The Cooperative Reform and Modernization Program

CRMP: 2005 - 2015

April 2005
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List of Acronyms

AG Attorney General
AMCOS Agricultural Marketing Cooperative Societies
ASDP Agricultural Sector Development Program
BoT Bank of Tanzania
CDD The Cooperative Development Department
CDP Cooperative Development Policy
COASCO The Cooperative Audit and Supervision Corporation
COOPEDEC Cooperative Enterprise Development Centre
CRF Cooperative Reform Forum
CRMP Cooperative Reform and Modernization Program
DED District Executive Director
DID Development International Desjardins
DPP Director of Public Prosecution
ECGS Export Credit Guarantee Scheme
FISEDA Financial Services Enterprises Development Association
GoT Government of Tanzania
ICT Information and Communication Technology
ILO International Labor Organization
KCB Kilimanjaro Cooperative Bank
KFCB Kagera Farmers Cooperative Bank
LFA Logical Framework Analysis
LGAs Local Government Authorities
MCM Ministry of Cooperatives and Marketing
MDGs Millennium Development Goals
MF Ministry of Finance
MFI Microfinance Institution
MIS Management Information System
MKUKUTA Mkakati wa Kukuza Uchumi na Kupunguza Umaskini
MTEF Medium Term Expenditure Framework
MUCoBS The Moshi University College of Cooperative and Business Studies
NMB National Microfinance Bank
NGOs Non-Governmental Organizations
NPES National Poverty Eradication Strategy
NSGRP National Strategy for Growth and Reduction of Poverty
PCs Primary Cooperative Societies
PORALG President’s Office for Region Administration and Local Government
PRIDE Promotion of Rural Initiatives and Development Enterprise
PRS – 2 Poverty Reduction Strategy II
RAS Regional Administrative Secretary
RFS-P Rural Financial Services Program
SACCOS Savings and Credit Cooperative Societies
SCCU The Savings and Credit Cooperative Union League of Tanzania
SEDA Small Enterprise Development Agency
SEDT Small Enterprise Development Initiatives Tanzania
SME Small and Medium Enterprise
TACAIDS Tanzania Commission for AIDS
TFC Tanzania Federation of Cooperatives
UN United Nations
YOSEFO Youth Self Employment Foundation
The Presidential Special Committee on the *Revival, Strengthening and Development of Cooperatives in Tanzania* of 2000 identified a number of constraints which were hampering the progress of Cooperatives and suggested strategies to solve them. One of the key outcomes of that effort is the promulgation of the new Cooperative Development Policy of 2002. The general vision of the new Cooperative Policy is to finally have: “improved and sustainable cooperatives that are capable of fulfilling members’ economic and social needs”. Consequently the Cooperative Development Policy specified a number of specific goals and activities through whose implementation the intended destination (Vision) can be reached.

Following the coming into effect of the new Cooperative Development Policy it was essential to revisit the existing legislation so that it is reoriented towards the implementation of the new policy. Thus the enactment of the new Cooperative Societies Act of 2003 is a step into that direction.

The need to interpret the Cooperative Development Policy and the supporting law into workable strategies and plans has necessitated the preparation of a Cooperative Reform and Modernization Program (CRMP). The CRMP translates in practical terms how the overall vision can be achieved, the desired form in which the present cooperative movement has to take, the role of various stakeholders in the implementation, and linkages which need to be established or strengthened to kick-off the Cooperatives’ transformation process.

Crafting of the CRMP has been guided by the country’s long term vision of attaining sustained growth (as spelled out in Tanzania’s Development Vision 2025 and the National Poverty Eradication Strategy (NPES)). The CRMP is also closely linked with the current National Strategy for Growth and Reduction of Poverty NSGRP or PRS-2 which is also known as MKUKUTA (*Mkakati wa Kukuza Uchumi na Kupunguzwa Umaskini Tanzania*) whose implementation starts in 2005. Since there are a sizable number of cooperatives involved with agricultural crops, by necessity CRMP is also linked closely with the Agricultural Sector Development Program (ASDP). MKUKUTA and ASDP will be closely linked with the Agricultural Sector Development Program (ASDP). MKUKUTA and ASDP will be shared by the Agricultural Sector Development Program (ASDP). MKUKUTA and ASDP will be

The present document is thus intended to be the main source of information and instruction in dealing with the chronic problems confronting Tanzanians’ Cooperatives which include inflexible structures, poor management systems, inability to cope and compete in a liberalized market economy, lack of adequate working capital and the problem of indebtedness.

Thus the general objective of the CRMP is to initiate a comprehensive transformation of Cooperatives to become organizations which are member owned and controlled, competitive, viable, sustainable and with capability of fulfilling members’ economic and social needs.

The CRMP spells out a number of key problematic issues to be addressed, proposes the necessary interventions, points out the key players and their roles, and states the amount of resources required. Below is a summary of key interventions for the relevant problematic issues:

### Inflexible Cooperative Structure

Following the opportunity availed by the Cooperative Societies Act No.20 of 2003, all By-laws of Cooperative Societies will be subjected to a review by members. With assistance of change agents the review is intended to enable such By-laws to be responsive to the major changes taking place in the economy and also meet the expected demands of the new Cooperative Development Policy. In particular, roles and functions of middle level societies and the Federation will be re-defined for such societies to orient their effort towards serving their members more responsibly. In that process some societies will be restructured, some will merge while others will be de-registered from the official Government Register.

### Weak Cooperative Leadership and Management

The process of selecting and voting for aspiring leaders of Cooperative Societies has been improved by the incorporation of a Code of Conduct for Cooperative Management in the Cooperative Societies Act No.20 of 2003. The code of conduct focuses on the integrity and qualifications of the aspiring leaders and executive staff for the purpose of getting rid of corrupt leaders. The Act also limits the tenure of leaders who will have been voted out by members or those who will have served three consecutive terms of three years. Executive staff of societies will be vetted to check on their past history and qualifications and they will be employed on fixed term contracts. Selected leaders will go through training on good governance and business skills. Inspection and audit systems will be improved to curb thefts and embezzlements in societies. Services of Special Prosecutors (to be appointed by the Government Director of Public Prosecution) will be sought in speeding up investigations and cases involving Cooperative Societies.

### Having an indifferent, submissive and small membership

This situation is to be improved through massive effort in provision of participatory Cooperative education to members through which they will be empowered in making decisions in respect of business of their societies and accountability of their leadership. Flow of information to societies and their members on various aspects (including legislations, policy, state of markets etc) will be improved to upgrade their knowledge, skills and confidence. Membership in cooperative societies will be increased quickly through massive sensitization efforts in various sectors of the economy by relevant stakeholders and change agents.

### Weak economic base and lack of strategic planning

The above problem will be addressed through introduction of improved methods of economic assessment of Cooperative Societies when they are seeking registration, amalgamation or division. A number of uneconomic enterprises which are presently maintained by some societies (in spite of the losses they bring to such societies) will be divested or restructured. Of much significance will be provision of knowledge to societies on business culture and entrepreneurial skills, identification of...
markets, and the nature of contracts and contracting.

To improve the process of planning and budgeting in societies, Board members and Executive staff will be introduced to Strategic Planning Techniques which (as per new Rules) will be a legal requirement for Secondary and Tertiary level societies. The system of supervision and audit will undergo tremendous improvement to enable them contribute effectively to the transformation process.

Adequate effort will be directed at societies getting into viable joint ventures and in establishing credible Small and Medium sized Enterprises (SMEs) which will contribute to employment creation and economic development in the respective areas.

Lack of adequate capital and sustainable financing

Adequate capital for cooperative societies and cooperators can be obtained through modernization of SACCOs procedures and guidelines, as well as strengthening the capital base of Cooperative banks. Part of the modernization process of SACCOs procedures entails having new rules and regulations, having in place responsible leadership, employing competent personnel, and adopting “Best Practices” in the provision of financial services to members. In strengthening the SACCOs capital base, members will be sensitized to fully pay for their shares and to invest the generated capital rationally. Through a SACCOs network mechanism, a system of interlending between SACCOs will be developed i.e. to link SACCOs which have surplus funds with those with a deficit.

Measures will be instituted to strengthen the capital base of Cooperative Banks already in place and those which may be established. To strengthen the overall availability of capital to cooperatives (for production, processing, marketing), a nationwide Cooperative bank will be established whose base capital will originate from the cooperative movement itself and relevant stakeholders (within and outside the country).

Nevertheless sustainable financing of Cooperative Societies can be attained by reducing the burden of indebtedness on the cooperatives due to past loans (mostly channeled to agriculture). To this end the Government will be requested to consider the indebtedness situation of cooperatives and come up with a solution which will facilitate the transformation process envisaged.

Weaknesses in Cooperatives Support Institutions

Cooperatives Support Institutions – The Cooperative Development Department (CDD), Moshi University College of Cooperative and Business Studies (MUCCoBS) and The Cooperative Audit and Supervision Corporation (COASCO), require considerable capacity building to enable them fulfill their duties effectively. Such duties include sensitization, supervision and regulation (CDD); provision of cooperative education, consultancy and research (MUCCoBS); and external audit and financial reporting (COASCO). The interface between the central Ministry which houses the CDD and Regional Administration and Local Government who are the direct employers of Cooperative Officers in Regions/Districts needs to be revisited to clearly define the roles and functions of such officers to enable them concentrate on their key roles of dealing with cooperatives.

The cooperative officers and other change agents will also require considerable training in the relevant skills and knowledge to enable them perform their duties optimally.

Information flow between and among the support institutions and the cooperative movement will require considerable intervention in terms of physical facilities, design of appropriate MIS and dissemination processes to end users.

The Cooperatives fraternity is already considering the possibility of establishing a Cooperative Advisory Council which will function as a hub for advocacy and troubleshooting on urgent cooperative matters.

Cross – cutting issues

Some of the cross-cutting issues that the program will focus on relate to gender, environment and the HIV/AIDS pandemic. The problem of gender imbalance in Cooperative membership and leadership will be addressed through sensitization seminars and skills training.

Members and non-members of Cooperatives in relevant localities will be sensitized/educated on the benefits of protecting the environment for example to avoid indiscriminate tree cutting, to avoid farming activities which encourage soil erosion etc.

The HIV/AIDS pandemic is affecting people in all walks of life. In cooperatives HIV/AIDS is further reducing the labour force. Yet others spend considerable time taking care of their sick relatives thereby foregoing the undertaking of economic activities. Thus the program will support efforts already begun by National Programs on HIV/AIDS (such as TACAIDS) in disseminating relevant information to cooperative members (in Seminars, Annual General Meeting’s etc).

Through the implementation of the CRMP it is envisaged that small producers (farmers, fishermen, artisans etc) and marketers (in both urban and rural areas) will evolve strong cooperative organizations which will enable such members to exploit production and marketing opportunities which are necessary for the transformation of their economic and social livelihoods.

In a nutshell, it is expected that the implementation of the intended reforms under the CRMP will have the following desired outcomes:-

- Economically strong cooperative societies which are capable of facing competitive challenges;
- Strong savings and credit cooperative societies and cooperative banks which will provide better financial services to their members and be a source of capital for other types of cooperatives;
- An empowered membership through acquisition of education, new knowledge and skills;
- Good governance and accountability in cooperative societies which will in turn minimize the problems of theft, misappropriation and corruption in cooperatives.
Cooperative societies with efficient and cost effective structure which can easily respond to the needs of the members.

An efficient information exchange system between cooperatives and other stakeholders.

Implementation of the CRMP has potential to reduce poverty of many Tanzanians because cooperatives are one of the closest institutions to the common people (at the grassroots) and are driven by the philosophy of collective participation, respect of ethics and values, and preservation of the environment. Implementation of the CRMP will effectively augment the other country efforts of attaining sustained growth by 2025 and also contribute to the global efforts of reducing World Poverty levels by 50% or more by 2015 as specified in the Millennium Development Goals and Targets.

1.0 Justification for the cooperative reform and modernization program (CRMP)

1.1 Background

The history of cooperatives in Tanzania dates as far back as 1925 when the Kilimanjaro Native Planters Association was formed. However, the first Cooperative legislation was not passed until 1932 when the Cooperatives Ordinance (Cap. 211) was enacted. After independence, the Government policy was to make the cooperative movement an engine for economic development. Further, the Arusha Declaration of 1967 advocated and recognized cooperatives as instruments for implementing the policy of socialism and self-reliance. Through a number of legislations, cooperatives were systematically promoted to an important tool for transforming rural community production into a socialist planned economy. Changes in the macro-economic policies, which started in late 1980s, aimed at introducing free market and trade liberalization policies, in turn led to the on-going efforts to make cooperatives member-based organizations. The Cooperative Societies Act of 1991 was enacted for that purpose. For more than 70 years of Cooperative History in the country there was no Cooperative Policy to support different Cooperative legislations. The first Cooperative Development Policy was thus formulated in 1997. The policy reiterated the Government commitment for development of cooperatives that belong to members, in recognition of the International Cooperative Alliance Principles.

1.2 Cooperative Development Constraints

Despite the 1997 Cooperative Development Policy and the Cooperative Societies Act of 1991, problems in cooperative development have persisted. The main constraint has been the inability of cooperatives to operate under a liberalized economy. Cooperatives were in a weak structural and financial position at the start of the trade reform process, which was introduced without giving them any breathing space to adjust to the vagaries of the new economic order. Cooperatives have not been able to resuscitate their activities since that period, in the face of competition from the better-prepared private traders. They have been incapable of restructuring at a time when their economic activities have been dramatically shrinking. As a consequence they have been unable to provide adequate services to their members, who resorted to do business with private traders.

The second main constraint is weak institutional management. Attempts to resuscitate the existing cooperatives have always suffered from the problem of inherited structures and attitudes from the past which have put little emphasis on development of cooperatives on the basis of full democracy and ownership by members. Professional management is lacking and many cooperatives are engaged in activities that do not benefit their members. Some Primary Cooperative Societies operate as agents of private traders and rent out their facilities to the latter. In addition, Unions operate facilities that may not be financially viable such as under-utilized cotton ginneries, oil mills, transport facilities and hotels. Increasing events of misappropriation of cooperative society’s resources by dishonest cooperative managers and management committee members is another bottleneck to cooperative development. On the other hand, lack of training to members eliminates almost completely their ability to direct or hold responsible their cooperative leadership and managers.

The changing environment for cooperatives and their reduced role in input supply, crop marketing and processing, has left a hiatus that the private sector cannot fill. Similarly, without cooperatives, small producers are left with almost no form of collective organization to operate at the grassroots level. In the current economic environment where market access is poor, and market information is inadequate, individual small farmers and other producers can only survive through collective action.

1.3 The 1997 Cooperative Development Policy

The 1997 Cooperative Development Policy was a result of changes in national macro-economic environment that introduced free market and trade liberalization. However, the policy did not adequately take into account the importance of creating a conducive environment for cooperatives to operate in and be able to compete under the new economic environment. The Policy also did not recognize farmers/people’s economic groups initiatives, which are being established due to new relations in production forces (cash economy), as the basic foundation for cooperative development under the free market economy. It is also important to note that the 1997 Policy did not provide directions as to the internal management of cooperatives, most of which are still being operated under the old paradigm of state-led economy. Issues such as gender, environment, conflict of interest in cooperative leadership and the free market economy were not adequately covered. Further, the policy did not address some of the critical problems of cooperatives such as misappropriation of cooperative resources, mismanagement and dishonesty. Some of these concerns are clearly noted in the report of the Presidential Special Committee on the Revival, Strengthening and Development of Cooperatives, of 2000. While it is important for the Cooperative Development Policy to emphasize on cooperatives operating as independent business entities, it is equally important for the policy to address past facts that operated as barriers to achieving the desired goals.
### 1.4 The 2002 Cooperative Development Policy

Tanzania's new Cooperative Development Policy was thus issued in 2002 for the purpose of enabling cooperatives to get back onto the development path and at the same time become more responsive to the needs of their members. The general goal or vision of Tanzania's cooperatives as defined in the 2002 Cooperative Development Policy Document is to have: “Improved and sustainable cooperatives that are capable of fulfilling members’ economic and social needs”.

The cooperative vision has to be contextualized in terms of the country's Development Vision 2025 which identifies cooperatives among the major tools for attainment of sustainable human development. Consequently the 2002 Cooperative Development Policy specifies a number of objectives and activities which will guide the implementation of the new Policy. Among other issues, the Policy restates the Government's commitment to International Cooperative Principles and Values; suggests changes in the structural framework of the country's cooperative movement; presents measures of improving performance of cooperative leadership and management; underscores the importance of education and training for cooperative members, leaders and the general public; revisits the importance of cooperative financing; and defines the roles of key policy implementers.

It is nevertheless noted in the policy document that effective realization of the intended objectives hinges on two main prerequisites;

1. Having appropriate legislations, and
2. Formulation of implementation strategies.

The enactment of a new Cooperative Societies Act No.20 of 2003 is a fundamental step towards having appropriate legislations which will guide the implementation of the new Cooperative Policy. Other legislations relate to reviewing/reformulation of rules, regulations and by-laws which guide conduct and practice in cooperatives. Formulation of implementation strategies and actions is the subject of the Cooperative Reform and Modernization Program-CRMP.

### 1.5 Justification for the Cooperative Reform and Modernization Program

The need to translate the Cooperative Development Policy and the supporting law and other initiatives into workable strategies and plans has necessitated the preparation of the CRMP which translates in practical terms existing efforts in terms of how the overall desired vision and goals can be achieved, the desirable form which the present cooperative movement can take, the role of stakeholders or players in cooperative development, and establishes clear linkages with other ongoing initiatives aimed at reducing poverty among Tanzanian communities. It is expected that the implementation of the intended reforms will have the following desired outcomes:

- Economically strong cooperative societies which are capable of facing competitive challenges;
- Strong savings and credit co-operative societies which will provide better services to their members and be a source of capital for other types of cooperatives;
- An empowered membership through acquisition of education, knowledge and new skills;
- Good governance and accountability in cooperative societies. This will in turn minimize the problems of theft, misappropriation and corruption in cooperatives.
- Co-operatives with efficient and cost effective structures which can easily respond to the needs of the members.

As pointed out in the previous section, policy milestones will be attained through implementation of carefully crafted strategies and actions that is the intention and overriding justification of the Cooperative Reform and Modernization Program. The CRMP is intended to be the main source of information and guidelines in dealing with the chronic problems confronting Tanzania’s Cooperatives. Such chronic problems were also clearly pointed out in the report by the Presidential Committee of 2000 formed to advise on how to revamp the cooperative societies. Such problems include; poor management of cooperatives, inability to cope and compete in the liberalized market economy, improper cooperatives structures that are too expensive and inflexible, inability of cooperatives to free themselves from the vicious circle of indebtedness, and lack of working capital, lack of cooperative education, weakness in supporting institutions and limited spread of cooperatives.

### 1.6 Objectives of the CRMP

The general objective of Tanzania’s Cooperative Reform and Modernization Program is to initiate a comprehensive transformation process of cooperatives to become organizations which are member owned and controlled, competitive, viable, sustainable and with capability of fulfilling members’ economic and social needs.

Specific objectives of the CRMP are to;

1. Foster emergence of appropriate organizational structures of the cooperative movement with Primary Societies being a strong base of such structure, and facilitate growth of other forms of Cooperatives;
(ii) Promote emergence of good governance in cooperatives i.e. leadership and management which is capable of managing cooperatives in a business like manner while being accountable to members;

(ii) Promote member empowerment through provision of appropriate education, knowledge, and skills

(iv) Promote economic viability and sustainability of cooperatives through focused assessment, encouragement of joint ventures, and adaptation of corporate and other planning tools;

(v) Support modernization and/or establishment of SACCOS, Cooperative Banks to widen scope of financial products and services, and address the problem of indebtedness of cooperatives;

(vi) Build capacity of cooperative support institutions to enable them to fulfill their mandates and thereby contribute to the process of transforming the cooperatives;

(vii) Facilitate mainstreaming of key cross-cutting issues and linkages into the envisaged cooperative transformation;

1.7 Methodology and organization of the Report

Methodology

This report is a product of the Cooperative Reform Forum (CRF) team, whose 20 members were drawn from Government Departments and Ministries, NGOs, the Tanzania Federation of Cooperatives, the SACCOS movement, Academic Institutions and the General public. Technical activities of the CRF were handled by a Secretariat of 6 officers from the President’s Office-Planning and Privatization, the Cooperative Development Department and the Moshi University College of Cooperative and Business Studies.

In dealing with this task, the CRF made use of various reports on the subject of cooperatives in Tanzania, the Presidential Committee Report of 2000, The Cooperative Development Policy of 2002, The Cooperative Societies Act No.20 of 2003, Various Research, Workshop and Conference reports, and recent books and documents on cooperatives in Tanzania and elsewhere.

Organization of the Report

The report is organized into 9 chapters including the first chapter. Each of the following 8 chapters deals with a specific objective of CRMP as identified in chapter one. The last chapter presents the program summary, implementation arrangement and the amount of required resources. There is also attached to the report (as Annex) a Logical Framework Analysis (LFA) which points out the main problematic issue dealt with, proposed intervention and the accompanying assumptions.

2.0 Tanzania’s cooperative system and the need for change

2.1 Historical Perspective

Cooperative development in Tanzania goes back to the early years of the 20th century in mainly cash cropping areas where there was rivalry between the African peasants reacting against unfair marketing and processing practices and political discrimination. Thus the establishment of cooperatives at that time was intended for:

- Enabling African farmers to receive higher agricultural commodity prices,
- Challenging the leadership both local chiefs and colonial administration,
- Involving African producers and elites in the process of cash crop production, and
- Creating an avenue for socio-political cohesion and advancement for the African communities against foreign domination.

After independence in 1961 and through various legislations cooperatives were systematically promoted to become important tools for the economic development of the rural sector.

For the period between 1967 – 1976 when the Government announced Socialism and Self Reliance Policy Cooperatives were transformed to fit into the rural development process based on Ujamaa Villages. Thus during this period individual or groups of villages could qualify for registration as multipurpose cooperative societies and dealt with a multitude of activities ranging from marketing of agricultural produce, procurement and distribution of inputs, and conduct of wholesale and retail trade as well as transportation.

In the period of 1977 to 1982 cooperatives were replaced with Crop Authorities, which were required to undertake marketing of agricultural produce directly from villages. At the beginning of the 1980s the Government realized that Crop Authorities were not performing as expected, hence in 1984, reintroduced the Cooperatives and turned the Crop Authorities into Crop Boards. This period is when the Government was trying to address major economic crisis which emanated from both external and internal shocks, some of which were falling world market prices, ever increasing oil prices, Amin’s War, unreliable weather conditions, inconsistent macroeconomic and sectoral policies and an overvalued Tanzanian shilling.

The Government undertook and implemented open market policy changes from 1986 with support of the International Monetary Fund (IMF) and World Bank (WB) by undertaking structural and economic adjustment programmes. Few of the policy actions that had a significant bearing on cooperatives were abolition of price controls, elimination of subsidies; liberalization of marketing of agricultural inputs and outputs which enhanced the emergence of private sector participation in both commercial and production activities in the economy. Though by and large, farmers have not yet received the anticipated benefits of competitive marketing, there are some positive aspects including availability of more private buyers who avail alternative marketing opportunities for agricultural produce (e.g. in the case of coffee).
Nevertheless, Cooperative dominance in marketing of agricultural produce has been eroded by the private traders both of local and foreign origin. The role of cooperatives of mobilising poor members into democratically controlled organisation by making equitable contribution to the capital required and accepting rights and obligations in all of their undertaking remain much more important now than ever before. Individual members are deprived access to financial credit, good land and other productive resources which would other wise be accessed through cooperatives.

As reform processes gained momentum with stable macroeconomic situation in 1990’s, the cooperative legislation and policy i.e. the Co-operative Societies Act No. 15 of 1991 and its amendment in 1997 and Cooperative Development Policy 1997 were put in place to support the emerging cooperatives which would be economically viable, member controlled and socially responsible as enshrined in the International Cooperative Principles

Despite these interventions, the cooperative movement performed poorly and remained inflexible. Concerned about the continuing poor performance of cooperative societies, the Government appointed a Presidential Committee in March 2000 to look into the contributory factors and advise the government on appropriate measures to be adopted.

In its report, the Presidential Committee of 2000 identified the major constraining factors and proposed appropriate corrective interventions.

The major constraints identified by the Committee included the following:-

- Inappropriate structure of the Cooperative Movement
- Weak capital base;
- Poor management, misappropriation and thefts;
- Inappropriate policy and legal environment;
- Weak cooperative support institutions;
- Cooperatives out-reach limited within a few sectors; and
- Lack of cooperative education and training.

Among the recommendations by the Presidential Committee that have since been implemented by the government include formulation of the Cooperative Development Policy, in 2002, and the enactment of the Cooperative Societies Act, No. 20 of 2003. The chronology of historical events pertaining to the development of cooperatives in Tanzania is outlined in Box 2.1.

BOX 2.1: Chronology of Cooperative History in Tanzania

1925 Kilimanjaro Native Planters Association founded.
1932 Registration of Kilimanjaro Native Cooperative Union (KNCU) (Coffee).
1933 Registration of Matengo Native Cooperative Union (Coffee).
1934 Registration of Ngoni Matengo Cooperative Union (Tobacco).
1935 Registration of Bugufi Coffee Cooperative Union (Ngara District).
1949 Registration of Rungwe Coffee Cooperative Union.
1950 Registration of Bukoba Native Coffee Cooperative Union.
1953 Registration of Shinyanga Cotton Cooperative Union.
1962 National Cooperative & Development Bank established.
1962 Formation of the Cooperative Supply Association of Tanganyika (COSATA) as a wholesaler and supplier of consumer cooperative societies.
1968 Enactment of new Cooperative legislation.
1973 Presidential Decree on Villagisation and Crop Boards.
1974 Villages and Ujamaa Villages Registration, Designation and Administration Act passed.
1976 All Cooperative Unions dissolved and multipurpose Cooperative Societies introduced.
1977 Merger of the Zanzibar and Tanganyika political parties to form Chama cha Mapinduzi (CCM) as the sole political party in Tanzania. Cooperative policy, regulation, promotion and development remains a devolved matter of the United Republic government with regard to the Tanzanian mainland and the Zanzibar government with regard to Unguja and Pemba.
1978 Union of Cooperative Societies (UCS) formed.
1979 Act passed recognizing the Union of Cooperative Societies (UCS) and its incorporation as a mass organization of the Ruling Party (CCM). The law applies to both the Tanzania mainland and Zanzibar.
1980 Government Commission on cooperatives recommends the reinstatement of the disbanded Cooperative Unions for both the mainland and Zanzibar.
1982 Cooperative Societies Act No.14 reinstating Cooperative Unions and Rural Primary Societies passed for the Tanzania mainland.
1983 The Ruling Party (CCM) Executive Committee appoints the Secretary General of WASHIRKA – Cooperative mass organization affiliated to the Party.
1986 The Cooperative Societies Act, No. 4 reinstating Cooperative Unions and Rural Primary Societies in Zanzibar.
1991 The Cooperative Societies Act No 15 was passed for the Tanzanian Mainland establishing a four-tier structure for cooperative societies.
1992 The Tanzania Cooperative Alliance (TCA) and interim cooperative enterprise was formed to enhance the formation of the Tanzania Federation of Cooperatives (TFC).

1994 The Tanzania Federation of Cooperatives Ltd (TFC) was formed as the cooperative apex body for the Tanzanian mainland.

1995 The Zanzibar Union of Cooperative Ltd (CUZA) was formed as a cooperative apex body for cooperatives in Unguja and Pemba.

1997 Amendments to the Cooperative Act No.15 of 1991 were passed enhancing the accountability of cooperatives on Tanzania mainland.

1997 First Cooperative Development Policy formulated.

1998 Amendments to the Cooperative Act No. 4 of 1986 were passed enhancing the accountability of cooperatives in Zanzibar – Cooperatives Societies Act, No.3 of 1998.

2000 A Presidential Committee on the Revival, Strengthening and Development of Cooperatives in Tanzania was formed.

2000 Presidential Committee submits its report in which 10 key problems for the cooperative movement are identified and 10 strategies for addressing them are proposed. The findings of the Commission are accepted by the Government.

2001 In the Tanzania mainland the Department of Cooperatives within the Agricultural Ministry is upgraded to the status of a separate Ministry – Ministry of Cooperatives and Marketing.


2003 Declaration Order is signed by the President transforming The Cooperative College Moshi into Moshi University College of Cooperative and Business Studies (MUCCoBS) of Sokoine University of Agriculture (to operate as campus of that University until it attains full university status in future).


Source: MCM

### 2.2 Current status and challenges

#### Structure and Management

The question of adopting an appropriate structure for the cooperative movement has featured throughout its life history. Even the implementation of the various amendments to the Acts referred to earlier in the chapter almost invariably affected the way the cooperative movement was to be structured and the nature and scope of its operations. The cooperative movement adopted at various periods the following structures:

- **Two tier**
- **Three tier and**
- **Four tier structure**

The hierarchical levels in the cooperative movement represent levels of decision making. The more levels there are the less the scope for member involvement leading to limited control. In addition to concerns about limited member control there have been discussions on costs involved in maintaining the desired structure. High operational costs associated with inappropriate structure in the cooperative movement has been a subject of constant discussions because of its affect on the incomes accruing to the members. The current Act recognizes both the primary society and the Federation of cooperatives as constituting the basic structures of the cooperative movement. However the members could still decide to form middle level societies (secondary/apex society) as guided by their needs. The current status of cooperatives in Tanzania is depicted in

The Act places great emphasis on economic viability of cooperatives. As economic organizations, cooperatives have to prove their potential to operate as business entities capable of generating surpluses for sustained growth.

The issue of tenure of service for Board members has always been contentious. Previous attempts to limit the period met with a lot of resistance from within and outside the cooperative movement. This time around the legislation has a provision limiting the tenure to three terms of three years each. Furthermore the provisions of the code of conduct for cooperative management have been developed to put credence to the cooperative leadership which has a tarnished image. Briefly stated, the code of conduct focuses on integrity of the cooperative leadership, and qualifications for executive staff. There are also provisions on vetting for staff and declaration of personal property of Board Members and executive staff. The code of conduct for cooperative management is dwelt at length under chapter IV.

At some stage, the scale of embezzlement of funds and fraudulent practices in cooperatives had reached alarming proportions, a state that fuelled public mistrust for what the movement stood for. A more distressing aspect was the delay in handling the cases either in the hands of the Police or with the courts. One of the causes of the delays was attributed to poor prosecution or the preparations leading to it, as well as corruption.

The 2003 Cooperative Societies Act has provisions empowering the Director of Public Prosecutions to appoint Special Prosecutors for follow-up of cases involving cooperatives. This is designed to provide a framework for speedy discharge of the cases, a development that should restore the confidence of the membership and the public at large.

The question of internal capital formation is also provided for in the Act. One of the aspects of economic viability of cooperatives relates to their ability to raise the capital internally or through borrowing, necessary for assets acquisition and working capital. There have been attempts by various
2.3 Proposed Interventions

Following the enactment of the Cooperative Societies Act, 2003, it is proposed that the following actions be implemented to contribute to the transformation process of the cooperative movement:

1. Strengthening the legal framework for cooperative societies by revising the Cooperative Societies Rules of 2004, to provide an elaborate list and definition of the various kinds of cooperative structures which can be established. Under the CSPA, all information and knowledge will be imparted to the general public and relevant organs of the economy to sensitize establishment of cooperatives in the various sectors.

2. Capacity building of Cooperatives in Tanzania have largely been involved with marketing of agricultural crops even though the large number of Agricultural Marketing Cooperatives (AMCOS) being less emphasized in other sectors of the economy such as industry, mining, water, fisheries, housing, tourism etc. The trend has persisted despite the fact that cooperatives in these other sectors also have a great potential of contributing to the social and economic emancipation of the small producers or workers and to national economic growth. The current status of Cooperatives in Tanzania is reflected in Table 2.1.

3. Maintenance of huge cooperative structures which are a burden to members.

4. Overall inflexibility of the cooperative movement, and,

5. Failure of secondary and tertiary societies in responding to Primary Society needs.

6. Through the impetus of the 2002 Cooperative Development Policy, it is intended to rectify the situation by encouraging the establishment of cooperatives in various sectors of the economy. In certain cases it will be important to revisit existing policies or structures and determine how these can be modulated to support the emerging cooperatives and to sensitize establishment of cooperatives in the general public and relevant organs of the economy.

7. The foregoing paragraphs demonstrate that the new Cooperative Law provides an opportunity to address the chronic problems which confront cooperatives and, at the same time, help them gradually enter the mainstream of organized cooperatives or associations formally not acknowledged.

8. With economic liberalization have come expanded opportunities for the emergence of income generating groups as pre-cooperatives. It is to be hoped that the new Cooperative Law provides an opportunity to address the chronic problems which confront cooperatives and, at the same time, help them gradually enter the mainstream of organized cooperatives or associations formally not acknowledged.

9. Cooperatives in Tanzania have largely been involved with marketing of agricultural crops (hence the large number of Agricultural Marketing Cooperatives (AMCOS)). This situation has resulted from the need to address the chronic problems which confront cooperatives and, at the same time, help them gradually enter the mainstream of organized cooperatives or associations formally not acknowledged.

10. Cooperatives in Tanzania have largely been involved with marketing of agricultural crops (hence the large number of Agricultural Marketing Cooperatives (AMCOS)). This situation has resulted from the need to address the chronic problems which confront cooperatives and, at the same time, help them gradually enter the mainstream of organized cooperatives or associations formally not acknowledged.

Table 2.1 Status of cooperative societies in mainland Tanzania as at 31st December 2004

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*Number of members excludes members of TFC, two Apexes and forty four Unions Source: MCM

With economic liberalization have come expanded opportunities for the emergence of income generating groups as pre-cooperatives. It is to be hoped that the new Cooperative Law provides an opportunity to address the chronic problems which confront cooperatives and, at the same time, help them gradually enter the mainstream of organized cooperatives or associations formally not acknowledged. With economic liberalization have come expanded opportunities for the emergence of income generating groups as pre-cooperatives. It is to be hoped that the new Cooperative Law provides an opportunity to address the chronic problems which confront cooperatives and, at the same time, help them gradually enter the mainstream of organized cooperatives or associations formally not acknowledged.
Autonomy and independence;
Members economic participation;
Democratic member control;
Voluntary and open membership;
The adoption of the current internationally observed Cooperative Principles viz:-

- The underlying perception of good governance is that it is a framework for promoting transparency, accountability and predictable behavior in organizations. Transparency is enhanced in organizations which maintain clear lines of responsibilities, information flow and feedback mechanisms. The Cooperative family recognized the essence of embracing transparency and accountability from the early years of its formation. This is manifest in the initiatives of the Rochdale Pioneers- the founders of the first consumer Cooperative Society in England (in 1844) who developed a set of rules which they observed as a code of conduct for running a consumer cooperative society.

- Drawing inspiration from the Rochdale Pioneers, other exponents of cooperative practice continuously modified the rules to suit needs under varying situations. The process has culminated in the adoption of the current internationally observed Cooperative Principles viz:-
  - Voluntary and open membership;
  - Democratic member control;
  - Members economic participation;
  - Autonomy and independence;
  - Education, training and information;
  - Cooperation among cooperatives and
  - Concern for the Community.

The Principles are rallying points for cooperative national organizations in their pursuit to maintain the cooperative identity.

### 3.2 Current Status and Challenges

The Report of the Presidential Committee of 2000 on the Revival, Strengthening and Development of Cooperatives, cites poor leadership and bad management as among the factors contributing to the poor performance of cooperatives. Perpetrators of such deeds had often managed to get away with it because of lack of or non-functioning of internal controls and checks in the cooperative movement. As an example, the report notes that from 1994 to 2000 not less than 262 cases (Page 21) involving acts of dishonesty were laying either with the Police pending conclusion of investigations or with the courts awaiting the long procedures for discharge. The cases were worth Tahs. 5.7 billion. Such acts undermine the commitment of the membership and it is up to the cooperative leadership to make concerted efforts to reverse the trend.

For the leadership to effectively serve the interests of the members, they need to possess the capability to use finances in the most productive manner while also ensuring that appropriate controls are in place. Supportive actions taken on the side of the Government include making provisions for code of conduct for cooperative management in the Cooperative Societies Act No.20 of 2003.

In the case of SACCOS the effectiveness of the Board will be boosted with the introduction of a Supervisory Committee which is provided for in the Cooperative Societies Rules 2004. In the past, the supervisory framework for cooperative societies was provided exclusively by the Cooperative Department and COASCO. One of the weaknesses of this system is that supervision cannot be consistently close due to practical limitations. For example the number of cooperatives to be supervised weighs heavily against available supervisory staff. Because of this, implementation of recommended corrective actions is slowed or undermined. The other weakness is that, cooperatives lack internal capacity and remain fully dependent on the external support to provide solutions. With a Supervisory Committee in place, it should be easier to inculcate a sense of responsibility among the Board for ensuring that their cooperative is properly managed. The external support should come in the form of capacity building and for undertaking more intricate inspections and audit work.

### The salient features of the code of conduct for cooperative management

- The code of conduct provides for a minimum period of 3 years of active membership before one is eligible to leadership positions. The aim is to provide an opportunity for the members to discover among themselves those with attributes of good leadership. The code places emphasis on integrity of the cooperative management.

- It reminds the Board members of their responsibility to adhere to the Act (including cooperative Rules and the by-laws). The cooperative management must be prepared to respect the rule of law.
• It re-affirms the mandate of the cooperative general meeting as the highest decision making body in the Cooperative movement and it defines reporting relationships whereby the Board’s responsibility is to the general meeting.

• In the past, Board members (committee) have been associated with improper practices regarding property acquisition. The code of conduct introduces a disclosure condition whereby Board members will have to fill a form declaring property owned for each year of service on the Board.

• Cooperative interest has often suffered on account of conflict of interest involving Board Members. The code of conduct provides for separation of personal business from society’s and also by limiting external influence backed through government or political party portfolios.

• There is a provision which emphasizes on separation of responsibilities to avoid the Board interfering with those reserved for executive staff.

• The code of conduct provides for minimum qualifications in terms of cooperative education and vocational training or formal schooling.

• Concerning cooperative Executive Staff, emphasis is placed on relevant professional qualifications and competence as basis for appointment. This condition has led into the introduction of fixed term contracts to improve staff performance.

• Vetting of staff will be another requirement especially for Staff of the upper level societies. For primary societies, bonding arrangements will be preferred. However vetting arrangements will be adopted in primary societies that handle business of higher than a specified volume.

• The declaration of property owned by staff will be registered in the same manner as explained in respect of the Board members.

• Recognizing the essence of motivational factors, the code of conduct provides for payment to (rewarding of) Board members or Executive Staff through honorarium or bonus for outstanding performance.

On the other hand, Board members or Executive Staff will be liable for loss occasioned by negligence or fraudulent behavior. In the case of primary cooperative societies the officials shall compensate fully the loss occasioned. Box 3.1 provides some details of the Code of Conduct Schedule of the Cooperative Societies Act No.20 of 2003.

### Box 3.1 Some details of the code of conduct for cooperative management

#### 1.0 Justification

The majority of the people, especially those with limited means find in cooperatives the strength to exploit potential market opportunities which defy individual efforts.

The Tanzania Cooperative movement has been over the years facing management problems which have resulted in gross mismanagement of cooperative resources and thereby frustrating the efforts of the majority of people to liberate themselves from poverty.

Consequently there have been repeated calls by the cooperative members, government and the public at large to enhance accountability and transparency within the cooperative movement and also place it on a firm footing as a profitable business organization.

The Board as well as the executive staff are therefore in a unique position to spearhead the process of translating their society’s vision and plan into economic and social benefits to members.

In order to solve the problems of cooperative management, it is important to ensure that both the Board of Directors and the executive staff are made accountable to the cooperative members. The institution of the code of conduct for cooperative management is thus aimed at providing guidelines which ensure good cooperative governance.

#### 2.0 Highlights

The code of conduct for cooperative management is organized into five parts. The highlights of each part are provided as follows:

**Part I**

Preliminary provisions including title and interpretation.

**Part II**

General provisions including recognition of the ICA principles, an undertaking to observe the Cooperative Societies Act and underscoring the authority of the cooperative general meeting as the highest decision making body.

**Part III**

Contains provisions for the cooperative Board members with respect to:

- §1 Eligibility for membership to the Board which is after minimum three year period as an active member.
- §2 Disclosure of property owned or under their control.
- §3 Protection of cooperative society interest against personal interest.
- §4 Respect of responsibilities reserved for the executive staff.

**Part IV**

Contains provisions for cooperative executive staff. The code of conduct provides for:

- §1 Conditions for appointment including proven competence.
Part V
These are miscellaneous provisions including the establishment of a system of reward and definition of offences and punishment under the provisions of the code of conduct.

3.0 Practical Considerations
The adoption of the code of conduct for cooperative management is a learning process which should be given through impetus member's participation. Thus there is a need to sensitize the members through seminars on the relevant provisions of the code of conduct.

The code of conduct insists on cooperative leadership integrity and to that effect provides criteria for eligibility to Board membership, and qualification for a post in the executive staff. The criteria shall form part of the schedules to the Cooperative Societies Rules.

Some of the practical considerations in operationalisation of the code of conduct would include:
- Methods for verification of data provided by applicants.
- Determination of type and value of personal property to be declared.
- Nature of employment contracts for each category of cadre.
- Procedures for formal handing over from outgoing to incoming Board.
- Operationalisation of a system of reward for Board Members and executive staff.
- Procedures for sanctions against offences committed.
- Minimization of undesirable political or government interference.
- Definition and determination of minimum qualifications.

3.3 Proposed Interventions
Certain actions that are underway in the transformation of the Cooperative movement will contribute in different ways to the promotion of good governance. Such actions include the restructuring of cooperative education and training to be in line with the needs of the members, later to be expanded to include interventions for member enterprise development. The enlightened members will be spurred to get involved in the process of promoting good governance in their cooperative societies. Supportive action taken by the Government include, making a provision in the Cooperative Societies Act No. 20 of 2003 for code of conduct for cooperative management. This is in the realization of the need to have in place honest, committed and professional management at the helm of cooperative affairs.

The current cooperative leadership is identified with the following weaknesses:-
- Lack of accountability to members;
- Untrustworthiness, and
- Persistent corruption

The following intervention actions are therefore being proposed under the CRMP:-
- Initiate process of election of competent leadership.
- Facilitate training in good governance of cooperative board leaders and selected membership.
- Institute an effective inspection and audit system.
- Evolve system of employment which is based on fixed term contracts in all societies.
- Employ competent personnel (define necessary qualifications at different levels).
- Screen leadership and management staff following procedures introduced by code of conduct (use of guarantor forms and vetting).
- Take quick appropriate legal action where necessary (use of “surcharge”, special proceedings).

3.4 Assumptions and Risks
For proper governance to emerge in cooperatives it is imperative that the membership is empowered, with a continued enabling legal environment, and that cooperatives evolve systems of employment which guarantee job security.

4.0 Empowerment of members in cooperatives

4.1 Background
Member empowerment would mean, “A process of power sharing with the ordinary members in order to build their confidence and their ability to manage their own economic activities and their cooperative organization”. Member empowerment entails sharing of knowledge, skills, and experience in the processes of planning, implementing, controlling and evaluating cooperative activities in a participatory manner. Through this process the members are empowered so that they can identify the problems (economic, social or otherwise) that are facing them and initiate action for solving them. Through empowerment cooperative organizations and other economic groups can become change agents of their own lives.

The objective of member empowerment as an intervention is therefore to facilitate members of a cooperative society to participate freely and in a democratic manner in making decisions pertaining to their own social and economic development using a cooperative organization as a tool, with the ultimate goal of creating wealth and reducing poverty.

In Tanzania the concept of member empowerment in cooperatives can be traced back to the late 1980’s and early 1990’s when the government introduced for the first time, some form of cooperative reforms to enable the development of member-controlled and sustainable cooperatives.

Thus far the involvement and participation of members in cooperative affairs is still weak. And it is only when the grassroots membership is empowered that Tanzania will see a true emergence of democratic and economically viable cooperatives.
4.2 Current Status and Challenges

Current cooperatives are characterized by weak leadership, limited member participation and domination of political rather than business considerations. In order to get out of the current situation, all efforts must be focused on developing the capability of a cooperative member (i.e. empower him/her) to take the lead in the operations of his or her cooperative society.

An empowered member would have the following qualities:

- Full participation and involvement in cooperative activities (i.e. in decision making, planning and control);
- Changed behavior and attitude (mindset);
- Commercial minded or business oriented;
- With self initiative, innovativeness and transparency.

Through the process of member empowerment the following changes or results are expected to take place, indeed making this particular process an important strategy for cooperative development:-

(i) Creating an enabling environment where cooperative members would be able to use available opportunities to build cooperative societies in a participatory manner as a way of solving or tackling their social and economic problems.

(ii) By using their entrepreneurial skills and innovativeness, they would be able to initiate sustainable strategies for efficient operations of their cooperatives for example, in assessing and securing markets for their products, and in the use of modern technology.

(iii) Change of attitude of cooperative leadership so that they become facilitators and agents for change and empowerment in their cooperative societies.

(iv) People’s confidence in cooperatives will be restored; hence the attitude of the community towards cooperatives will become positive and supportive.

(v) On the other hand cooperatives will be able to play a constructive role in their communities, because of their character, obligation to maintain honesty, ethical and transparent business practice.

The approach of member empowerment was conceived and tested as a pilot project in Kilimanjaro and Arusha Regions from 1996 to the year 2000. By then the project was directed primarily to members of primary cooperative societies. Today it has spread, albeit to a limited extent, to other parts of the country involving not only members of primary cooperative societies and other self help organizations (groups), but also other key stakeholders, notably the Moshi University College of Cooperative and Business Studies, Ministry of Cooperatives and Marketing, Tanzania Federation of Cooperatives, SCCULT, COASCO as well as Cooperative Officers under the Ministry of Regional Administration and Local Government (President’s Office). Box 4.1 provides some details on the MEMCOOP program implemented in Kilimanjaro and its usefulness.

**BOX 4.1: MEMCOOP PILOT PROJECT IN KILIMANJARO REGION**

MEMCOOP is Member Empowerment in Co-operatives. This is a capacity building program through education and action. Previously, co-operative education which was provided was more general and emphasized awareness on how good the co-operative enterprise was to the ordinary small farmers and other producers. It also believed that co-operative training was more important to the leaders than to the general membership. Co-operative education content was based on general marketing skills, the co-operative philosophy, leadership and a bit of business skills. Previously, co-operative education, did not give the members the practical tools to evaluate the performance of their co-operatives and the co-operative effect.

MEMCOOP is a new way of building the capacity of members to assume responsibilities of running their co-operative societies. The education process is directed to the members, leaders and staff. It emphasizes awareness and planned action. It exposes leadership knowledge to the members so that the members as a whole assume leadership position and give direction to the elected leaders. Six levels of education are provided:- General co-operative knowledge, production improvement and quality, general business education, organizational development, entrepreneurship and empowerment for good governance. The bottom-line of member empowerment is the fact that if the engine of development of any co-operative system is the membership, then the members must be entrepreneurs who practice cost effective business, leadership and put in place the basic instruments and procedures of good governance.

Today, in Kilimanjaro region, it is very clear to see marked differences between primary societies where MEMCOOP has been put into effective practice and where it has been taken for granted as one of those external interventions:-

Some primary societies in Rombo, Hai, Same and Mwanga districts, have taken major decisions to carry out the business of their members to the final buyer. All these societies deal with the coffee crop. They are negotiating bank credit from the Co-operative Bank, they negotiate transport, curing alternatives and financing alternatives. By making such alternative business decisions, these societies have brought more business information to their members. The members in the societies are aware of all auction prices, quality that fetches the best price and which buyers offer the best prices. The members are well informed about transport costs, and other types of costs so that they can now discuss about how to carry out a cost-effective coffee business. This business process has made the MEMCOOP-driven primary societies develop the capacity to generate sustainable business solutions because all what they do, is practically generated by the members.
The approach poses other challenges as follows:

(i) Whether or not cooperative officers based in district and municipal councils are the right change agents, considering the environment within which they are working. Perceptions about their new roles as well as institutional support are likely to pose some problems when it comes to the fulfillment of their tasks as change agents.

(ii) Finding or searching for ways of having more involvement of women and disadvantaged groups like the Disabled and Youth. This can not be taken for granted. Concerted efforts have to be directed towards soliciting their participation.

(iii) Dealing with issues of networking and collaboration which are crucial in member empowerment process. Current change agents need to internalize the skills to minimize the problems.

The above challenges will have to be resolved through training of change agents and close consultations with regional and district authorities.

### 4.3 Proposed Interventions

The objective is to promote member empowerment through provision of appropriate education, knowledge and skills.

Proposed interventions are presented based on the activities of members and potential members, cooperative leadership, change agents and cooperative support institutions.

#### For Members and potential members

(i) Carry out participatory Cooperative education for members;

(ii) Carryout targeted training to members of cooperatives to improve their knowledge and skills;

(iii) Popularize new Act on powers and authority of members,

(iv) Mobilize and sensitize women, disabled and youth to join into various forms of cooperatives and

(v) Improve flow of relevant information to cooperative societies on Legislations, markets, etc.

---

**Table 4.1 Coffee sales by primary societies in Rombo District 2003/04**

<table>
<thead>
<tr>
<th>Name of Society</th>
<th>Actual Collection in Kg.</th>
<th>Actual Sales in Kg.</th>
<th>Net Sales in USD</th>
<th>Net Sales in T.shs.</th>
<th>Average Price in USD</th>
<th>Average Price in T.shs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAHIDA</td>
<td>63,970</td>
<td>34,988.90</td>
<td>55,444.18</td>
<td>58,483,791.96</td>
<td>1.58</td>
<td>1,671.50</td>
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<tr>
<td>MAMSERA</td>
<td>135,438</td>
<td>110,027</td>
<td>162,945</td>
<td>174,429,229.42</td>
<td>1.48</td>
<td>1,580.37</td>
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<tr>
<td>KERWA KENI</td>
<td>30,502</td>
<td>15,984.05</td>
<td>16,626.81</td>
<td>17,425,262.08</td>
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<td>1,118.15</td>
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<tr>
<td>MAKIDI</td>
<td>35,906</td>
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<td>20,906.58</td>
<td>22,027,908.11</td>
<td>1.12</td>
<td>1,181.22</td>
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<tr>
<td>M. MASASENI</td>
<td>31,040</td>
<td>22,324.47</td>
<td>25,917.25</td>
<td>27,220,255.57</td>
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<tr>
<td>USHERI</td>
<td>40,271</td>
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<td>20,296.29</td>
<td>21,287,195.14</td>
<td>1.23</td>
<td>1,291.21</td>
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<tr>
<td>KEROYO</td>
<td>25,326</td>
<td>14,233.60</td>
<td>17,572.53</td>
<td>18,643,684.12</td>
<td>1.23</td>
<td>1,309.84</td>
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<td>USHERI</td>
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<td>MASHIMA</td>
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<td>53,897.54</td>
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<td>62,237,602.29</td>
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<td>TARAKEA</td>
<td>168,161</td>
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<td>110,092.63</td>
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<td>1,379.53</td>
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<tr>
<td>TOTAL</td>
<td>804,173</td>
<td>470,639</td>
<td>600,791.65</td>
<td>682,629,413.84</td>
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<td>1,025.48</td>
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</tbody>
</table>

This situation should be compared with societies which continued with the traditional market channel. The MEMCOOP-driven societies made an average price of Tshs. 1,286.02 per kg in 2003/04 compared to non-MEMCOOP-driven societies which sold at an average price of Tsh. 600/= only.

The MEMCOOP drive however, does not mean the end of secondary organizations such as unions and apex bodies. To the contrary. It however means that after primary societies have taken control of the business process, they will have the best position to determine what kind of unions they need and for what kind of joint action they need a union for. The new union, will be a derivative of joint action and will make interventions to strengthen the business process ran by primary societies. On the other side, the union will be a development organization that has the ability to harness new areas of business development for members

There is also more to be done with the MEMCOOP-driven societies. The saying that nature does not allow vacuum is still at play with MEMCOOP-driven societies. While the members have registered relative increase in revenue, it does not mean they have optimized it. It needs to be observed that member participation and enterprise development still has to be put into more action so that new opportunistic leadership who want to cash out of the new situation is really under complete surveillance of the members. Opportunities for improving coffee quality through better agricultural practices, searching for better markets and negotiation for better credit terms are all possibilities for the development of a dynamically member-driven co-operative movement in Kilimanjaro and the rest of the United Republic of Tanzania.

Source: CRF
For Cooperative Leadership

(i) Sensitize leaders on benefits of cooperative opportunities availed by new Policy and Act.
(ii) Recruitment and retention of competent employees which can be made possible through provision of competitive salaries and career prospects.

For Change Agents

(i) Rigorously train and re-train a critical mass of change agents to spearhead the process.
(ii) Mainstream Gender issues, Disabled and Youth into cooperatives through sensitization and improve registration of their groups or societies.

For Cooperative support institutions

(i) Organize consultative meetings of stakeholders.
(ii) Document of successes and failures for improvements/adjustments.
(iii) Putting in place mechanisms for monitoring and evaluation.

4.4 Assumptions and Risks

A supportive environment at all levels of the cooperative movement from the members of primary cooperative societies up to the Federation (national level) is required. This includes also government support in terms of providing funds for the reform, and other facilities including training of members and cooperative leaders. Limited resources, the nature of linkages and synergies amongst the main actors may hamper the process of empowerment.

5.0 Transformation of cooperatives into viable economic enterprises

5.1 Background

Economic reforms which have been undertaken in Tanzania have resulted into diminished indirect and direct Government controls (direct funding and subsidies) of Cooperatives, hence calling for re-orientation and reorganisation of the movement which will be in conformity with international principles and able to cope with the liberalisation and globalisation forces.

Rationalisation of activities of cooperatives, which basically fulfil two basic conditions, that is profitability (commercial setting) and catering for member’s social needs. This is based on the premise that cooperatives are formed to serve needs of members, and to extend individual capacity through shared service needs. The importance of shared service needs reduces individual transaction costs and hence increases social benefits and achieves growth. Members should maximise incomes and other benefits by accessing services from the operation of cooperative business enterprise. For this to be achieved the following has to be undertaken:

(i) Determine member business needs;
(ii) Prepare development plans;
(iii) Members implementing the development as action plan and,
(iv) Monitoring and evaluation of the implementation process are done.

The success of this model is based on the fact that members have varied needs, which are complex and are costly to be met on individual basis. Conversely where, members’ needs are so limited, cooperative movements will be hindered. Therefore, a cooperative activity in a liberalised environment has to be market responsive and has to deliver goods and services expected by members. More effort has to be directed towards undertaking of emerging investment opportunities such as including crop mix, processing and business ventures. Attention should be reducing dependency on transacting on one crop.

5.2 The Challenge of Corporate Planning

The planning process familiar to cooperative societies in Tanzania invariably entails the preparation of annual budgets indicating sources and application of resources. It is not a common practice for Cooperatives to prepare Corporate and Action Plans to guide their business operations. The apparent lack of appreciation for the importance of Corporate and Action Plans, (as guiding tools) is presumably rooted in the limitations in entrepreneurial and management skills common in the cooperative movement throughout its structural levels. Furthermore it points to the possible deficiencies in the economic viability tests conducted prior to registration of the cooperative societies and/or inadequacies in the supervisory framework for cooperatives.

The following have been the consequences:

- Societies lacking an understanding of their Strengths and Weaknesses.
- Societies lacking an understanding of the dynamics of the environment, in terms of business opportunities and potential threats to these enterprises.
- Many cooperatives failing to have clearly articulated business objectives which could be used as standards against which cooperative performance could be measured.
- Monitoring and supervision of cooperatives becoming difficult both on the part of the members and the Registrar.

For cooperatives not to have Corporate and Action Plans has been one of the most serious problems that have contributed to their poor performance. It is indeed common knowledge that development activities in many cooperatives have failed due to lack of Corporate and Action Plans. This has made it difficult to hold implementers accountable for the failure of such activities.
Since changes in economic policies started in the 1980s, cooperatives find themselves operating in a competitive business environment. The growth, survival and profitability of these enterprises have to depend on how they conduct their businesses.

Taking into account the nature of the environment of business and the business forces impacting on cooperatives such enterprises must change their ways of doing business, otherwise they will not be able to survive. One of business practices to be adopted immediately is that Cooperatives must evolve a habit of preparing Corporate Strategies and Action Plans to be used as tools by these cooperative enterprises in their day to day business operations.

**Corporate Strategic Planning**

A Corporate Strategic Plan consists of the combination of competitive moves and business approaches that the co-operative enterprise employs to enable its members compete successfully and achieve the objectives of the cooperative organization. A well formulated Corporate Strategic Plan contains the following important elements:

- A Mandate that is the authority by which the corporate plan justifies its application. This mandate is normally given by the Management of the co-operative.
- The corporate mission and scope, which is the reason for its existence, indicating the scale of its operations. Inevitably every business organization, cooperatives included has missions which justify their existence. For co-operatives, the missions must have been conceived by the members themselves who own and control the enterprise.
- Corporate goals, objectives and targets which derive their essence from the corporate mission of the cooperative organization.
- Major corporate policies on all functional areas of the cooperative, such as marketing, finance, production, administration, which govern or guide the operationalization of the Corporate Strategic Plan.
- An Action Plan which indicates the various steps and activities for implementing the corporate strategic plan within a given timeframe.
- The insistence that cooperative organizations must have well formulated Corporate Strategic plans based on the following reasons:
  - Ensures the proper use of resources of the cooperative.
  - It facilitates a well reasoned budgeting process and the prudent allocation of resources of the cooperative in those areas focused by the Corporate Strategic Plan.
  - During its preparation, it forces Management Committee to study the nature and dynamics of the external and internal environments, thereby facilitating the formulation of realistic goals, objectives, targets and budgets of the cooperative.
- Future - oriented
  - During its preparation it forces the Management Committee to define the business the cooperative intends to be in, or it is in, and the nature of the economic and non-economic contribution it intends to make to its stakeholders; i.e. the employees, members and the Community.
  - It produces the principal policies for achieving the goals, objectives and targets of the cooperative enterprise.
  - Forces the users of the plan to be committed to the implementation process. It is thus used as a tool for controlling the operations of the cooperative.
- As a performance tool, it is used by members of the cooperative to hold management accountable for their actions in the implementation of the Corporate Strategic plan.

**Dimensions of Corporate Strategic Planning**

Under normal circumstances, Corporate Strategic Planning embodies the following features:

- **Management Committee involvement**
  - Corporate Strategic planning process involves several areas of the key operations of the cooperative, such as marketing, finance and accounting, production, manpower recruitment, etc. Therefore those who carry out the task ought to have a wide perspective of understanding of issues involved in the process and the anticipation of the major implications of the process. They must also have the authority to allocate resources for the implementation of the Corporate Strategic Plan. It is only at the top management level that the overall perspective and authority resides. Hence the formulation of a Corporate Strategic plan is the responsibility of the management committee of the cooperative. Once the Corporate Strategic Plan has been formulated, it is presented alongside with its budget to members as proposals for discussion and approval.
  - Allocation of sufficient amount of resources
  - Strategic planning requires commitment of the cooperative to activities over extended periods which imply deployment of substantial resources. These resources in human, materials and money, etc. have to be procured from external sources or redeployed from internally generated resources (surpluses).
  - Impact on long-term prosperity of the cooperative
  - Corporate Strategic Plans are usually expected to have a significant impact on the cooperative’s future growth and prosperity for better or worse. This is because there is usually a long-term commitment to a particular strategic option.
  - Future – oriented
  - Corporate Strategic plans are based mostly on the future scenario, what is anticipated by the management committee of the Cooperative. In fast changing competitive environment, a proactive
entrepreneurial approach is adopted to meet the projected changes.

- Multi-functional consequences

Formulation of Corporate strategic plans has implications for several functional areas of the cooperative in terms of allocation and reallocation of resources and responsibilities. Corporate Strategic planning requires a rigorous examination of the external and internal environments of the Cooperative Society. The management committee has to have a clear picture of the external environment in the light of how suppliers, creditors, members, competitors and government are likely to react to any environmental changes. An understanding of the external environment will enable the management committee to position the Cooperative in an appropriate way in line with the dynamics of the environment.

While strategic decisions are made relatively infrequently, the cooperative must have the preparedness to make at any point of time strategic decisions in response to the dynamics of the environment. Besides the environmental opportunities and internal capabilities which can influence corporate strategic plan formulation, there are other factors also which influence or underlie strategy, including values and preferences of managers, members, their attitudes towards risk and corporate relations to the members and other stakeholders’ interests.

Some cooperatives societies in Tanzania (including the TFC) are already in the process of adapting the use of strategic plans. Box 5.1 provides the explanation of TFC for adapting the approach.

Box 5.1 The TFC strategic plan

The TFC Strategic Plan, SP 2003 – 7, envisages logical organization of the core activities of TFC in attaining its laid down objectives i.e. promotion and development of Cooperative Societies. SP envisages a well built TFC that could provide the members and the rest of the movement demand driven services, representation and advocacy and lobbying for the eventual well being of the individual Cooperators in all sectors and their immediate communities.

1.1 Reasons

Reasons for the formulation of SP include the following:

(a) Provide an analytical program of TFC activities.
(b) Provide a short and medium term focus of major priorities.
(c) Harmonize/inter-link the different priorities and activities.
(d) Avail benchmarks of organizational development.
(e) Streamline allocation of scarce resources.
(f) Enhance cost effective performance of TFC departments and divisions.
(g) Instill efficiency of staff and leadership.

1.2 Process

Formulation of TFC SP entailed the following process:

(a) Formulation of ToR consultants.
(b) Selection of consultants.
(c) SP pre-sessions with consultants on program planning and budgeting.

Reasons for the formulation of SP include the following:

(a) Member’s needs are readily obtainable once solicited.
(b) Participatory approaches to planning are overriding.
(c) Plans evolve unit of purpose and action.
(d) Vision and mission are focused and targeted.
(e) Annual plans emanate from SP projected over a longer period.
(f) Organizational performance measurement is enabled.
(g) Periodical reporting becomes meaningful.
(h) Individual and sector planning is simplified.
(i) Enables stakeholders to plan for support services.
(j) Operational/sector development needs careful planning.
(k) Empowers shareholders to manage their cooperative enterprise.

Source: CRF

5.3 Viability and Entrepreneurship

In order to evolve systematic economically viable enterprises ‘strategic planning’ will have to be complemented with other interventions to build the culture of entrepreneurship and business acumen. Through such interventions weaknesses related to maintaining loss making enterprises, entering into weak joint ventures or business contracts will be minimized or eliminated. These efforts ought to go hand in hand with the efforts of changing from the traditional system of auditing of cooperative finances and activities to developmental audit, which among its benefits it promotes empowerment.

5.4 Proposed Interventions

In view of the foregoing the proposed interventions under the CRMP which will improve the economic viability of cooperative enterprises shall include the following:

- Introduce/encourage use of corporate plans and other planning tools
- Sensitize and train leaders and members on the benefits of adapting corporate plans
- Institute reliable viability criteria for use when registering or effecting amalgamation and division of societies
- Use design programs for divestiture of relevant cooperative enterprises
- Sensitize leadership and management on the process of identification of economic,
investment opportunities and joint ventures
• Train leadership and management in skills and ethics of business contracts
• Introduce developmental audit systems for cooperative societies

5.5 Assumptions and Risks

The likelihood of evolving a critical mass of cooperative enterprises which are viable and sustainable is dependent upon improved knowledge and on business skills and entrepreneurship of the cooperators and the general public.

6.0 Modernization of SACCOS and sustainable financing of cooperatives

6.1 Background

Historically, Cooperatives as member based enterprises have been financing their activities from internally generated finances. Share capital (equity capital), savings or deposits (in the case of Savings and Credit Cooperative Societies -SACCOS), accumulated reserves, entrance fees and other charges have been the prominent internal sources of funding. Some external funding has been mainly in form of loans and to some limited extent, donations and grants.

6.2 Status of SACCOS, Cooperative Banks and Challenges

In line with the Cooperative Development Policy, 2002, (CDP) the development of Cooperative Financial Institutions is one of the best ways in building the financial muscle requisite for sustainable cooperative development. To this end, the CDP notes:

"Financial institutions.............established as Cooperative Societies are an alternative to other commercial banking systems........Cooperative financial Institutions are also a source of loans to cooperative members and other cooperative societies based on favorable loan re-payment conditions, as compared to other commercial banks........Thus, in the current situation whereby cooperative societies are considered un-credit worthy by other commercial banks, the establishment and development of cooperative financial institutions is a sine qua non of cooperative development in Tanzania”.

Modernization of SACCOS

Savings and Credit Cooperative Societies (SACCOS) are one among the cooperative financial institutions reflected upon in the CDP. SACCOS as grass root based financial institutions have stood the test of times as effective financial intermediaries. Yet in the Tanzania context It has been established through some studies that the SACCOS potential as financial intermediaries has not been optimized due to lack of aggressiveness in product innovation, low capital formation (dependency on equity financing – which is not permanent capital) and financing/lending methodologies.

The inability (partly due to legal constraints) for the SACCOSs to aggressively embark on Interlending and Loan Syndication is testimony to the untapped product range and methodological approaches to meeting customers’ needs for financing.

In a recent study by K-Rep on “Improving Operational Performance of SACCOS in Tanzania”, they identify major challenges facing Tanzania’s SACCOS as follows;

• Low capitalization,
• Delayed remittances of member deductions,
• Weak internal control systems,
• Lack of effective supervision and guidance,
• Limited range of products and services,
• Unsustainable interest rates,
• Low outreach,
• Poor loan repayment and high loan delinquency,
• Human resources,
• Inadequate knowledge by SACCO leaders and staff in microfinance “Best Practices”,
• Lack of emergency resource fund.

Thus any meaningful modernization of SACCOS will have to grapple with the above challenges. An enabling legal framework for the above to take place is already in place (through The Cooperative Societies Act No. 20 of 2003 and The Cooperative Societies Rules which came into effect in August 2004). Following those rules for example, delayed remittances of SACCO members may trigger penalties, fines and court action on the part of the employer. The current state of SACCOS in Tanzania is depicted in Table 6.1.

Through innovation, appropriate management systems, and requisite legal framework, SACCOS are capable of undertaking Interlending and Loan Syndication thereby living up to what is embodied in CDP with respect to building cooperative financing capacity.

Cooperative Banks

Cooperative banks are essential in supplying financial services to the cooperative sector at non-exploitative rates. During the late sixties Cooperatives in Tanzania had their own commercial bank which supplied funds for short term and long term investment. The bank was taken over by the Government and this weakened the Cooperatives.

Todate there are only two such banks in the country; The Kilimanjaro Cooperative Bank (KCB) and the Kagera Farmers Cooperative Bank (KFCB). The two banks are still relatively small and are not in a position to meet the demand of financial services in the regions where they are located let alone servicing similar clients in other regions. Consequently there is a need to sensitize the cooperative fraternity and their stakeholders to pool their resources and establish other cooperative banks —including a National Cooperative Bank, which could serve as a center for the rest of the cooperative banks and be able to supply large loans and at reasonable terms, for production, marketing and processing as required by a number of cooperatives.
**Table 6.1 SACCOs status as at 31st December 2004**

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<tr>
<th>S/NO.</th>
<th>MEMBERS</th>
<th>TOTAL VALUE OF SHARES</th>
<th>DEPOSITIS SAVINGS ISSUED</th>
<th>CASH IN HAND AND BANKS</th>
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<td>1,155,312,256</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>4,982</td>
<td>359,272,537</td>
<td>8,959,188</td>
<td>748,321,195</td>
<td>1,719,907,761</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,291,200,000</td>
<td>219,692,762</td>
<td>9,495,372</td>
<td>6,654,000</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** MCM

The study on the establishment of a National Cooperative Bank, commissioned by the Government of Tanzania and FHA, revealed that all three microlenders are building up the financial strength of their financial institutions necessary for sustainability and growth. The government is also building up its microfinance institutions to become autonomous and have strong and sustainable performance. This is accounted for partly by poor business performance resulting from declining margins. Continued declines in prices realized from exports of commodities – in particular coffee, cotton and others – have eroded. This is accounted for partly by poor business performance resulting from declining margins.

Although governments have increased access to credit, businesses have been reluctant to obtain loans due to high interest rates and lack of collateral. This has led to a decline in the number of loans being granted and a decrease in the amount of money loaned. The failure to raise sufficient internal capital, a phenomenon that in particular developed since the 1970's, has contributed to the decline of the cooperatives. In recent years, the cooperatives have been forced to rely on government grants to maintain their operations.

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for cooperatives where by the cooperatives ended up with substantial accumulations of debts. By 1992, the cooperatives were indebted to the tune of Tshs. 40.2 bn.

Following an analysis of the state of indebtedness and in particular the causes of this state of affairs, the government in 1994 decided to take over a total of Tshs 35.1bn of the amounts which cooperatives owed their business partners (banks). Tshs. 5.1bn were to be paid to banks by the cooperatives themselves.

Although in 1994 the government had relieved of the cooperatives part of the debt burden, the unfavorable trading pattern continued to play havoc to cooperatives. In particular the continued decline of prices for the export commodities – cashew, cotton and coffee, the higher interest costs (26-30% in late 1990s and recently 12-23%) for loans charged to cooperatives by the banks, a culture of mismanagement and misappropriation of loan funds compounded by lack of both leadership and management accountability within the cooperatives; did not provide them (cooperatives) with favourable ground to build up capital internally and constituted the start of ‘phase two of the debt-web problem for cooperatives’.

It has been established that by December 2004; the cooperatives had accumulated debts to the tune of Tshs. 48.3bn (Table 6.2). Too many banks and other trade partners e.g. suppliers of goods and services, consider cooperatives as not creditworthy. They are simply bad business partners.

The Presidential Committee on Cooperatives in its report underlines the lack of capital as one of the ten major constraints facing cooperatives. The Committee further noted that this situation is aggravated by the cooperatives indebtedness to the financing institutions, thus being unable to raise external capital as well.

In the course of undertaking its assignment, The Presidential Committee noted that of the total 48 Cooperative Unions then in existence, only 19 (40%) could be considered for financing by banks on commercial terms. 12 of the cooperatives were indebted to the banks to the tune of Tshs. 8.00bn, thus being un-creditworthy. The Committee thus underlined the imperative need for government’s immediate intervention to sort out the ‘debt-web’ issue if cooperatives are to be revamped.

Table 6.2 Cooperatives level of indebtedness by December 2004

<table>
<thead>
<tr>
<th>Institution(s) owed</th>
<th>Amount (Tshs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td></td>
</tr>
<tr>
<td>NBC (1997)</td>
<td>1,518,632,330</td>
</tr>
<tr>
<td>CRDB Bank</td>
<td>846,952,330</td>
</tr>
<tr>
<td>KCB</td>
<td>573,500,000</td>
</tr>
<tr>
<td>EXIM</td>
<td>79,878,140</td>
</tr>
<tr>
<td>COMMUNITY &amp; TIB</td>
<td>91,356,670</td>
</tr>
<tr>
<td>NBC HOLDING</td>
<td>12,555,256,360</td>
</tr>
</tbody>
</table>

6.5 Government’s commitment to facilitate financing for cooperatives

To keep in tandem with its commitment to the development of cooperatives, the government asserts its position within the Cooperative Development Policy, 2002 in the following terms:

‘…………….the Government will institute short term as well as long-term measures to alleviate cooperatives financial capital problems”

In terms of developing sustainable financing mechanisms, the government asserts that it will encourage and assist cooperatives in establishing sustainable long term financing mechanisms, through the establishment of cooperative financial institutions including SACCOS, a National Cooperative Bank and Cooperative Insurance Services Institutions.

Measures towards sustainable cooperative financing

a) Short - Term Measures

- Innovative Short – Term Credit Facilitations

The experience of the 1970’s with regard to government involvement in cooperative financing has demonstrated that cooperatives became not only dependent on government, thus failing to develop into autonomous and sustainable self financing enterprises, but also constituted a reason for cooperative leadership and management becoming unaccountable to the members. This in consequence bred apathy in the membership towards the cooperatives thereby failing to:

- Attract increased cooperative membership
- Demonstrate cause for enhanced equity capital subscription by the membership.

With low membership figures and inability to attract enhanced equity subscriptions; the “engine” for internal capital build up came almost to a standstill. This in consequence forced the cooperatives to
become entirely dependent on external financing which was, due to indebtedness either completely unavailable or inadequately availed.

It is this scenario vis a vis government’s commitment to revamping the cooperatives that constituted the reason for its decision – as a short-term measure to institute the government backed cooperative financing arrangement by willing commercial banks through the Export Credit Guarantee Scheme (ECGS) effective 2001/2002.

Other novel mechanisms for availing the credit facilities include the Warehouse Receipts Financing, which would trigger bank financing against stocks as collateral and the establishment of Seed Capital Fund that would provide funding (on a sliding scale) during the Reform/Recovery phase. Box 6.1 presents in brief the meaning and essence of a Warehouse Receipt System.

Box 6.1: WAREHOUSE RECEIPT SYSTEM

The concept:

Warehouse receipts are documents that state the ownership of a specific quantity of products with specific characteristics and stored in a specific warehouse. Warehouse receipts are important and effective tools for creating liquidity and facilitating access to credit by farmers and in particular small-scale farmers.

The system has been successfully used in America and Canada since 1960s contributing greatly to economic development of farmers. In Africa, the Warehouse Receipts System (WHRS) has been introduced in West African countries of Mali, Ghana, and Niger. It is now being introduced in Zambia.

While the system is being introduced in Eastern European countries of Poland, Bulgaria and Slovakia, as well as in Latin America; Argentina’s warehouse receipts system account for a significant portion of agricultural lending, and total receipts issued exceed US$ 1bn.

Key Policy Issues and Principles for WHRS

For a warehouse receipt system to work effectively, a legal and institutional framework needs to be in place. Such a framework guarantees performance and minimises transaction costs. The existence of performance guarantee for warehouses provides compensation if stored goods do not match the specifications contained in the receipt, either due to negligence or fraud by the operator of the warehouse.

The WHRS also known as inventory credits facilitate credit for inventory or products held in storage. These receipts or warrants, backed with legal provisions guaranteeing quality, provide a secure system, through which stored agricultural commodities can serve as collateral, be sold, traded or used for delivery against financial instruments including futures contracts.

The benefits of WHRS

These include:
- mobilizing credit to agriculture by creating secure collateral for the farmer, processor and trader;
- enhancing credit access in rural areas as well as reducing risk in agricultural markets;
- increasing market power of small-holder producers by enabling them to choose at what point in the price cycle to sell their crops;
- helping to create commodity markets which enhance competition, market information and international trade;
- providing a way to gradually reduce the role of government in commercialising agriculture;
- smoothening market prices by enabling sales throughout the year.

Source: CRF

Governments move notwithstanding; it has become evident that the cooperative outstanding balances to Banks and other trading partners as well as service providers indeed constitute a threat to the efforts being made in revamping the cooperatives.

Threats to put the owing cooperatives under receivership loom over many cooperatives, including those which under the normal casual eye look functional. It is this situation that makes it imperative for measures to be taken to resolve “the cooperatives debt-web problem”.

Sufficing here to note, the cooperatives debt-web problem demands a solution in its own accord for they are faced with continued declines in realizable prices for the commodities traded by the cooperatives. It is evident that past dues cannot be offset against current activities of a single crop season without severely reducing the pass through to farmers, thus impoverishing them further and thereby defeating the mission of cooperatives.

However, as the government continues to guarantee the financing of the cooperatives through ECGS, without which many cooperatives would not qualify for bank financing, judicious management of cooperatives needs to be exercised lest these guarantees turn into liabilities for the government. Business aggressiveness accompanied with accountable leadership and management is called upon the cooperatives financed through government guarantee to ensure that the guarantee does not constitute ground for laxity in the management of the cooperative enterprise.

- Relieve Cooperatives with past debts

From the data in table 6.1 it is evident that something ought to be done to the past debts as to enable the cooperatives to be in a position to compete in the liberalised economy. It is suggested that the Government relieves the cooperatives the portion of the past debt (Tshs. 29.8 bn) comprised of the amount due to the Government, its institutions and the banks. The Cooperatives will have to meet the remaining creditors (Tshs. 24.5 bn.) of which the government has to facilitate negotiations there of and guarantees.
(b) Long - Term Measures

The Cooperative Image for Financing

As the short - term measures are being implemented, the long-term measures need to be incorporated within the overall broad Cooperative Reform Framework.

The Short-Term measures are intended to provide the cooperatives with immediate solutions to enable them meet members immediate needs e.g. crop procurement and marketing while at the same time setting the ground/foundation for the long-term e.g. foundation for equity capital build up through positive trading results.

The Long-Term measures should ultimately bring about Sustainable Cooperative Financing Systems – both internal (equity) and external (loan able funds). This in essence means building capacity for internal financing and external sourcing of funds on commercial terms i.e. developing credit worthiness. To realize this, the cooperatives need to:

Reconstruct their image (independent of government guarantee) through enhanced corporate performance to be manifested in:

- Positive outputs/results in performance
- Corporate governance manifested through, both leadership and management accountability to members.

Through the above manifestations, the changed cooperative image will provide the cooperative credibility that is now either missing or being subjected to questioning. With this changed cooperative image, on the one hand enhanced membership and enhanced equity capital subscriptions – thus enhanced internal capitalization is possible, while on the other hand, earned credibility demonstrated through positive trading results can win back the hearts of the financing houses. Establishment of a National Cooperative Bank will further enhance the availability of short and long-term capital for cooperatives.

6.6 Proposed interventions for sustainable financing of cooperatives;

Following the foregoing paragraphs a number of interventions need to be implemented to improve the cooperative's access to operational and investment capital. They include:

- Government to consider relieving cooperatives of genuine past debts,
- Expand scope and coverage of ECGS,
- Promote Warehouse Receipt System to promote profitable marketing and easy loan acquisition,
- Set-up Seed Capital Fund to enable some borrowers finance required working capital,
- Commission studies to explore other alternative financing systems.

6.7 Main Assumptions and Risks

It is assumed that through provision of relevant knowledge and information, SACCOS members and their stakeholders will quickly realize the importance of having in place strong financial institutions governed on the basis of acceptable financial and prudential standards. This is a challenge to Government Institutions, the cooperative movement and development partners.

7.0 Capacity Building of cooperative support institutions

7.1 Background

Capacity building is a necessary intervention to speed up and effect the envisaged transformation of Tanzania's cooperatives. Priority areas for capacity building include Human resource development; strengthening of training; consultancy and research; improving quality of audit and supervision; acquisition and use of appropriate ICT hardware and software; acquisition of transport and other facilities for change agents; and creation of pools (clusters) of cooperative experts (lawyers, planners etc) to strengthen implementation of proposed interventions. The following sections provide some details on the respective cooperative support institutions;

7.2 Government Based Support Institutions

(i) The Cooperative Development Department (CDD)

The Cooperative Development Department, has over the years passed through a number of changes as a result of being shifted from one Ministry to another. For instance, the years between the colonial period and the current independent era, have witnessed the Co-operative Development Department changing hands from the Ministry of Commerce and Cooperatives to which it was attached initially, to several other Ministries including the Ministry of Agriculture; Prime Minister’s Office; Ministry of Local Government, Community Development and Cooperatives; Ministry of Agriculture and Co-operatives and from 2001 to 2005 as one of the two technical departments of the Ministry of Cooperatives and Marketing. Following the Local Government Reform Program, the cooperative staff at both the regional and district levels are no longer directly answerable to the Registrar of Cooperative Societies as it was the case in the past. Such staffs are now answerable to Regional Administrative Secretaries (RAS) and the District Executive Directors (DEDs)) in regional and district offices respectively.

There are around 395 Cooperative Officers based in Districts under the Authority of DEDs. At the regional level there are 21 Cooperative Advisors based in Regional Secretariats who also act as Assistant Registrars. The Assistant Registrars undertake the registration of Primary Cooperative Societies and generally supervise activities related to cooperative development in their regions. Thus there is a good spread of Cooperative Officers from the level of the Ministry through Regional and District Administration to the Division level.
The core functions of Cooperative Officers is to receive, translate and implement the Cooperative Development Policy, the Cooperative Societies Act as well as other government regulations, procedures and directives aimed at developing the Cooperative Sector; (translation being done at the Regional level while that of implementation is largely done at the district level). The implementation process may however vary from one district to another depending on the actual situation in particular district. Indeed some Cooperative Officers based in Districts and Municipal Councils have found themselves performing the following duties which are not directly related with their core functions:

- Collection of taxes for the district and/or Municipal Councils.
- Maintaining books of accounts (Accounts Clerks or Accountants).
- Management and Supervision of non-cooperative projects
- Inspection of books of accounts for organizations other than cooperatives, e.g., village.

Indeed following the current Local Government set-up the Cooperative Officers at the district level are neither directly answerable to the Registrar of Cooperative Societies at the central Ministry level nor to the Assistant Registrars based in the regions. Consequently they do not appear to be directly obliged to submit reports or provide information to those levels. Instead the reports are submitted to the Regional Administrative Secretary or to the District Executive Director at the regional and district level respectively. The same applies to information or directive coming from the Registrar of Cooperative Societies or Assistant Registrar. This being the case it is proving very difficult (under the current system) for the Registrar or any other person assigned by him to monitor and evaluate the implementation of the Cooperative policy, Act or directives given. Implementation of the CRMP may thus suffer if a careful rationalization of the functions of Cooperative Officers is not put in place.

The Cooperative Development Department will need capacity – Strengthening for human resource development of current and new staff to enable them to improve their performance in the mandated duties of promoting, legislation and monitoring of cooperatives. Currently the Department is short of staff and the majority of available staff need training in new skills and approaches. The situation at the regional and district level is worse, with mostly aged staff who are close to retirement.

In spite of the current government efforts to revive, strengthen and develop cooperatives, the situation under the current system of Local Government Administration does not yet appear to be working in favor of these efforts. Consequently Cooperative Officers fail to perform their core functions by attending to other duties or lack of budgetary funds to do so.

(ii) **Moshi University College of Cooperative and Business Studies (MUCCOBS)**

The MUCCOBS now an affiliate of Sokoine University of Agriculture (from November 2004), is a semi-autonomous Government Institution mandated to provide education and training for the whole of the cooperative sector. In addition the College undertakes research, consultancy and Advisory services to the cooperative sector. To be able to reach members of Primary Cooperative Societies and their employees the College operates 18 regional Cooperative Education and training centers whose coordination Office is located at the College’s Headquarters in Moshi.

Research is necessary if Cooperatives are to develop and disseminate new ideas and initiate innovations. In practice, cooperatives need research to support the development of new products and services to satisfy member needs and at the same time attract new members. Research is also necessary to analyze cooperative development processes to make them more efficient, effective and adaptable. Research is the basis for institutional and policy analysis that shape the performance and influence the development environment.

It is on these grounds that serious capacity building for training and research (in terms of facilities, resources, staff training etc) have to be mobilized for Cooperative College Moshi and collaborating institutions such as the TFC.

(iii) **Cooperatives Audit and Supervision Corporation (COASCO)**

COASCO is a semi-autonomous parastatal. It is responsible for auditing the financial affairs of the cooperatives in the country and ensuring that proper books of accounts are maintained by Societies. Whereas its head office is located in Dodoma, COASCO also maintains zonal offices in 14 regional centers intended to expedite auditing and supervision activities to the clients.

Cooperative transformation will take root only when there is marked improvement in the quality of services that cooperative support institutions can offer. For instance provision/availability of high quality audit, inspection and business advisory services are likely to have an immediate impact in the business culture of the cooperative enterprise.

For COASCO to fulfill this mandate adequately it is going to need capacity building in a number of areas including training of staff, acquisition of transport facilities, introduction of special audit programs, better networking with other audit firms etc.

### 7.3 Non-Governmental Support Institutions

Some of the expected key collaborators in the implementation of the CRMP will be the various NGOs involved with microfinance and or provision of other services. In the current context such NGOs include HSEDA, PRIDE Tanzania, DID-Dunduliza, FINCA, COOPEDEC, Poverty Africa, SEMIDE and many others. Some of these NGOs provide their financial services and/or related services using either the group or individual approach, and some of them have worked directly with SACCOS. Some of the said NGOs get or receive technical back-up from within and outside the Country. Through these interactions it is expected that cooperatives will benchmark and learn best practices in management and delivery of service to their members.

Some commercial banks are also playing a useful role in providing the necessary financial services to cooperatives, especially now when the Cooperative Banks are still small and with limited capital. Such banks include the CRDB bank, Exim bank, and NMB. Through such interaction cooperatives are exposed to various challenges including; pricing of services, cost management, MIS, leadership performance, financial management and new product development.
7.4 Other Initiatives

The National Cooperative Advisory Council

The Tanzania Federation of Cooperatives (TFC), in consultation with other stakeholders, has already proposed the establishment of a National Cooperative Advisory Council. It is proposed that when established, the National Cooperative Advisory Council will be an autonomous institution mandated to advise cooperatives, the government, organizations promoting Cooperatives and other stakeholders in the revival, strengthening and development of Cooperatives in the country.

The said body will also be mandated to set-up Committees or ‘pools’ of experts of Lawyers, Corporate Strategists etc, who would assist in troubleshooting and finding quick solutions to urgent Cooperative problems. Essentially, such pools of experts will be mandated to analyze trends in the cooperative environment (economic, socio-political, demographic, legal, etc.) as well as specific cooperative problems. Such processes will facilitate societies in setting-up and implementing strategic plans that are realistic and cost effective. The aim is to have Cooperatives, as community based institutions, contributing effectively to the government’s efforts to fight poverty and promote economic growth.

7.5 Proposed Interventions

Some of the key intervention activities in this area include:

- Human resource development and strengthening at the CDD and other support Institutions,
- Provision of adequate working facilities for the key players,
- Improvement of communication and working interface between the Central Ministry and LGAs to enable Cooperative Officers and other change agents perform their core functions effectively,
- Adequate capacity building and other support for training, research and consultancy related to cooperatives,
- Support of special programs geared towards improving audit and supervision of cooperative societies,
- Facilitate positive linkages between cooperatives and other service providers
- Promote the establishment of a National Cooperative Advisory Council to be hub for troubleshooting for cooperative constraints and advocacy.

7.6 Assumptions and Risks

It is assumed that adequate resource support (by Government and other stakeholders) will be available to enable implementation of capacity building and related activities. It is also expected that clear rationalization of functions of change agents within the LGAs will be made quickly to enable programmed implementation of the proposed activities.

8.0 Cross-Cutting issues, information system and linkages

8.1 Cross-cutting Issues

The success of the CRMP will heavily depend on how it is positioned to address and deal with cross-cutting issues such as gender, environmental protection and the HIV/AIDS pandemic. The above issues are addressed briefly below;

Gender Issues

The problem of gender imbalance is not only confined to family circles. A number of studies that have been conducted on gender issues indicate that Women are a disadvantaged group in virtually all economic activities when it comes to power sharing. Cooperative Societies are no exception. On the part of participation in cooperative affairs, for instance, women are not on equal footing with their male counterparts. Cooperative Societies are largely gender insensitive in terms of membership, Cooperative leadership and sharing of proceeds. There are explanations provided in the relation to cultural constraints, but it is perhaps more to do with gender imbalance; however there is marginalization of women, youth and disabled in forming and/or participating in Cooperatives. The membership position in Cooperatives by 31st December 2004 excluding TFC, APEXES and UNIONS was 704,160 with 21% of those being women (Table 2.1).

In general, women have limited involvement in Cooperatives due to the division labor by sex and male dominated structures, heavily work load and lack of time for leisure and participation in the democratic process, lack of confidence, unequal access/ ownership of economic resources and low/ lack of education and training. The limited involvement makes it difficult for women to participate as equal partners in membership and leadership positions in the Cooperatives. The CRMP intervention in this regard is to ensure that Women play a greater role in Cooperative activities so that cooperatives are truly member driven democratic institutions, and indeed this is important for sustainable cooperative development.

The experience shows that where women have participated actively, the Cooperatives are more successful especially in SACCOS, since they have proven to be good borrowers and made timely repayment of their loans.

Given the above background, there is a need for concerted efforts among the key players in cooperative development to ensure that necessary measures are taken to address this particular issue. The following measures have to be taken:

- Creating a conducive environment so that more Women will be able to become members of cooperative societies;
- Developing and implementing gender sensitization and awareness programs;
- Introducing or mainstreaming gender issues in curricula of schools and colleges of higher learning;
- Developing gender sensitive financial products and services that address the needs of women.
- Ensuring that there is equal representation of Women in the Cooperatives’ management structures, boards and committees.
- Promoting and strengthening Women’s organizations and mobilizing them to become active and effective players in Cooperatives.
- Providing training and capacity building to Women on cooperative management.
- Supporting the establishment and strengthening of Women’s cooperatives.
- Promoting Gender mainstreaming in all aspects of Cooperatives activities and strategies.
Environmental Protection

Environment is mainly about issues related to conservation of resources e.g. forests, rivers, animals, and land. Protection of the environment is a concern for cooperatives as a community based civic organization.

Under an integrated approach in conservation of resources all sectors dealing with communities, have to participate in conservation, cooperatives included. Cooperative members being part of the community depend on the existing natural resources for their livelihood, in which case they have to ensure sustainability of these resources. Problems associated with the destruction of the environment include shifting cultivation, overstocking of domestic animals, deforestation and pollution. One way of ensuring sustainability is the conservation of the resources. Aspects relating to conservation of resources include protection, maintenance, rehabilitation, restoration and enhancement of population and ecosystem.

This can be achieved through:-

- Sensitization and training of members on the need for and importance of protecting the environment for present and future generations;
- Educating the members and the community at large on alternative ways that could be applied in protecting the environment, for example planting trees, avoiding indiscriminate cutting down of trees, and economic activities that facilitate soil erosion e.g. shifting cultivation;
- Creating awareness on alternative sources of energy for domestic use.

HIV/AIDS Pandemic

Increase in the prevalence of HIV/AIDS in almost all sectors of the economy is undermining the various efforts, which are being put in place to facilitate progress. In Cooperatives, the HIV/AIDS is reducing the workforce and resulting into others spending a considerable amount of their time and resources in caring for the sick. Indeed, the attrition rates resulting from HIV/AIDS pandemic continue to impact upon the Cooperative Movement’s skilled human resources. As such, the CRMP has a noble responsibility of augmenting efforts, which are already in place (e.g. by TACAIDS) of building deeper understanding of the pandemic among the Cooperative membership and the general public. This will be achieved through allocating resources for and carrying out awareness campaigns and dissemination of appropriate information. It is believed that such efforts will contribute towards changing of behavior among the population and consequently minimization of HIV/AIDS prevalence and impact.

8.2 Information System

The Ministry of Cooperatives and Marketing, the Moshi University College of Cooperative and Business Studies, the Cooperative Audit and Supervision Corporation; and to some extent, the Tanzania Federation of Cooperatives do collect various data from Cooperatives nationwide (e.g. on membership levels, turnover of business, loans provided and repayments, shares bought, etc). But such data is of varying quality, timeframe and consistency. Also, little of this information is used beyond the internal requirements of those collecting the data. It is therefore important through the CRMP to evolve a system of data collection and follow-up, which will enable build-up of a credible database on Cooperatives in Tanzania, which can be confidently shared among users.

To date, there is also very little sifting and analysis of data collected from Cooperatives (through regular procedures and research) to discern trends or to establish and answer growth and poverty reduction questions. Thus, one of the intentions of the CRMP is to evolve a systematic research program, which will consistently provide answers to issues relating to Cooperative development and transformation.

Therefore, among the key issues in the interventions in this area will be:

- Capacity building of Cooperative support institutions in terms of acquiring appropriate hard ware and software for building-up the required database and enabling networking (e.g. the CDD, MUCCOBS, COASCO, TFC, and Regional Cooperative offices);
- Training of the respective staff in collection and analysis of data, dissemination of information and ICT generally;
- Promotion of an efficient overall website for the Cooperative sector and other information dissemination mechanisms (e.g. regular brochures and journals)

8.3 Linkage with other Programs

It is important to state here that promulgation of the Cooperative Development Policy and consequently the crafting of the CRMP are motivated by the country’s overall policy direction as articulated in the Tanzania Development Vision 2025 and the National Poverty Eradication Strategy (NPES). Moreover, the CRMP is motivated by the global efforts (under MDGs) which require nations and organizations to strive to reduce global poverty by 50% by 2015. The timeframe for CRMP is ten years from 2005 to 2015. By necessity, CRMP will be linked with the National Strategy for Growth and Reduction of Poverty (NSGRP) or PRS-2 which is also known as MKUKUTA.

Since there is a sizable number of Cooperatives which operate in the rural areas and are involved with agricultural crops; by necessity, CRMP will also closely link with the Agricultural Sector Development Program (ASDP). Indeed, MKUKUTA and ASDP will be the principal resource base for the implementation of the CRMP. Efforts will be put in place to raise additional resources from internal and external sources depending on the nature of the action/activity and the amount of the resources needed.

The ILO is already spearheading efforts of mobilizing external resources from UN partner organizations and others to enable implementation of some of the components of the program including: ca-
capacity building in information and skills; facilitation of job creation efforts among the underemployed youth, women, etc.; and promotion of key research and improved attention on the main cross-cutting issues.

8.4 Assumptions and Risks

It is expected that adequate resource support will be made available by Government, Development partners and other stakeholders to enable implementation of intended activities. Strong collaboration and linkages between CRMP and other National programs (e.g., MKUKUTA, ASDP and TACAIDS) is assumed to be guaranteed.

9.0 Program summary, implementation arrangement and resources

9.1 Program Summary

The overall vision of Tanzania’s Cooperatives, as defined in the 2002 Cooperative Development Policy is to have “Improved and sustainable Cooperatives that are capable of fulfilling member’s economic and social needs.”

The Cooperatives Reform and Modernization Program (CRMP) of which this is the guide document, translates in practical terms how the overall vision can be achieved, spells out the form the movement has to take, and states the linkages which need to be established or strengthened to enable the program to succeed. This chapter presents in brief the key players of the program and their roles. The Annex attached to this volume is the Logical Framework of the Program which shows the list of main interventions which are to be implemented under the CRMP and for which resources for implementation are being sought. The Annex also indicates the problematic issues which are being addressed by the interventions and how the outcomes will be measured.

9.2 Implementation Arrangement

Successful implementation of the CRMP is dependent upon the degree of collaboration among the key actors, interlinkages and synergies with parent programs (e.g., MKUKUTA and ASDP), and resources made available by the Government plus local and International partners. The role of key actors is explained briefly below:

(i) The Central Ministry with mandate on Cooperatives

The Central Ministry will have the following main responsibilities:

- Overall coordination of the implementation of the program while working closely with other actors;
- Mobilizing the required resources and allocating such resources to the requisite activities;
- Over all policy guidance, supervision and monitoring of implementable activities;
- Capacity building of Cooperative support Institutions;
- Facilitate training of the membership in business skills and entrepreneurship;
- Facilitating the interface between the national program and activities implemented by LGAs.

(ii) The Moshi University College of Cooperative and Business Studies (MUCCoBS)

MUCCoBS will have the following main responsibilities:

- Overall coordination of training and empowerment activities;
- Oversee the conduct of research and consultancy in the requisite areas;
- Center for analysis and dissemination of information to end users.

(iii) The Cooperative Audit and Supervision Corporation (COASCO)

COASCO will have the following responsibilities:

- Undertake professional audit and supervision of cooperatives;
- Provide advice on accounting system and interpretation of audit and management reports;
- Collaborate with other partners in undertaking research and consultancies on various issues of cooperatives.

(iv) The Tanzania Federation of Cooperatives (TFC)

TFC will have the following responsibilities:

- Mobilize Cooperatives at various levels (Apex, Union, Primary Society) to effectively participate in the transformation process;
- Collaborate with other partners in information collection, processing and dissemination;
- Coordinate the setting up an effective Management Information system (MIS) for Cooperatives and their stakeholders;
- Effectively represent the cooperative movement is both internal and external fora;
- Spearhead the formation of a National Cooperative Bank.

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

SCCULT will have the following responsibilities:

- Promote innovations and modernization of SACCOs;
- Collaborate with other partners in effective set up of data base and MIS on SACCOs;
- Guide SACCOs in improving management and exploiting investment opportunities.
(vi) **Non-Governmental Organizations (NGOs) Involved with Cooperative matters**

NGOs will have the following responsibilities:

- Collaborate with relevant partners in providing training and other relevant services to the cooperative sector
- Participate in sensitization of cooperatives and the general public on the envisaged transformation.

(vii) **Local Government Administration (LGAs)**

LGAs will have the following responsibilities:

- Collaborate effectively with the Central Ministry in the implementation and monitoring of the proposed interventions.
- Mobilize additional resources required in the implementation of the Program in the respective areas.

(viii) **Development Partners**

Development Partners are expected to assist as follows:

- Effectively raise the required resources for the implementation of the CRMP
- Provide the necessary technical and capacity assistance to enable implementation of the proposed activities
- Participate in guidance and monitoring of the Program.

(ix) **Other Actors**

There are a number of other players who will play vital roles in the implementation of the Program as already summarized in the Project Implementation Plan (Annex 2 of this Document).

### 9.3 Expected outcomes

Overall desired outcomes of CRMP implementation include having in place the following:

- Economically strong cooperative societies which are capable of facing competitive challenges;
- Strong savings and credit cooperative societies and cooperative banks which will provide better financial services to their members and be a source of capital for other types of cooperatives;
- A large and empowered cooperative membership through acquisition of education, new knowledge and skills;
- Good governance and accountability in cooperative societies which will in turn minimize the problems of theft, misappropriation and corruption in cooperatives.

- Cooperative societies with efficient and cost effective structure which can easily respond to the needs of the members;
- Efficient and effective cooperative support institutions.

### 9.4 Resources

The total required resources for the CRMP outside the regular MTEF allocation (and excluding the seed capital for establishment a National Cooperative Bank) are estimated at USD 13,702,000. Furthermore, this figure does not take into consideration the relief of indebtedness of cooperatives to Banks and other institutions discussed in chapter 6.

### Bibliography

### CHAPTER 2: FORSTER EMERGENCE OF APPROPRIATE ORGANIZATIONAL STRUCTURES

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<th>Intervention Strategies</th>
<th>Indicators of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2A. Failure of middle level societies (Cooperative Unions and Apexes) to respond to primary society needs</td>
<td>1. Redefine roles and functions of middle level societies</td>
<td>- Societies with new roles and functions</td>
<td>Having unequivocal support of cooperators, the cooperative movement and other relevant stakeholders</td>
</tr>
<tr>
<td></td>
<td>2. Review and update by-laws</td>
<td>- By-laws reviewed</td>
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<td></td>
<td>3. Restructure some middle level societies</td>
<td>- Restructured cooperatives</td>
<td></td>
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<tr>
<td></td>
<td>4. De-register middle level societies which fail to change</td>
<td>- De-registered cooperatives</td>
<td></td>
</tr>
<tr>
<td>2B. Some Cooperatives having huge and costly structures to maintain</td>
<td>5. Institute measures to minimize cost of managing societies (size of societies, coverage, no. of meetings etc.)</td>
<td>- Measures instituted</td>
<td></td>
</tr>
<tr>
<td>2C. Inflexible structure of the cooperative movement</td>
<td>6. Popularize the new Cooperative Policy &amp; Act and their intentions</td>
<td>- Sensitization achieved</td>
<td></td>
</tr>
<tr>
<td>2D. Limited knowledge among citizens about other forms of cooperatives and their usefulness</td>
<td>7. Sensitize/mobilize citizens to join into other kinds of cooperatives</td>
<td>- Increased membership in various cooperatives</td>
<td></td>
</tr>
<tr>
<td></td>
<td>8. Train and re-train change agents to oversee formation of other kinds of groups and cooperatives</td>
<td>- Change agents trained</td>
<td></td>
</tr>
<tr>
<td>2E. Lack of or weak cooperatives in the areas of Housing, Industry, Transportation and specialized disciplines</td>
<td>9. Promote establishment of strong housing, transportation and specialized disciplines cooperatives</td>
<td>- Strong coops established in various sectors</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10. Commission studies on potential housing, industry, transportation and specialized cooperatives which would clearly spell out the nature and scope of such cooperatives</td>
<td>- Special guide studies completed and their recommendations utilized</td>
<td></td>
</tr>
<tr>
<td>2F. Other forms of cooperatives eg. Industrial cooperatives not clearly supported by nationwide macro policies</td>
<td>11. Evolve supportive policies and structures for other forms of cooperatives (e.g. in relation to investment tax holidays, importation tax exemptions etc.)</td>
<td>- Relevant policies/structures proposed</td>
<td></td>
</tr>
</tbody>
</table>

### CHAPTER 3: PROMOTE EMERGENCE OF GOOD GOVERNANCE

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<thead>
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</thead>
<tbody>
<tr>
<td>3A. Weak cooperative leadership and lack of accountability to members</td>
<td>12. Initiate process of election of competent leadership</td>
<td>- Elections in coop societies held</td>
<td>Having in place an empowered membership, an enabling legal environment, and cooperative institutions which can guarantee job security to employed staff</td>
</tr>
<tr>
<td></td>
<td>13. Facilitate training in good governance of Cooperatives Board leaders and selected membership</td>
<td>- Training in good governance conducted</td>
<td></td>
</tr>
<tr>
<td></td>
<td>14. Institute an effective inspection and audit system</td>
<td>- System of inspection and audit coops improved</td>
<td></td>
</tr>
<tr>
<td>3B. Weak and untrustworthy management in some cooperatives</td>
<td>15. Evolve system of employment which is based on fixed term contracts in all societies</td>
<td>- Coops employing on basis of fixed term contracts</td>
<td></td>
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<td></td>
<td>16. Employ competent personnel (define necessary qualifications at different levels)</td>
<td>- Competent staffs employed in coops</td>
<td></td>
</tr>
<tr>
<td>3C. Persistent Corrupt leadership and management in some cooperatives</td>
<td>17. Screen leadership and management staff following procedures introduced by code of conduct (use of guarantor forms and vetting)</td>
<td>- Leaders and management staff of coops screened</td>
<td></td>
</tr>
<tr>
<td></td>
<td>18. Take quick appropriate legal action where necessary (use of ‘surcharge,’ special prosecutors etc)</td>
<td>- Cases of theft mismanagement, corruption quickly dispensed</td>
<td></td>
</tr>
</tbody>
</table>
## CHAPTER 4: PROMOTE MEMBER EMPOWERMENT

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>4A. Having an indifferent and submissive cooperative membership which does not participate effectively in decision making</td>
<td>19. Carry out participatory cooperative education for members</td>
<td>- Members trained in coop education</td>
<td>Availability of adequate resources to undertake large scale sensitization of members and guaranteed socio-political support</td>
</tr>
<tr>
<td></td>
<td>20. Popularize new Act and intentions (including definition of powers and authority of members)</td>
<td>- Popularization of coop Act achieved</td>
<td></td>
</tr>
<tr>
<td>4B. Cooperative members not having appropriate information, knowledge and skills</td>
<td>21. Improve flow of relevant information to cooperative societies (on Legislations, markets, Audit reports etc.)</td>
<td>- Relevant information freely reaching targeted coop societies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>22. Carry out targeted training to members of cooperatives to improve their knowledge and skills</td>
<td>- Member trained in specific skills</td>
<td></td>
</tr>
<tr>
<td>4C. Cooperative Societies having a small membership</td>
<td>23. Mobilize/Sensitize citizens to join into various forms of cooperatives</td>
<td>- Many citizens mobilised to join coops</td>
<td></td>
</tr>
<tr>
<td>4D. Some community, political and administrative leaders showing little interest in cooperative affairs</td>
<td>24. Sensitize leaders on benefits of Cooperative opportunities availed by New Policy and Act</td>
<td>- Various readers sensitized on coop policy and laws</td>
<td></td>
</tr>
<tr>
<td>4E. Marginalization of Women, Youth and disabled in forming and/or participating in cooperative</td>
<td>25. Mainstream Women, Youth and disabled into cooperatives through sensitization and improved registration of their groups/societies</td>
<td>- Women, youth and other groups sensitized into joining in coops</td>
<td></td>
</tr>
<tr>
<td>4F. Having a small pool committed change agents to conduct participatory cooperative education</td>
<td>26. Rigorously train and re-train a critical mass of change agents to spearhead the process</td>
<td>- Change Agents trained</td>
<td></td>
</tr>
</tbody>
</table>

## CHAPTER 5: PROMOTE ECONOMIC VIABILITY AND SUSTAINABILITY

<table>
<thead>
<tr>
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<th>Intervention Strategies</th>
<th>Indicators of Verification</th>
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</tr>
</thead>
<tbody>
<tr>
<td>5A. Reliance on weak assessment reports when registering societies</td>
<td>27. Institute reliable viability criteria instrument for use when registering societies</td>
<td>- Viability criteria instruments produced and publicised</td>
<td>The general public having adequate awareness of the importance of building economically viable institutions/organizations</td>
</tr>
<tr>
<td>5B. Little emphasis on economic viability while considering division or amalgamation of societies</td>
<td>28. Develop economic viability criteria for division or amalgamation of societies</td>
<td>- Economic viability criteria produced</td>
<td></td>
</tr>
<tr>
<td>5C. Failure by some societies to close down/sell consistently loss making enterprises/projects.</td>
<td>29. Design a program for divestiture</td>
<td>- Program divestiture of coop enterprises produced</td>
<td></td>
</tr>
<tr>
<td>5D. Having by-laws which limit exploitation of new economic opportunities and enterprise diversification</td>
<td>30. Sensitize coops on ways to identify economic opportunities</td>
<td>- Coop By-laws incorporating diverse economic opportunities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>31. Amend relevant by-laws</td>
<td>- Relevant by-laws amended</td>
<td></td>
</tr>
<tr>
<td>5E. Lack of emphasis on internal capital formation</td>
<td>32. Develop capacity to raise internal capital (through increased share contributions, establishment of trust funds etc)</td>
<td>- Coop capacity to raise internal funds improved</td>
<td></td>
</tr>
<tr>
<td>5F. Lack of business culture and entrepreneurial skills in managing cooperative enterprises</td>
<td>33. Sensitize management and Board members to acquire necessary entrepreneurial skills</td>
<td>- Coop board members and management tutored on entrepreneurial skills</td>
<td></td>
</tr>
<tr>
<td>5G. Lack of consistent planning tools to facilitate implementation and accountability by management</td>
<td>34. Train Management and Board members on preparation of corporate and action plans</td>
<td>- Coop board members and management tutored on corporate and action plans</td>
<td></td>
</tr>
<tr>
<td></td>
<td>35. Encourage use of Corporate Plans and other planning tools</td>
<td>- Coops adapting and using corporate plans</td>
<td></td>
</tr>
<tr>
<td>5H. Poor monitoring and evaluation of cooperative enterprises overtime</td>
<td>36. Institute monitoring and evaluation system for cooperative enterprises</td>
<td>- System of monitoring and evaluation coop enterprises instituted</td>
<td></td>
</tr>
</tbody>
</table>
### CHAPTER 5 CONTD...

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>5L. Poor system of revaluation of member shares and assets</td>
<td>37. Revalue on regular basis societies assets&lt;br&gt;38. Revalue member shares commensurate with assets revaluation</td>
<td>- Assets of coops evaluated periodically&lt;br&gt;- Member shares re-evaluated periodically</td>
<td></td>
</tr>
<tr>
<td>5J. Absence of culture of entering into viable joint ventures</td>
<td>39. Sensitize on procedures/methods for identifying viable joint ventures</td>
<td>- Coops sensitized and entering into viable joint ventures</td>
<td></td>
</tr>
<tr>
<td>5K. Lack of knowledge, skills and ethics in dealing with various types of business contracts</td>
<td>40. Train leadership and management leadership and management in skills and ethics of business contracts</td>
<td>- Coops respecting contracts and following ethical business standards</td>
<td></td>
</tr>
<tr>
<td>5L. Practice of traditional audit system which does not adequately promote empowerment and accountability</td>
<td>41. Introduce developmental audit system for cooperative societies</td>
<td>- Developmental audit system introduced and practised</td>
<td></td>
</tr>
</tbody>
</table>

### CHAPTER 6: SUPPORT MODERNIZATION OF SACCOS AND SUSTAINABLE FINANCING

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<tr>
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<th>Means of Verification</th>
<th>Assumptions</th>
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<tbody>
<tr>
<td>6D. Persistent corrupt leadership and management in some SACCOS</td>
<td>47. Management staff following procedures introduced by code of conduct (use of guarantor forms and vetting)</td>
<td>- Leaders and staff of SACCOS guided by code of conduct</td>
<td></td>
</tr>
<tr>
<td>6E. Little participation of members in overseeing matters of their SACCOS management</td>
<td>48. Promote participation of member in governance</td>
<td>- Members are participating more effectively in Governance</td>
<td></td>
</tr>
<tr>
<td>6F. The Saving and Credit Societies movement having a small membership and small penetration index</td>
<td>49. Sensitize citizens to join and increase membership</td>
<td>- More citizens sensitized into joining SACCOS</td>
<td></td>
</tr>
<tr>
<td>6G. Having SACCOS with weak capital base due to both size of shares to be paid and partial share payment by majority of members</td>
<td>50. Initiate establishment of SACCOS in some rural and urban areas to increase penetration</td>
<td>- More SACCOS established in urban as well as rural areas</td>
<td></td>
</tr>
<tr>
<td>6H. Having SACCOS with weak loan base (for members) due to heavy dependence in member deposits for issuance of loans</td>
<td>51. Revise size and amount of shares members have to pay&lt;br&gt;52. Sensitize SACCOS members to distinguish fees, shares, shares etc.</td>
<td>- Size of shares of members in SACCOS regularly reviewed&lt;br&gt;- Knowledge/Education of financial matters regularly provided to members</td>
<td></td>
</tr>
<tr>
<td>6I. Some SACCOS having a weak loan base (for members) due to heavy dependence in member deposits</td>
<td>53. Sensitize SACCOS to attract external capital to strengthen their capital base&lt;br&gt;54. Sensitize SACCOS to increase savings and attract external capital to strengthen their loan base</td>
<td>- SACCOS sensitized to attract external capital within confines of the law&lt;br&gt;- SACCOS sensitized to increase savings and attract external capital within confines of the law</td>
<td></td>
</tr>
<tr>
<td>6J. Some SACCOS having weak capital base due to both size of shares to be paid and partial share payment by majority of members</td>
<td>55. Sensitize SACCOS &amp; members to distinguish fees, shares, savings &amp; deposits</td>
<td>- SACCOS sensitized to increase savings and attract external capital within confines of the law</td>
<td></td>
</tr>
<tr>
<td>6K. Weak and untrustworthy management in some SACCOS</td>
<td>56. Encourage management to use penetrating loan assessment/appraisal methods</td>
<td>- Education on financial matters regularly provided to members</td>
<td></td>
</tr>
<tr>
<td>6L. Weak and untrustworthy management in some SACCOS</td>
<td>57. Encourage management to use penetrating loan assessment/appraisal methods</td>
<td>- Innovative loan appraisal methods adapted and used</td>
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<td>6F. The Saving and Credit Societies movement having a small membership and small penetration index</td>
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<td>- More citizens sensitized into joining SACCOS</td>
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<tr>
<td>6G. Having SACCOS with weak capital base due to both size of shares to be paid and partial share payment by majority of members</td>
<td>50. Initiate establishment of SACCOS in some rural and urban areas to increase penetration</td>
<td>- More SACCOS established in urban as well as rural areas</td>
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<td>6H. Having SACCOS with weak loan base (for members) due to heavy dependence in member deposits for issuance of loans</td>
<td>51. Revise size and amount of shares members have to pay&lt;br&gt;52. Sensitize SACCOS members to distinguish fees, shares, shares etc.</td>
<td>- Size of shares of members in SACCOS regularly reviewed&lt;br&gt;- Knowledge/Education of financial matters regularly provided to members</td>
<td></td>
</tr>
<tr>
<td>6I. Some SACCOS having a weak loan base (for members) due to heavy dependence in member deposits</td>
<td>53. Sensitize SACCOS to attract external capital to strengthen their capital base&lt;br&gt;54. Sensitize SACCOS to increase savings and attract external capital to strengthen their loan base</td>
<td>- SACCOS sensitized to attract external capital within confines of the law&lt;br&gt;- SACCOS sensitized to increase savings and attract external capital within confines of the law</td>
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<tr>
<td>6L. Weak and untrustworthy management in some SACCOS</td>
<td>57. Encourage management to use penetrating loan assessment/appraisal methods</td>
<td>- Innovative loan appraisal methods adapted and used</td>
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<tbody>
<tr>
<td>6K. Lack of consistent planning tools to facilitate implementation and accountability by management members funds</td>
<td>58. Introduce use of corporate and other planning tools</td>
<td>- Corporate and other planning tools adopted and used</td>
<td>- Government assurance of cancellation/absorption of past coop loans obtained</td>
</tr>
<tr>
<td>6L. Lack of information flow to and between SAC-COS, poor knowledge and skills on management and weaknesses in providing market driven service</td>
<td>59. Introduce measures to improve transparency and accountability</td>
<td>- Effective information system for SACCOS established</td>
<td>- Scope of ECOS extensively reviewed</td>
</tr>
<tr>
<td>6M. Lack of SACCOS interlending and/or loan syndication (for purpose of providing big loans to large clients)</td>
<td>60. Establish effective information system for SACCOS</td>
<td>- Innovative products and services provided by SACCOs</td>
<td>- Warehouse bill and regulations enacted and operationalized</td>
</tr>
<tr>
<td>6N. General lack of understanding of the potential and other forms (apart from SACCOS) of microfinance</td>
<td>61. Provide necessary knowledge and skills to SACCOS staff to modernize their activities</td>
<td>SACCOS By-laws incorporating elements of interlending and syndication</td>
<td>- Seed capital funds for transformation phase sought and used</td>
</tr>
<tr>
<td>6P. Lack of Nationwide Cooperative Bank for provision of capital for investment, marketing, input procurement etc at reasonable cost to SAC-COS, AMCOS, and other forms of cooperatives</td>
<td>62. Promote innovation and supply of products/services demanded by members.</td>
<td>- SACCOs easily linking up with other microfinance service providers</td>
<td>- Important studies commissioned and their results employed in transformation</td>
</tr>
<tr>
<td>6Q. Cooperatives are highly indebted to banks via past loans (and their interests) making it extremely difficult for coops to access current loans for production, processing &amp; marketing</td>
<td>63. Revise by-laws and promote SACCOS interlending and loan syndication</td>
<td>SACCOs By-laws operationalized</td>
<td>- Internal capital build-up initiatives for coops encouraged</td>
</tr>
<tr>
<td>6R. Cooperatives capital need situation is worsened by lack of internal capital build-up and means/structures to manage it</td>
<td>64. Provide information on other terms of microfinance including microcredit, SME finance etc.</td>
<td>- SACCOs By-laws operationalized</td>
<td>- Establishment of Natural Coop Bank promoted</td>
</tr>
</tbody>
</table>

### Problematic Issue

- **6K.** Lack of consistent planning tools to facilitate implementation and accountability by management members funds
  - Introduce use of corporate and other planning tools
  - Introduce measures to improve transparency and accountability

### Intervention Strategies

- **58.** Introduce use of corporate and other planning tools
  - Corporative and other planning tools adopted and used
- **59.** Introduce measures to improve transparency and accountability
  - Effective information system for SACCOS established
  - SACCOs staff tutored on modernization skills

### Indicators of Verification

- Corporate and other planning tools adopted and used
- Measures to improve transparency and accountability introduced and are used

### Assumptions

- Government assurance of cancellation/absorption of past coop loans obtained
- Scope of ECOS extensively reviewed

---

### Problematic Issue

- **6Q.** Cooperatives are highly indebted to banks via past loans (and their interests) making it extremely difficult for coops to access current loans for production, processing & marketing

### Intervention Strategies

- Revise by-laws and promote SACCOS interlending and loan syndication
  - SACCOs By-laws incorporating elements of interlending and syndication

### Indicators of Verification

- SACCOs By-laws operationalized

### Assumptions

- Government assurance of cancellation/absorption of past coop loans obtained
- Scope of ECOS extensively reviewed

---

### Problematic Issue

- **6R.** Cooperatives capital need situation is worsened by lack of internal capital build-up and means/structures to manage it

### Intervention Strategies

- Initiate establishment of a National Cooperative Bank
  - Process to establish National Coop Bank initiated
- Institute measures to strengthen small Cooperative banks already in place (e.g. KCB, KFCB)
  - Measures to strengthen regional/zonal co-op banks defined and implemented

### Indicators of Verification

- Process to establish National Coop Bank initiated
- Measures to strengthen small Cooperative banks already in place

### Assumptions

- Internal capital build-up initiatives for coops encouraged
- Establishment of Natural Coop Bank promoted
- Capacity building of management staff of regional/zonal banks achieved
### CHAPTER 7: BUILD CAPACITY OF COOPERATIVE SUPPORT INSTITUTIONS

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<th>Indicators of Verification</th>
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</tr>
</thead>
<tbody>
<tr>
<td>7A. Cooperative Officers in Central Ministry, in regions and districts having inadequate skills to fulfill their mandates</td>
<td>76. Train officers in relevant institutions in necessary skills through short term and long term courses after a Needs Assessment</td>
<td>- Relevant staff trained in necessary skills</td>
<td>Adequate resource support (by Government and other stakeholders) and having appropriate policy, legal and administrative frameworks</td>
</tr>
<tr>
<td>7B. Shortage of staff at Central Ministry to oversee sensitization, monitoring and supervision</td>
<td>77. Organize specialized or tailor made course of other officers as dictated by a Needs Assessment</td>
<td>- Tailor made courses conducted for relevant staff groups</td>
<td></td>
</tr>
<tr>
<td>7C. Cooperative offices at district and regional levels managed by aged staff and/or unmotivated staff</td>
<td>80. Initiate process to hire new staff in some districts and regions</td>
<td>- Process to employ additional staff initiated</td>
<td></td>
</tr>
<tr>
<td></td>
<td>81. Motivate staff through training and incentive packages</td>
<td>- Necessary transfers sought and implemented</td>
<td></td>
</tr>
<tr>
<td></td>
<td>82. Effect transfers of Cooperative officers between districts and regions to provide them with new working environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7D. Lack of adequate working facilities and funds for officers charged with the transformation process at Ministry, Regional and District levels</td>
<td>83. Provide requisite motor vehicles and motorcycles to enable officers to fulfill their mandates</td>
<td>- Requisite vehicles motorcycles sought, obtained and used</td>
<td></td>
</tr>
<tr>
<td></td>
<td>84. Provide officers with other necessary office equipments</td>
<td>- Other necessary equipments sought, obtained and used</td>
<td></td>
</tr>
<tr>
<td>7E. Weak system of research and consultancy in Cooperative Development</td>
<td>85. Strengthen cooperative research and consultancy by supporting higher level training of some staff in selected institutions</td>
<td>- Selected staff supported in higher level training and research</td>
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<td></td>
<td>86. Provide relevant institutions with necessary funding, facilities and equipments for conduct of research</td>
<td>- Relevant institutions provided with necessary funds for equipment and research</td>
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</tbody>
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### CHAPTER 7: CONTD ...

<table>
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<tr>
<th>Problematic Issue</th>
<th>Intervention strategies</th>
<th>Indicators of Verification</th>
<th>Assumptions</th>
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<tr>
<td>7F. Cooperative system still dependent on traditional system of auditing whose reports hardly reach or are understandable by cooperative members</td>
<td>87. Sensitize cooperative audit firms to shift from traditional to developmental/demand driven audits</td>
<td>- Developmental/demand driven audit introduced and adapted</td>
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<td></td>
<td>88. Provide relevant institutions with necessary funding, tacituses and equipment for conduct of developmental/demand driven audits</td>
<td>- Fund for promotion of developmental audit sought, obtained and used</td>
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<td>7G. There are no specific 'pools' or 'clusters' of experienced people who could assist the cooperative system in resolving/finding quick solutions for urgent problems (e.g. those related to law, investment, acquisition of knowledge etc).</td>
<td>89. Set up 'pools' of 4 to 6 experts to assist in troubleshooting and finding quick solutions to urgent cooperative problems. Organize them through a Cooperatives' Advisory body.</td>
<td>- Pools of experts become functional under the umbrella of the &quot;Cooperatives' Advisory Body&quot;</td>
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<td>90. Provide such 'pools' with necessary additional skills and facilities.</td>
<td>- Pools of experts provided with necessary skills and experts</td>
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## Chapter 8: Mainstream Cross-Cutting Issues, IT & Linkages

<table>
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<tr>
<th>Problematic Issue</th>
<th>Intervention Strategies</th>
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<tbody>
<tr>
<td>8A. Women membership in cooperatives is relatively low.</td>
<td>91. Develop and implement gender sensitization programs</td>
<td>Adequate resource support (by Government and other stakeholders) and having appropriate policy, legal and administrative frameworks.</td>
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<td>92. Encourage women to form cooperatives.</td>
<td>- Gender sensitization programs implemented</td>
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<td>93. Impart leadership skills to women cooperative members.</td>
<td>- Women coop societies trained in relevant leadership skills</td>
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<td>8B. Unplanned utilization of natural resources for productive activities by cooperative members and the community at large.</td>
<td>94. Sensitize and train members and the community at large on the need for and importance of protecting environment.</td>
<td>- Environmental protection training programs implemented</td>
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<td>95. Promote use of alternative sources of energy.</td>
<td>- Alternative sources of energy promoted</td>
</tr>
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<td>8C. HIV/AIDS pandemic is threatening the cooperative movement’s effort to develop its human resources.</td>
<td>96. Allocate resources for and carry out awareness campaign.</td>
<td>- Awareness campaigns on HIV/AIDS designed and implemented</td>
</tr>
<tr>
<td>8D. Poor information flow among cooperatives (vertically and horizontally) and between cooperatives and supporting institutions (including the Ministry)</td>
<td>97. Design an appropriate Management Information System (MIS) to enable smooth flow of information between cooperatives and supporting institutions</td>
<td>- MIS for coops designed and effectively used to disseminate relevant information</td>
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<td>98. Prepare MIS user guidelines for coop officer at District and Regional levels</td>
<td>- MIS operating manuals prepared and distributed to relevant officers</td>
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<td></td>
<td>99. Develop capacity of cooperative officers at District level to collect, process data and disseminate information to relevant stakeholders</td>
<td>- Capacity of officers to collect, process, and disseminate data improved</td>
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<td></td>
<td>100. Procure relevant hardware, software and other facilities to establish a nationwide cooperative MIS</td>
<td>- Necessary facilities to establish nationwide cooperative MIS sought, procured and installed</td>
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### Glossary of terms

**Financial Year (FY):** The financial year of the Government starts on 1 July and ends on 30 June.

**Medium-Term Expenditure Framework (MTEF):** The MTEF is the Government’s budget planning tool, providing a resource framework for three financial years on a rolling basis.

**National Poverty Eradication Strategy (NPES):** The NPES, prepared in 1997, spells out Tanzania’s long-term poverty reduction targets. It provides a guiding framework for coordinating and supervising the formulation, implementation and evaluation of policies and strategies for poverty eradication and identifies three areas for strategic intervention: (1) creation of an enabling environment for poverty eradication; (2) capacity building for poverty eradication; and (3) poverty eradication.

**National Strategy for Growth and Reduction of Poverty (NSGRP/MKUKUTA):** The MKUKUTA is Tanzania’s second-generation PRS. It is the central coordinating framework for growth and poverty reduction initiatives in the country. It is set out for five years and has adopted an outcome-based rather than a sector-oriented approach, based on three broad clusters: (1) growth and reduction of income poverty; (2) improvement of the quality of life and social well-being; and (3) governance and accountability.

**National Vision 2025:** The National Development Vision 2025, established in 1999, is the Tanzania’s overall development framework that lays out long-term national social and economic development goals. It envisages that by the year 2025, Tanzania will have graduated from a least developed country to a middle income country with competitive economy capable of producing sustained growth and shared benefits, a high quality livelihood, a well educated and learning society, peace, stability and unity, as well as good governance.

**Non-governmental organization (NGO):** NGOs are according to the NGO Act, 2002, Section 2, defined as “a voluntary group of individuals or organization which is autonomous, non-partisan, non-profit making, which is organized locally at the grassroots, national or international levels for the purpose of enhancing or promoting economic, environmental, social or cultural development or protecting environment, lobbying or advocating on issue of public interest of a group of individuals or organization, and include a non-government organization established under the auspices of any religious organization of faith-propagating organization, trade union, sport club, political party, or community based organization; but it does not include a trade union, social club or a sports club, a political party, a religious organization or a community based organization.”

**Poverty Reduction Strategy (PRS):** The PRS is the national medium-term framework for poverty reduction. The country’s first PRS, the Poverty Reduction Strategy Paper, was drawn up in 2000 in the context of the enhanced HIPC Initiative covering a period of three years. It focused its interventions for poverty reduction on seven priority sectors (Basic Education, Primary Health, Water, Rural Roads, Judiciary, Agriculture Research and Extension, and HIV/AIDS).
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