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COOPERATIVE DEVELOPMENT POLICY, 2002

MINISTRY OF COOPERATIVES AND MARKETING
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FOREWORD

As it is commonly understood, a Cooperative Society is “an association of persons who have voluntarily joined together for the purpose of achieving a common need through the formation of a democratically controlled organization and who make equitable contributions to the capital required for the formation of such an organization, and who accept the risks and the benefits of the undertaking in which they actively participate”.

In Cooperative Societies, members through their joint efforts are being empowered to solve economic as well as social problems and thus achieve goals that could not be achieved individually. It is for this reason that the Government of Tanzania considers Cooperative Societies as important organizations for achieving goals of developmental programmes in which people’s participation is a key requirement. Following this consideration, the Government has been keen on setting Cooperative Development Policy that enables Cooperative Societies to assist their members and the nation at large in achieving developmental goals as fast as possible and in so doing alleviate poverty.

The first Cooperative Development Policy in Tanzania was adopted in 1997 to provide the overall objectives and strategies necessary to ensure that disadvantaged groups and the poor in the society have a reliable vehicle for attaining their economic and social development goals. Considerable achievements were

secured under the policy, for example, International Cooperative principles and values were recognized and internalised, autonomous member-based Cooperatives were formed and the number of cooperative societies in various sectors of the economy increased significantly.

While the Cooperative Development Policy of 1997 was adopted after initiation of macro-economic changes, the Policy did not adequately address issues pertaining to the free market economy, environment, gender, roles of different stakeholders and the globalization phenomenon. Hence these factors, among others have necessitated the revision of the 1997 Policy.

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

- (a) It repositions government commitment to support cooperatives which are owned and managed by their members according to the internationally recognized cooperative principles and values;
- (b) The policy recognizes the structural and historical factors that constrains the development of cooperatives in liberalized market environment, and thus creates the required conducive environment for cooperatives

to operate and compete more effectively and efficiently;

- (c) The policy recognizes economic groups as important initiatives towards genuine member-based cooperatives; and
- (d) The policy puts emphasis on commercially oriented business minded leadership instead of civil-service oriented management in running the cooperative movement.

Generally, the policy takes into consideration the historical concerns, and constraints and seeks to introduce a cooperative system, which is sustainable and capable of fulfilling member's economic and social needs. Further, it recognizes the need for establishment of autonomous, competitive and member-based cooperatives as important tools for economic empowerment of all vulnerable groups in society and the poor in general.

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

I believe that the Cooperative Development Policy 2002 provides a framework for Government and stakeholders' roles in the promotion, support and the development of member-based cooperatives under a free market economy.



HON. AMBASSADOR CLEMENT GEORGE KAHAMA (MP.)
Minister for Cooperatives and Marketing

CHAPTER ONE

1.0 INTRODUCTION:

1.1 Background:

The history of co-operatives 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 act as 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, but are merely used as sources of income to the management. Some Primary Cooperative Societies operate as agents of private traders and rent out their facilities to the latter. In addition, Unions operate facilities whose financial viability is questionable such as some cotton ginneries, oil mills, transport facilities and hotels. Increasing events of misappropriation of cooperative societies resources by dishonest cooperative managers and management committee members is another bottleneck to cooperative development. The direct involvement of political leaders in some of these cases diminishes possibilities of bringing culprits to book. On the other hand, lack of training to members eliminates almost completely cooperative leadership accountability to the members.

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 have been 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, not being involved in collective organizations, the individual small farmer is left in a weak position. This has a domino effect not only on individual farmers but also on the whole country's economy.

1.3 **Justification for Revision of 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 farmer's/people's economic groups initiatives, which are being established due to new relational 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 on the part of government, political leaders and cooperative leadership, under a free market economy and

multiparty democracy, were not adequately covered. Further, the policy did not address some of the critical problems of cooperatives such as misappropriation of cooperative resources and management dishonesty. Some of these concerns are 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 that policy to address past facts that operated as barriers to achieving the desired goals.

1.4 **Cooperative Vision and Mission:**

1.4.1 **Vision of a Cooperative System:**

The Vision of a Cooperative System gives a general direction of Cooperative Development in the foreseeable future that will guide the Tanzanian society to develop a cooperative system that fulfils cooperative members' social and economic aspirations throughout the envisaged period and within the existing socio-economic environment. Thus, the general direction/vision of a future Tanzanian cooperative system is geared towards **improved and sustainable Cooperatives that are capable of fulfilling members' economic and social needs.**

1.4.2 Cooperative Mission:

Under the liberalized economic environment cooperatives are among many business players in the market. Cooperators need economically strong organizations at the grassroots that are created through unity of different groups of small producers. The unity enables small producers to build-up resource capacity to efficiently conduct their business activities and withstand competition from other players in the market. Cooperatives in this respect become an economic empowerment tool of the vulnerable members of the society such as small producers/farmers, women and youths, who otherwise could not compete as individual players in the market. Thus, the Government believes that under this environment, the cooperative mission is to **develop cooperatives that:-**

- are member based, i.e owned and controlled by members;
- work for the betterment of members' own economic and social development and that of the community in which they live;
- operate competitively as independent economic entities; and,

- Care for present and future members.

1.5 **Objectives of the 2002 Cooperative Development Policy:**

Based on the Mission of Cooperative Development, the main objectives of the Cooperative Development Policy include the following: -

- (i) To encourage the establishment and continuous operation of member-owned and member-controlled cooperatives;
- (ii) To encourage the establishment of economically strong cooperatives that are capable of operating as viable independent business entities;
- (iii) To protect cooperative business operations against unfair competition;
- (iv) To support the establishment of viable cooperative financial institutions;
- (v) To encourage internal cooperative capital formation;
- (vi) To recognize and support small producer group initiatives with the view of transforming them into future economically strong cooperatives;
- (vii) To ensure existence of good cooperative leadership and management that are capable of managing a cooperative in a business-like manner while being accountable to members;

- (viii) To foster an efficient and effective cooperative movement structure;
- (ix) To support and encourage the provision of cooperative education, training and research services that focus on member empowerment;
- (x) To widen the scope of operations of cooperative societies through encouraging and supporting establishment of cooperative societies in various sectors of the economy;
- (xi) To encourage sustainable operation and development of cooperatives by ensuring that: -
 - Present cooperative members respect interests of future members and of the whole community;
 - Cooperatives carry out activities that respect gender equality and environmental protection.

CHAPTER TWO

2.0 THE ROLE OF COOPERATIVES IN NATIONAL DEVELOPMENT:

2.1 National Goals and Objectives:

The overall long-term goal of socio-economic development of Tanzania over the next generation, as provided by the Tanzania Development Vision 2025, is to attain sustainable human development. Cooperatives are among the major tools for the realization of this vision.

Policy statement:

The Government will continue to support and protect Cooperatives as important organizations for achieving National goals and objectives.

2.2 The Importance of Cooperatives in National Development:

Throughout the history of Tanzania, cooperatives have been an indispensable factor in the economic and social development of the country. Cooperatives have and will continue to promote to the fullest possible degree, participation of cooperators in the economic development process.

Policy statement:

The Government will continue to promote cooperatives, as one of the important tools for economic and social development of the people in the country.

2.3 Cooperatives and Poverty Reduction:

The National Poverty Reduction Strategy Paper (PRSP) emphasizes that the Government will endeavor to ensure that poor people's organizations such as cooperatives take lead in developing mechanisms and schemes that are effective, and as far as possible market oriented. Further that, farmers will be encouraged to organize themselves in groups or cooperatives, with a view to improving their prospects for economic and social development. The Strategy expresses the Government commitment that it will continue to recognize the important role cooperatives play in poverty reduction, as an important empowerment tool for the poor, weak and vulnerable members of the society.

Policy statement:

The Cooperative Development Policy recognizes the importance the National Poverty Reduction Strategy Paper (PRSP) accords to cooperative development. The Government will work hand

in hand with all organizations and institutions, which are responsible for Poverty Reduction to ensure full realization of the Poverty Reduction Strategy.

2.4 **Cooperatives in Various Sectors:**

Cooperatives in Tanzania have largely been involved with marketing of agricultural crops. This situation has resulted in cooperatives being less emphasized in other sectors such as finance, trade and industry, minerals, energy, transport, communication, water, fisheries, housing and forestry. The trend seems to persist despite the fact that agriculture has been declining in terms of its contribution to the national GDP, while some other sectors have shown an upward trend.

Policy statement:

The Government recognizes the great potential cooperatives have in different sectors, especially in improving social and economic conditions of small producers and thus, contributing to the national economic growth. The Government will endeavour to encourage establishment of cooperatives in various sectors. To this end, but without diminishing support for agricultural marketing cooperatives, the Government will ensure that development policies in other sectors recognize cooperatives as an important tool for achieving their development goals.

CHAPTER THREE

3.0 VALUES AND PRINCIPLES OF COOPERATIVES:

3.1 Cooperative Values and Principles:

The National Development Vision 2025 and the Poverty Reduction Strategy Paper by addressing cooperatives, they enhance and complement cooperative values and principles advocated by the International Cooperative Alliance. This is a clear indication that the Government acknowledges the importance of adhering to the said International Cooperative Principles and values in achieving national goals and expectations through cooperatives.

Policy statement:

With respect to the International Cooperative Principles and values, the Government recognizes and adopts:-

- (a) Cooperative values, which are based on self-help, self-responsibility, democracy, equality, equity, and solidarity and that they will be pursued and maintained in all cooperative development efforts within the Tanzanian socio-economic environment.
- (b) Cooperative Principles as important milestones and guidelines by which

cooperatives values will be put into practice. These principles are:-

(i) **Voluntary and open membership:**

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

(ii) **Democratic member control:**

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the members. In primary cooperative societies, members have equal voting rights (one member one vote) and cooperatives at other levels are also organized in a democratic manner.

(iii) **Members economic participation:**

Members contribute equitably to, and democratically control the capital of their cooperative. At least part of the capital will be the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of

membership. Members allocate surpluses for any of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the members.

(iv) **Autonomy and independence:**

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including Government, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

(v) **Education, training and information:**

Cooperatives provide education and training for their members, elected representatives, managers, and employees so that they can contribute effectively to the development of their cooperatives. They inform the general public, particularly the young people and opinion leaders about the nature and benefits of cooperation.

(vi) **Cooperation among cooperatives:**

Cooperatives serve their members most effectively and strengthen the

cooperative movement by working through local, national, regional and international structures.

(vii) **Concern for community:**

Cooperatives work for sustainable development of their communities through policies approved by their members.

3.2 **Women and other marginalized groups in Cooperatives:**

Under the current environment women perform minor roles in cooperative affairs, which are largely dominated by men. In some agricultural marketing cooperatives, women are not registered members because they do not own land. The land policy and legislation have been reviewed to remove these inequalities. Further, business enterprises of marginalized and disadvantaged groups (i.e. women, youths and others) are becoming prevalent in the urban as well as rural areas.

Policy statements:

To ensure effective women participation, the Government will advocate for cooperatives to allow women to become members in line with the cooperative principle of voluntary and open membership.

Women will also be encouraged to take up leadership positions and employment in the cooperative societies. The Government will advocate that women be given preferential opportunities in pursuing cooperative education and training so that they become effective in both leadership and in discharging their cooperative duties.

To increase participation of marginalized groups in cooperatives, business enterprise groups will be recognized under the cooperative system. Further, the Government will assist these groups towards attainment of full registration as cooperatives.

3.3 **Cooperatives and the Environment:**

Sustainable development of cooperatives will highly depend on how cooperative members encourage sustainable and equitable use of resources for meeting the basic needs of the present and future generations, without degrading the environment or risking health and safety. In order to work for sustainable development of their communities, cooperatives must ensure that their members strive to attain the quality of life that is socially desirable, economically viable and environmentally sustainable.

Policy statement:

The Government will encourage cooperatives in Tanzania to include environmental considerations in their development programmes.

CHAPTER FOUR

4.0 STRUCTURAL FRAMEWORK OF THE COOPERATIVE MOVEMENT:

4.1 The General Cooperative Structure:

Cooperative Societies are organized both horizontally and vertically. Since the enactment of 1991 Cooperative Societies Act, cooperatives were organized in a four-tier vertical system. That is, primary societies, secondary societies, apex societies and the Federation. Problems in the operationalization of this system proved that it did not emanate from members' felt-needs. The system also increased bureaucracy, inefficiency and resulted in weak accountability to members. Further, it proved to be an expensive system to maintain and became an unnecessary burden on members. In particular, the third tier was not performing. The Presidential Special Committee on the Revival, Strengthening and Development of Cooperatives also observed these shortcomings.

Policy statement:

The Government will encourage establishment of a Cooperative structure, which is cost effective and which emanates from members.

4.2 **Establishment of a Flexible Horizontal Cooperative Structure:**

The current horizontal system of cooperatives is not effective. On one hand, cooperative societies that cover large geographical areas have problems of organizing General Meetings. Such meetings are expensive to conduct and they drain the meager resources of cooperatives. On the other hand, the establishment of cooperative societies covering small geographical areas results in too many cooperatives, some of which are not economically viable.

Policy statements:

The Government will devise methods, which ensure that the operations of cooperatives are less expensive and are affordable.

In order to enable cooperatives operate efficiently under a free market economy, the Government will continue to advocate for the establishment of economically viable cooperative societies, their geographical area coverage notwithstanding.

4.3 **Establishment of Strong and Economically Viable Vertical Structures of Cooperative Societies:**

Most of the existing primary cooperative societies are not economically viable because of

the small number of members who contribute to the societies' capital. In these cooperatives, members limit their contribution only to the required minimum share capital. Moreover, the value of shares and assets remains static and is hardly revalued to reflect changing market conditions.

Over the years, there has been an increase in the number of secondary cooperative societies. Some of these have been established based on regional or district boundaries, and not on economic viability. Some cooperatives have had big structures, which have resulted in reducing their operational efficiency. Some secondary societies have involved themselves in non-core businesses. These factors have led to some secondary societies being detached from their primary societies and to a decrease in business turn overs.

Policy statements:

In an endeavour to strengthen the vertical cooperative societies structure, focus will be on primary cooperative societies. To this effect the Government will: -

- (i) Recognize and support pre-cooperative groups as one of the basic foundations for establishment of economically strong primary cooperative societies;

- (ii) Encourage establishment of primary cooperatives in various economic/production sectors;
- (iii) Encourage primary cooperatives to build their internal capital base;
- (iv) Encourage establishment of primary cooperative financial institutions;
- (v) Assist primary cooperatives in securing loans from local as well as international financial institutions;
- (vi) Under special circumstances, guarantee cooperative societies to obtain loans from financial institutions.

The Government expects that strong and vibrant primary cooperative societies will evolve their own vertical cooperative structure where and when there is a felt need to do so. Cooperative societies will be encouraged to establish joint ventures in order to maintain their economic viability and efficient business operations. Further, the Government will encourage the devolution of business-oriented activities to primary cooperatives and encourage higher-level societies to assume the role of coordination, consultancy and market information provision to the primary societies. The highest level in the vertical structure of cooperative societies shall play the role of center of networking among the country's cooperatives, source of useful market information for members, conduct of lobbying and advocacy for members where and when there is need to do so, and to be the chief link of

cooperators to other partner bodies in development at the national and international levels.

4.4 **Amalgamation and Division of Cooperatives:**

In the past cooperative amalgamation or division was mostly based on geographical and political reasons rather than on economic factors. As a result there has been an increase in non-viable cooperative societies. The amendments that were made in the cooperative legislation in 1997 to introduce compulsory amalgamation or division did not assist to solve the problem.

Policy statement:

In order to advocate the principle of voluntary membership, cooperatives amalgamation or division shall be voluntary. However, the Government may advise that cooperatives amalgamate or undergo division in order to enhance their economic viability and efficiency.

CHAPTER FIVE

5.0 COOPERATIVE LEADERSHIP AND MANAGEMENT:

5.1 Cooperative Leadership:

The present cooperative management system has failed to transform cooperatives into competitive business enterprises. The cooperative legislation and policy are also inadequate. As a result, undesirable leaders continue to hold leadership positions almost indefinitely, perpetuating "bad leadership syndrome" in the cooperative system. The situation is worsened by the fact that the cooperative system has never put in place a formal code of conduct for cooperative leadership, which could stimulate growth of good cooperative leadership behavior. There has also been conflict of interest. For example, there has been a tendency for some Government and political leaders who are involved in cooperative leadership to influence cooperative decisions either directly or through their positions at the expense of members needs.

Policy statements:

In order to address cooperative leadership problems the Government will ensure that Cooperative leadership is based on qualification, loyalty, transparency, accountability to

members, democracy and without conflict of interest. For example the government may introduce measures aimed at: -

- (i) Establishment and Strengthening of **Supervisory committee** within the cooperative leadership structure;
- (ii) Provision for **limitation of leadership duration** in cooperative societies;
- (iii) Establishment of a **code of conduct for cooperative leadership**, which will bind the cooperative committee and management;
- (iv) **Separation of political and Government leadership from cooperative leadership.**

5.2 Cooperative Management:

The efficiency and effectiveness of any business organization depend, among other attributes, on the vision of the chief executive, quality of staff, and degree of team-work. Cooperative leaders will be expected to employ members of staff who have entrepreneurial talents and who are capable of translating their society's vision and plans into economic and social benefits to members. The movement presently needs individuals with high-level management capability to facilitate high-level standards in the management of cooperatives.

Policy statements:

The Government in collaboration with other players in cooperative development will continue to give particular attention to human resource development in cooperative societies.

In order to attract and retain high calibre personnel, the Government will encourage the cooperative movement to develop and institute terms and conditions of service that are attractive and competitive and those that properly address issues of employees' career growth and development.

CHAPTER SIX

6.0 COOPERATIVE EDUCATION AND TRAINING:

6.1 The Importance of Cooperative Education:

Cooperative Education and Training is one of the principles of co-operatives. Its objective is to foster understanding of members, leaders and employees in carrying out their respective roles and ensuring that the general public is informed about the nature of a cooperative movement. Since the 1990s Government support to cooperative education has been declining due to limited resources. On the other hand cooperatives have been unable to fill the gap left by the Government withdrawal. As a result cooperative education to cooperative leaders, cooperative members as well as the general public has diminished.

When the Government introduced a free market economy, which meant that cooperatives had to compete with private companies, it did not put in place a mechanism that would ensure training and/or orientation of cooperative societies to conduct their business under a competitive environment. This resulted in weak structural and financial situations in which cooperatives have been operating. Because of these weaknesses there has been a dramatic reduction in post-trade liberalization cooperative business turnovers by more than 50 percent.

Policy statements:

In line with the goal of fostering understanding for members, leaders and employees in carrying out their respective roles and ensuring that the general public is informed about the nature of the cooperative movement, the Government will emphasize promotion of cooperative education aimed at: -

- (i) Developing an enlightened and responsible leadership capable of directing and effectively controlling cooperative enterprises for the benefit of members, thereby upholding the ideals and values of cooperation for continued prosperity of the cooperative movement and the nation in a business-like manner.
- (ii) Imparting relevant management knowledge, business and entrepreneurial skills, needed by the employees and committee members to enhance efficiency and effectiveness in the services rendered by cooperatives under a competitive environment.
- (iii) Ensuring that the general public is kept informed about the nature of cooperatives and the benefits that accrue to members.

6.2 Cooperative Education to Members:

The majority of primary cooperative societies are formed by people with not only limited financial

resources but also knowledge which is essential for them to survive and withstand the rigours of competition and globalization. This calls for the need to promote education for members which would assist them in making informed decisions and thereby direct their meager resources to profitable business undertakings and elect competent committee members. This will in turn lead cooperatives to develop competitive market advantages.

Policy Statement:

The Government will ensure that cooperative education at membership level aims at developing an informed and empowered membership. The emphasis will therefore be on the nature of cooperative economic activities, duties and responsibilities of members and the benefits that accrue from cooperative membership. The need for members to elect honest, responsible, skilled and informed individuals to be members of leadership committees will be given particular emphasis.

6.3 Cooperative Education and Training for Committee Members:

Members of a cooperative society normally elect a few members among themselves to participate in decision-making and supervision of the day-to-day activities of the society. It is important that such members of committee are enlightened

on the operations of a cooperative society so that they will be able to formulate policies and strategies that would ensure smooth development of the society.

Policy Statements:

The Government will ensure that the education and training at the committee level focuses on enhancing capacity of committee members to operate business under a free market economy. It may include education and training in areas such as:-

- (i) the cooperative mission and organization;
- (ii) challenges of the business environment;
- (iii) effective and efficient service delivery to members;
- (iv) the cooperative environment, leadership and entrepreneurial skills; and
- (v) Professionalism in recruitment of staff of all cadres.

In the provision of education and training services the need to instill management discipline and to demand results from employees will be given particular emphasis.

6.4 Cooperative Education and Training of Employees:

The current cooperative personnel is not of high calibre and does not possess the required

qualifications and entrepreneurial skills to translate cooperative policies and strategies into expected outputs for smooth development of the societies. In most cases personnel recruitment is not based on qualifications and even after employment there is inadequate on the job training.

Policy Statement:

The Government will encourage and where necessary assist in the recruitment of qualified and professional employees for cooperative societies as well as promote on-the-job training.

6.5 **Cooperative Education to the General Public:**

The provision of cooperative education will not be complete without the involvement of members of the general public in both urban and rural areas. The provision of cooperative education to the general public and in schools will be an important factor in the development of future strong cooperative societies with committed members.

Policy Statements:

The Government will encourage provision of cooperative education to the general public at all levels in order to develop future strong cooperatives. The content of this education may include:-

- (i) cooperative society as a business organization;
- (ii) operations of a cooperative society;
- (iii) benefits that accrue to members; and
- (iv) the special cooperative values and attributes such as equality and equity.

Further, the Government will encourage the inclusion of cooperative education in the curricula of the Tanzanian Education System.

In an effort to have well-trained personnel who will be able to manage cooperatives under a liberalized economy, the Government will encourage the establishment of Cooperative Training Institutions up to the University level.

CHAPTER SEVEN

7.0 COOPERATIVE FINANCIAL INSTITUTIONS:

7.1 The Importance of Cooperative Financing:

Cooperative financial institutions are a very important factor in cooperative development. Financial institutions, which are established as cooperative societies are an alternative to commercial banking systems and may be utilized to encourage thrift and saving habits of cooperators. Cooperative financial institutions are also a source of loans to cooperative members and other cooperative societies based on favourable loan re-payment conditions, as compared to traditional commercial banks. Further, cooperative financial institutions help to keep finances that are mobilized by the cooperators within the cooperative system and for the benefit of cooperators themselves. Thus, with the current situation whereby cooperative societies are considered un-creditworthy by applying traditional commercial banks criteria, the establishment and development of cooperative financial institutions is a *sine qua non* to cooperative development in Tanzania.

Policy Statement:

The Government will encourage formation of cooperative financial institutions in order to reactivate thrift and saving habits among

members and thus enable Cooperatives to benefit from the capital generated.

7.2 **Savings and Credit Cooperative Societies (SACCOS):**

The establishment and development of SACCOS in rural areas has been slow. Most SACCOS have been established in urban areas and at workplaces. As a result members of agricultural marketing primary cooperative societies have found it impossible to save money that could have enabled them to buy shares and thereby increase the capital of their cooperatives. On the other hand, some primary cooperative societies have not been able to access credit for collection of produce and buying of inputs for their members.

Policy statement:

To solve the problem of liquidity to members and primary cooperative societies, the Government will encourage formation of SACCOS within the areas of operation of primary societies. The Government will also continue to provide technical assistance to strengthen and develop the existing SACCOS in urban and rural areas.

7.3 **Cooperative Banks:**

The pace of establishing cooperative banks has been slow. The importance of such banks is

clear and requires no extra emphasis. Unfortunately however, the cooperative system lacks sufficient expertise for the establishment of such banks.

Policy statement:

The Government as well as cooperators still consider the establishment of cooperative banks as an important solution to cooperative financing problems. In an effort to have a sustainable cooperative financing system, the Government will continue to encourage the process of, and assist in the establishment of cooperative banks.

7.4 Cooperative Financing at National level:

After liberalization of financial institutions, Government direct initiatives to source finances for cooperatives to facilitate collection and sale of members' crops were stopped. On the other hand, commercial banks have been reluctant to extend loans to cooperatives, mainly because of poor past performance records. Private middle traders who increase the cost of marketing of produce and hence reduce financial returns to smallholder producers have exploited this situation.

Policy statements:

In recognition of cooperatives' role in marketing farmers' crops, the Government will institute

short-term as well as long-term measures to alleviate cooperatives financial capital problems.

As a short-term measure, the Government will support arrangements that will provide cooperatives with funds that will enhance their competitiveness and credibility in collecting and marketing members' crops, using sound business management and commercial principles. The Government will seek collaboration of commercial banks to ensure success of this undertaking.

The Government understands that putting in place short-term measures may not suffice to sustain the availability of finances to facilitate marketing of members' produce. On the other hand, Cooperative Banks may not be able to mobilize enough capital to finance the requirements of all cooperative societies in a given time because of geographical and financial limitations. To ensure sustainable availability of loan capital to cooperative societies, the Government will encourage and assist cooperatives to establish sustainable long-term finance. Such initiative may include establishment of a National Cooperative Bank.

7.5 **Cooperative Insurance Services:**

Cooperative societies, through their Federation have been operating an Insurance Agency of the National Insurance Corporation. Under a

liberalized insurance business, Cooperatives can benefit more if they establish their own Cooperative Insurance Institutions.

Policy statement:

In order to enable cooperatives to benefit from the liberalized Insurance business, the Government will encourage and assist the cooperative movement to establish Cooperative Insurance Service Institutions.

CHAPTER EIGHT

8.0 ROLES OF KEY POLICY IMPLEMENTORS:

8.1 Government Involvement in Cooperatives:

The Governments involvement in cooperatives started after the enactment of the first cooperative legislation in 1932. Initially this was done through the Registrar of Cooperative Societies whose powers ranged from promotion, registration, inspection and dissolution of cooperatives. Since then the Government has made positive interventions in the management of cooperatives through various ways:- for example; supporting Cooperative societies to raise financial capital, facilitating, training and establishing cooperative training and auditing institutions.

Policy statements:

Trends in economic development are indicative of the fact that future growth and development of cooperatives will come from a motivated, participatory and informed membership. Further, with free market economy and trade liberalization policies, which have resulted in divesting the Government from involvement in commercial functions; there will be less free technical and financial assistance to cooperatives from the Government. The Government will encourage liberalization of the

cooperatives in line with the current state of affairs in which they (cooperatives) will be required to be efficient and effective in the provision of services to their members from their own resources and initiatives.

The Government will ensure that future interventions in cooperative development are geared towards creation of a conducive environment for the establishment and development of cooperatives, which are autonomous, democratic, member-based and economically viable in line with the internationally accepted cooperative values and principles.

8.2 **Functions of Public Institutions Responsible for Cooperative Development:**

In view of current macro-economic and cooperative development policies, the functions of public institutions responsible for cooperative development will be as follows:-

Ministry responsible for cooperatives:

The main function of the Ministry will be regulatory and facilitative in nature, aimed at creating conducive environment for the development of autonomous and self-sustaining cooperatives. In this regard, the Ministry will be responsible for:-

- (i) Registration, deregistration and liquidation of cooperative societies;
- (ii) Enforcement of the cooperative legislation;
- (iii) Formulation of Cooperative Development Policies and Strategies;
- (iv) Recruitment and deployment of strong inspectorate personnel,
- (v) Provision of advisory services and creation of conducive environment for cooperative promotion, growth and development;
- (vi) Encouraging and supporting research in cooperative development;
- (vii) Carrying out inquiries, inspection and investigation in cooperative activities and operations; and,
- (viii) Ensuring that cases of misappropriation, thefts etc. in cooperative societies are dealt with promptly and fairly.

Other Ministries/Government Departments:

The Government recognizes the fact that cooperative societies operate in areas or are involved in activities, which may be under the regulation, supervision and promotion of other Ministries and Government Departments. Some of these Ministries and Government Departments include the Ministry responsible for Agriculture and Food Security, the Ministry of Finance, the Ministry responsible for Industry and Trade, the Ministry responsible for Natural Resources, the Ministry responsible for Local Government, the Ministry responsible for

Community Development, the Ministry responsible for Energy and Minerals, and the Ministry responsible for Lands and Human Settlement. The Government will ensure that these Ministries and Government Departments collaborate with the Ministry responsible for Cooperative Development to ensure that the Government's roles and responsibilities on cooperatives are realized.

Cooperative College Moshi:

The Cooperative College Moshi is a Government training institution responsible for carrying out cooperative education and training. In this regard the Cooperative College Moshi will: -

- (i) Carry out cooperative training needs assessment;
- (ii) Prepare and conduct cooperative education and training programmes;
- (iii) Conduct research and consultancy on cooperative development.

Cooperative Audit and Supervision Corporation (COASCO):

Under a liberalized free market economy in which cooperatives are operating, the need to have their business activities well managed is imperative. This will be done through, among other things; keeping proper books of accounts and ensuring that corrective measures are put

in place whenever shortfalls are detected. Thus COASCO's main function will be to carry out audit and supervision of cooperatives. However, reputable private companies or firms may also be allowed to audit cooperative societies.

8.3 Donor Support to Cooperative Development Initiatives:

In providing enabling environment for the cooperatives, the Government will facilitate Cooperatives to secure external donor assistance. However, Cooperatives are encouraged to make their own arrangements on financial and technical linkages with the donor community and with other cooperatives, both at local and international level. Where necessary, cooperative support initiatives will be conducted under Government coordination and monitoring.

CHAPTER NINE

9.0 POLICY IMPLEMENTATION:

The effective realization of the Cooperative Development Policy 2002, hinges on two main prerequisites. These are:-

- (i) Formulation of implementation Strategies, and,
- (ii) Having appropriate Legislations

It is expected that the implementation of this Policy will begin immediately after its publication and that all concerned bodies and persons will begin to take steps towards its successful implementation. To this end, implementation strategies and Legislations will be prepared to provide the necessary guidance.

CHAPTER TEN

10.0 CONCLUSION:

This Policy has taken into consideration the importance of creating a conducive environment under which cooperative societies will be able to operate and thrive under the current free market and trade liberalization macro-economic policies. The recommendations by the Presidential Special Committee on the Revival, Strengthening and Development of Cooperatives of 2000 have been incorporated. Cooperatives are expected to take full advantage of the resultant enabling environment and serve their members better. The Government expects that the attainment of the sustainable and improved Cooperatives that are capable of fulfilling members' economic and social needs, which is the goal of this policy, will have an enormous impact on the economic development of the whole nation. To this end, cooperatives are expected to carry out their affairs pragmatically and for the socio-economic development of their members and in line with the International Cooperative Principles and Values, particularly the principle of concern for community within their areas of operation and the country at large.