, “Initially we were afraid of borrowing. We did not know that as women we could borrow and repay loans... We are happy that we managed to borrow when the first loans were dispersed.”

### *The global picture*

- Coops internationally have made a commitment, through the ICA's Gender Equality strategy of 2000, to work for gender equality. The ICA has also called for HIV/AIDS training programmes where possible to be linked to promoting gender equality.



Members of Mamsera Rural Coop bringing in their coffee bean crops to the coop office in Mamsera village in Kilimanjaro region. This very successful coffee marketing cooperative has strengthened its position by diversifying into brick manufacture. It also runs two stores and supplies agricultural inputs.

A decade ago, the coop's membership was entirely male. Although still in a considerable minority, women are now members of the cooperative and two Board members are women. The coop's secretary, Mrs Mary Shayo, has played a key role in ensuring the coop's development and financial health in recent years.



## Cooperatives in the wider context

The Reform and Modernisation Program calls for the development of economically viable cooperatives which are sustainable in the long term.

Cooperatives have a potentially important role to play in environmental protection measures. The program calls for sensitisation and training measures for coop members, on the importance of protecting the environment for present and future generations.

Cooperatives also provide valuable community-based networks which can be utilised to promote a deeper understanding of the HIV/AIDS pandemic, and of measures which can be taken to minimise the risk of becoming HIV positive. Coops have a role to play in augmenting existing efforts (for example by TACAIDS) in promoting HIV/AIDS awareness, especially in rural areas which may be more difficult for other information dissemination campaigns to reach.

### *The global picture*

- The Seventh international Cooperative Principle *Concern for community* states that “cooperatives work for the sustainable development of their communities”.
- The International Cooperative Alliance strategy to fight HIV/AIDS calls among other things for materials that have already been developed by co-operatives who are dealing with the HIV/AIDS issue to be more widely disseminated.

## **The new shape of the cooperative movement**

The cooperative movement in Tanzania has a long history, and as long ago as the 1930s a number of secondary cooperatives (cooperatives of cooperatives, known in Tanzania as 'cooperative unions') had been established. Some of these cooperative unions continue in operation today.

The movement's complex infrastructure has historically also included a number of tertiary cooperative bodies, for example apex bodies linking cooperative unions in the tobacco, cotton and other sectors, and the SACCO apex body SCCULT. At the top of the structure in mainland Tanzania is the Tanzania Federation of Cooperatives.

Although impressive on paper, this structure has not been working well. The Reform and Modernisation Program points out that secondary and tertiary societies have frequently failed to meet primary cooperative needs. The maintenance of huge cooperative structures is expensive. The more levels there are, the less scope there is for direct coop member participation.

The Reform and Modernisation Program calls for the focus of efforts to be at primary level, to ensure the development of economically viable primary cooperatives. Members of these societies may still, if they wish, form or continue to maintain secondary or apex bodies. The Registrar has powers, however, to wind up moribund secondary or apex bodies.

The future roles identified for the Tanzania Federation of Cooperatives are, among other things, to coordinate the setting up of an effective management information system for cooperatives, and to represent the movement internally and externally. The Reform and Modernisation Program also sets out the responsibilities for SCCULT, which include the promotion and modernisation of SACCOs.

### *What's already happening?*

- The process of new Board elections for existing secondary cooperatives, which have taken place already in Northern and Lake zone regions and which are now being organised in other regions of the country, provides an opportunity where appropriate to re-invigorate and re-democratise these cooperative organisations.

### *The global picture*

- Tanzania Federation of Cooperatives is a member of the International Cooperative Alliance, the global organisation for the cooperative movement. The ICA and ILO signed a Memorandum of Understanding in 2004 which emphasises the role which cooperatives can play in working towards achieving the Millennium Development Goals. The two partners have launched the Global Cooperative Campaign against Poverty, **Cooperating Out Of Poverty**. Representatives of the Tanzanian cooperative movement participated at the ICA world congress in September 2005.

## **Capacity building in the cooperative movement**

The Reform and Modernisation Program stresses the need for capacity building in the cooperative movement. Priorities include human resource development, better training, research, improved quality of audit and supervision, increased use of ICT, and the creation of pools of cooperative specialists.

A number of already existing government-based support institutions have roles to play in this task. The Cooperative Development Department (headed by the Registrar of Cooperatives) is one of two technical departments of the Ministry of Cooperatives and Marketing. This Department has a key responsibility in the implementation of the Cooperative Reform and Modernisation Program. To meet this, the Department itself needs strengthening; the Department is short of staff, and existing staff need training in new approaches.

At regional level, there are 21 Cooperative Advisors (based in Regional Secretariats) who act as Assistant Registrars. They undertake the registration of primary cooperatives and supervise cooperative development activities in their regions. There are also around 395 Cooperative Officers based in districts (under the authority of District Executive Directors). One difficulty is that these staff are no longer directly answerable to the Registrar of Cooperatives, as they were in the past.

Cooperative Officers potentially have a powerful role to play in helping in the transformation of the cooperative movement foreseen by the Reform and Modernisation Program. The reorientation away from a state-sponsored top-down approach to cooperatives requires appropriate training for these Officers.

The Cooperative College Moshi, now the Moshi University College of Cooperative and Business Studies and an affiliate of Sokoine University of Agriculture, has a lead role in the training and research tasks identified under the Reform and Modernisation Program. As well as its campus at Moshi, the

University College has a network of about twenty regional centres across the country.



Tanzania's Cooperative College (now the Moshi University College of Cooperative and Business Studies) was a key partner in the member-empowerment programme (MEMCOOP) piloted in the Kilimanjaro and Arusha regions. The College has produced, within the context of the Cooperative Reform and Modernisation Program, its own implementation programme *Empowerment and Enterprise Development*.

Prof Suleman Chambo, Principal, talks of the need to change the mindset of cooperative advisory officers, so that they work *with* coop members, not impose *on* them: "Working with members is different from giving them instructions," he says.

The audit role for the cooperative movement has traditionally been provided by the quasi-government body COASCO (Cooperatives Audit and Supervision Corporation). COASCO, based in Dodoma, has fourteen regional centres. COASCO is responsible for auditing cooperative annual accounts and for ensuring proper financial records are maintained. In the past, limited resources

has meant that COASCO has suffered from a backlog of accounts awaiting auditing. Furthermore, a majority of cooperative accounts have been subject to auditor qualification.

As the Reform and Modernisation Program puts it, “cooperative transformation will take root only when there is marked improvement in the quality of services that cooperative support institutions can offer”. In the case of COASCO, it points out that significant capacity building is required in a number of areas, including staff training and acquisition of transport facilities.

One potentially important development proposed by the Reform and Modernisation Program is the creation of a National Cooperative Advisory Council, an autonomous institution mandated to play an advisory role in the revival and strengthening of Tanzania’s cooperatives. This body will bring together cooperatives, cooperatives support institutions, experts (such as lawyers and corporate strategists) and NGOs with specialist interest in cooperatives. The intention is that the National Cooperative Advisory Council can promote cooperative interests, for example at the high-level meetings of the Tanzania Business Council.

#### *What’s already happening?*

- The first meetings to create the National Cooperative Advisory Council took place in late 2005.
- The achievement by Moshi Cooperative College of University College status is one step in a longer-term plan for the College’s development. The College aims eventually for its own university status.

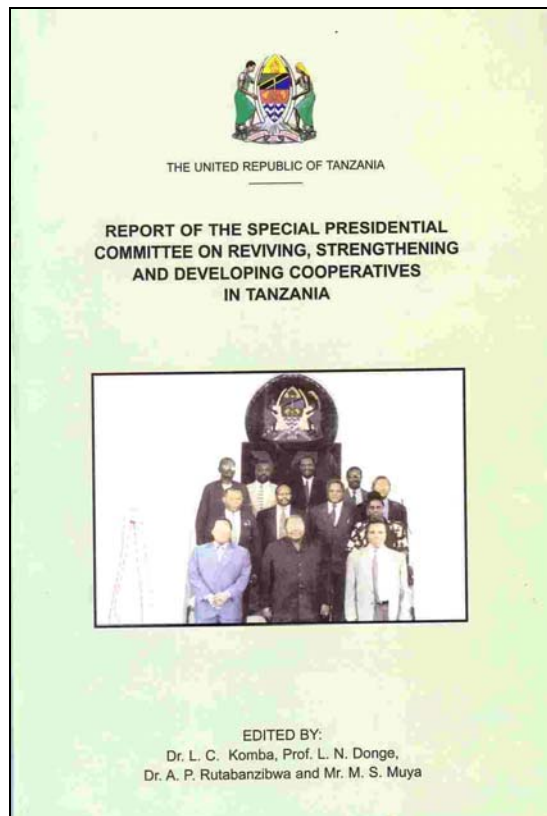
#### *The global picture*

- ILO Promotion of Cooperatives Recommendation 193 calls on governments to facilitate access of cooperatives to support services, including services where possible in areas such as human resource development, research and management consultancy, accountancy and audit, management information, information and public relations, technology and innovation, legal and taxation issues and marketing. The Recommendation states, “Governments should facilitate the establishment of these support services. Cooperatives and their organisations should be encouraged to participate in the organisation and management of these services and, wherever feasible and appropriate, to finance them.”

## **Building support for the modernisation of Tanzania's cooperatives**

Tanzania's Cooperative Reform and Modernisation Program builds on a number of recent initiatives, designed to refocus efforts on strong, democratically controlled, cooperative businesses.

This process has had high-level government commitment. A vital initial initiative was the Special Presidential Committee on reviving, strengthening and developing cooperatives in Tanzania, established by President Mkapa in March 2000. The Commission's report was published in February 2001. As the President put it, the key tasks were to answer the questions: *"What went wrong?"* and *"What should we do?"*.

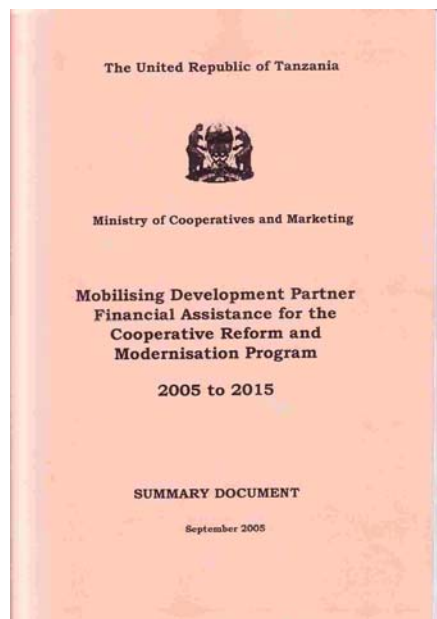




The reform process was carried forward by the establishment of a dedicated ministry, the Ministry of Cooperatives and Marketing, in 2001, by the development of a new Cooperative Development Policy in 2002, by the enactment of the Cooperative Societies Act No 20 in 2003 and by the issuing of Cooperatives Societies Rules in 2004.

In 2004, a multi-stakeholder team was established charged with preparing the ten-year strategic Cooperative Reform and Modernisation Program. The report and the Cooperative Reform and Modernisation Program was formally endorsed by the Cabinet in August 2005. The government of Tanzania has backed the programme by approving expenditure from the national budget of 15 bn/- for the first phase of the implementation programme. At the same time, the government approved the write-off of 23.8 bn/- of debts owed by cooperatives, the majority owed to central and local government institutions.

The Cooperative Reform and Modernisation Program is an ambitious initiative, and to be fully implemented development partners' assistance is also being



sought. A comprehensive report for donor agencies, *Mobilising Development Partner Financial Assistance for the Cooperative Reform and Modernisation*

*Program 2005-2015* was drawn up in September 2005. This itemises 54 action lines where financial support is sought, to a total of \$16,004,000 over the first four years of the implementation period.

## Conclusion

The objective of the Cooperative Reform and Modernisation Program is, in its own words, to initiate “a comprehensive transformation of cooperatives, to become organisations which are member owned and controlled, competitive, viable, sustainable and with capacity of fulfilling members’ economic and social needs”.

To achieve this, the Program sets out both a analysis of past problems and a detailed route-map of the way forward. There is recognition that the renewal of the cooperative movement in Tanzania is a process, one which realistically will take ten years to fully achieve. However, there is also a clear understanding of the need for immediate action, to ensure that the momentum which has now built up behind the change agenda is not lost. 2006, the first full year of the ten-year timetable for change, will be a crucial year for the success of the Program.

The Reform and Modernisation Program is helped by the strong support (including financial support) which the Government of Tanzania has already shown. One immediate task now is to mobilise development partner interest in, and financial assistance for, the Program.

The goal of the current strategy is not simply to help the existing members of Tanzania’s cooperatives revive their organisation. Success depends also on reaching out, to ensure that new members are attracted and that, where economically viable, that new coops are established. The Cooperative Societies Rules of 2004 provide a detailed framework for what are called ‘pre-cooperative groups’, which can be easily set up as a first step towards formal cooperative status.

There is great scope for Tanzania’s SACCOs to develop, so that a much larger percentage of the population has access to a straightforward place to go for saving and borrowing. There may be opportunities, too, to encourage the

creation of coops in other sectors. Agricultural coops, important as they are, are only one area of the economy where collective power can be of benefit.

Cooperatives in Tanzania have to overcome the poor image which they have received in the country in recent years. In this work, they can be helped by developments internationally, including the revival of interest in recent years in the cooperative model and the increased understanding of the role which coops can play in development and poverty reduction. The United Nations' General Secretary Kofi Annan has himself recently reminded the world of the crucial role which coops play in many different areas of human aspiration and need. An opportunity exists for the cooperative movement in Tanzania, successfully modernised and rejuvenated, to act as a showcase for this new thinking.

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