



THE UNITED REPUBLIC OF TANZANIA

**COOPERATIVE DEVELOPMENT
POLICY, 1997**

MINISTRY OF AGRICULTURE AND COOPERATIVE
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Definition of a Cooperative Society

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.

THE COOPERATIVE DEVELOPMENT POLICY

1. INTRODUCTION

1.1 Background

The International Cooperative Alliance (ICA) celebrated its centenary in 1995. However, the year 1995 was also one hundred and fifty years since the first modern cooperative society was established by Rochdale Pioneers in UK. The rise and expansion of the modern cooperative movement have their roots in the far reaching economic, social and political changes which took place in Europe in the late eighteenth and all through the nineteenth century, especially the industrial revolution and the liberalization of the peasantry from the former feudalistic system.

The traditional system disintegrated. Capitalism brought about urbanization which led to appalling social conditions among the working class. In rural areas small holder farmers became increasingly indebted to usurious money lenders. The resulting social unrest and insecurity provided a fertile ground for a new social and economic order.

Since then, the cooperative challenge and goal has been to redress the social and economic system in

favour of a better world characterized by democracy, equality, equity and self help.

In Tanzania, the cooperative idea dates back from 1925 with the formation of the Kilimanjaro Native Planters Association (KNPA). The social and economic unrest wrought by white settlers and Asian businessmen forced small scale peasants to establish cooperatives for social and economic emancipation. It is estimated for instance that 40% of cotton bought by Asian businessmen during 1930s & 1940s was not paid for.

Before independence, cooperatives were formed from the initiatives of the members. The role of the government was provision of information, sensitization, education and training, inspection and supervision. Cooperative societies maintained their autonomy and practiced the principle of self help. Indeed most of the cooperative assets like buildings, machinery etc. we see today are a heritage from this epoch.

After independence, on account of the successful cooperative movement in some pockets of the country, the government took the lead in cooperative development. The state actively promoted the establishment of cooperatives. In the process, cooperatives became increasingly integrated with national objectives rather than members aspirations

and interests. As a consequence, capital formation from within the cooperative movement dropped drastically. Ultimately cooperatives became completely dependent on the state through loans. Furthermore, the human resource development and institutional capacity building previously undertaken by the movement died and became the responsibility of the state.

From mid 1970's cooperatives came under active government control and absolutely lacked the international standards of a cooperative society. With limited government resources cooperatives became a burden on the government and the national economy in general.

However, cooperatives in their various forms are becoming an indispensable factor in the economic and social development of all countries, promoting the fullest possible participation in the development process of the all population groups, including women, youth, disabled persons and the elderly.

Since the government recognizes the potential of cooperatives in contributing to the solution of economic, social and environmental problems, it will observe and respect ICA Cooperative Principles which are:-

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education training and information
- Cooperation among cooperatives and
- Concern for community.

1.2 Policy Justification

The absence of a comprehensive cooperative policy in the country has to a large extent invited a profuse of experiments like according a village the status of a cooperative society with compulsory membership contradicting the fundamental principles of cooperation.

The presence of a cooperative policy, with clear defined goals, objectives and strategies is likely to minimize deviations from ICA set standards and thus allow maximum deployment of cooperative principles and practices for social and economic emancipation of the majority of citizens.

2. OBJECTIVES OF COOPERATIVE DEVELOPMENT POLICY

Unlike businessmen knowledgeable of, and experienced in modern production and management methods, cooperatives aim at people without such

knowledge and experience. Cooperatives are formed by disadvantaged groups such as small scale holder farmers, the landless, women, youth, craftsmen, disabled and the elderly. It is government interest to see that all its citizens are engaged in gainful employment.

Therefore the main objectives of the cooperative development policy are the following:-

- 2.1 To underscore the fact that cooperatives are important instruments for social, economic and cultural development as well as human advancement for its citizens.
- 2.2 To acknowledge the contribution of cooperatives in democratic control of economic activity and equitable distribution of surplus.
- 2.3 To observe and respect cooperative ideology (i.e. new social and economic order) and practice thus guaranteeing autonomy of the cooperative movement.
- 2.4 To create a conducive environment in which people are free to associate in exploiting their resources for social and economic development.
- 2.5 To provide assistance to cooperative development, particularly in areas of human resource development

and institutional capacity building without effect on their independence.

3. POLICY STATEMENTS

3.1 The government supports the cooperative vision of eliminating social and economic injustices in society.

3.2 The government respects and guarantees the autonomy of the cooperative movement but shall de-register societies which fail to live up to the cooperative standards.

3.3 The government recognizes the diverse nature of the cooperative sector which without limitations includes:-

Agricultural productive and processing cooperatives,

Rural supply cooperatives

Agricultural marketing cooperatives

Land improvement cooperatives

Consumer cooperatives

Fishery cooperatives

Service cooperatives

Handicrafts cooperatives

Workers productive cooperative societies

Labour contracting cooperatives

Savings and credit cooperatives societies

Cooperative Banks

Housing cooperatives

Transport cooperatives
Insurance cooperatives
Health Cooperatives

- 3.4 The government shall protect cooperatives through appropriate legislations.
- 3.5 The government will play the role of facilitator and catalyst with emphasis on information provision, sensitization, education, training, inspection and supervision.
- 3.6 The government will encourage women participation in cooperatives by removing inhibiting traditional laws, customary values, and any other constraints.
- 3.7 The government will register, de-register and liquidate cooperatives where appropriate.
- 3.8 The government will introduce cooperative education in schools and colleges to prepare the youth for self help and self employment.
- 3.9 The government will encourage research into fields affecting their activities such as improvement of quality of commodities, production techniques, investments and expansions.
- 3.10 The government will continue to foster healthy relations with various donor agencies and

governments with emphasis in human resource development and institutional capacity building.

- 3.11 The government will assist where appropriate in human resource development and capacity building of the cooperative societies.
- 3.12 The government will encourage cooperatives to move from present mercantilistic approach dominated by production enhancement to the integrated approach, thus linking production enhancement with processing, marketing and maximum use of by-products to meet farmer objectives of net income maximization.
- 3.13 The government will support cooperatives in their efforts to preserve the environments.

4. IMPLEMENTATION STRATEGIES

4.1 Overall Strategies

The present social, economic and political environment is conducive for cooperative development. The success of the cooperative movement depends on many factors including increased membership, increased efficiency, transparency and accountability by the cooperative leadership to members and member participation in the management of cooperatives.

The following general strategies will be deployed.

- 4.1.1 Facilitate member empowerment through intensive and extensive member education on obligations and rights.
- 4.1.2 Facilitate amalgamations of primary societies to raise their economies of scale and raise their relative power vis-à-vis unions.
- 4.1.3 Introduce decentralized participatory management structures which will enhance members access to information and transparency.
- 4.1.4 Provide cooperative legal instruments which will ensure accountability of the cooperative leadership to members and sanctions in case of non compliance.
- 4.1.5 Enhance inspection and audit of societies so as to take preventive and deterrent measures before it is too late.
- 4.1.6 Introduce systems whereby the sector pays for services of education, training, inspection and audit.
- 4.1.7 Institute security of employment in cooperatives so that good personnel are attracted and retained in the cooperative movement.

- 4.1.8 Put into practice the self help principle of cooperatives through raising share capital, establishment of trust funds and introduction of cooperative financial institutions.
- 4.1.9 Government and political leaders at all levels, should refrain from taking leadership position in cooperatives.

4.2 Strategies for Agricultural Marketing Cooperatives

Agricultural Marketing Cooperatives should develop into centres for provision and dissemination of agricultural inputs, implements, technology and information to farmers to empower them to enhance their bargaining position vis-à-vis competitors, participation in the market, income levels and standard of living.

In order to achieve this broad objective the following strategies are envisaged:-

- 4.2.1 Transform farmers from subsistence farming to commercial farming through application of recommended farming practices and accessing to market informations.
- 4.2.2 Animate farmers to undertake critical problem analysis, resource assessment, understand the

available alternative opportunities, production costs and market prices so that they can allocate their resources efficiently by producing relatively high income crops and animal products.

- 4.2.3 Enlighten farmers on environmental issues and sustainable use of resources to spur their actions in limiting soil erosion, soil acidification, deforestation and pollution.
- 4.2.4 Install transparency and accountability systems in the cooperative society.
- 4.2.5 Enhance farmers income through processing of produce to obtain added value on product and through introduction of quality regimes.
- 4.2.6 Train agricultural extension officers in bottom up techniques so that in collaboration with cooperative officers they can deliver better quality and integrated messages to farmers.
- 4.2.7 Identify off farm activities to augment income and provide employment to farmers in off season periods.
- 4.2.8 Establish a sister society, at every agricultural marketing society, for saving mobilisation, and credit delivery to farmer members and to the agricultural society to finance the marketing operations.

4.3 Strategies for Rural Financial Services

Today, cooperatives are heavily dependent on loans to run their various activities. Internal savings, creation of trust funds, raising of capital, creation of banks have been non-existent since the 1970s. Cooperatives will be encouraged to put into practice the self-help principle.

It is anticipated, through concerted efforts of the cooperative movement, that within seven years, the cooperative movement will be to a great extent financially independent in terms of term loans and in turn therefore enhance their autonomy, productivity and incomes to members.

The following strategies will be deployed to achieve the goals.

- 4.3.1 Sensitization and education to increase membership in cooperatives.
- 4.3.2 Introduce incentives for members to increase share capital.
- 4.3.3 Societies will be encouraged to establish trust funds for various purposes like inputs supply, crop procurement.

- 4.3.4 There will be general promotion of savings and credit cooperative societies which will provide financial services pertaining to deposits, interest and loans.
- 4.3.5 Promotion of district/regional cooperative banks will also be given due weight.
- 4.3.6 Human resource development and institutional capacity building of the rural financial institutions will receive maximum support.
- 4.3.7 The government will strengthen the cooperative department to enable it offer education, and training.
- 4.3.8 The government will strengthen inspection and audit services of the rural financial institutions.
- 4.3.9 The object and means of cooperative development is members. Member empowerment through provision of informations, regular financial statements, management of the rural financial institutions and audited accounts will be enforceable by law.

4.4 Strategies for Livestock Cooperatives

Tanzania has a large resource base in livestock industry with 60 million hectares of suitable livestock land with carrying capacity of 20 million heads of cattle. However, the subsector has remained undeveloped thereby failing to contribute optimally to

the well-being of livestock keepers themselves and the national economy at large. Strategies for livestock cooperatives are:-

- 4.4.1 In collaboration with livestock division, the Cooperative Division will undertake action research to understand the environment, study existing marketing arrangements, appraise potential for group action and identification of critical development constraints.
- 4.4.2 Promotion of livestock cooperative societies jointly with livestock extension staffs.
- 4.4.3 Raise members awareness on importance to increase shares, establish trust funds for purposes of acquisition of veterinary drugs, equipment, feeds, maintenance of dips and other investments.
- 4.4.4 Institute appropriate training programmes to livestock marketing cooperatives personnel by revision of Hand book for Managers of livestock marketing societies.
- 4.4.5 Develop and maintain appropriate physical marketing infrastructural facilities for the domestic market in Tanzania.

4.5 Strategies for Housing Cooperatives

The Ministry of Lands and Housing will continue to provide technical services for housing cooperatives in collaboration with the Ministry of Agriculture and Cooperatives.

4.6 Strategies for Industrial Cooperatives

The Office of the Vice President (poverty alleviation) the Ministry of Industries and Trade. (SIDO and SICATA), the Ministry of Labour, Ministry of Minerals and Energy will support emerging groups, associations, precooperatives and cooperatives of industrial nature including mining cooperatives by provision of detailed advice, practical assistance and relevant training.

4.7 Strategies for Other Types of Cooperatives

Although all cooperatives will get appropriate support, more attention will be directed to Agricultural Marketing Cooperatives, Livestock Cooperatives and Rural Financial Services where with concerted and joint action of key players, positive results can be realized in medium term.

5.0 POLICY MONITORING AND REVIEW

This policy document as for all policy formulation is based on the current perception of the socio-economic environmental matrix. In view of this fact, the government will carry out regular evaluation of the impact of the policy as a basis for carrying out policy reviews.

6.0 CONCLUSION

The importance of Cooperative Societies as people's organizations is reflected in the opportunities they provide in the mobilization of local resources for local development. In the foregoing, the government has briefly stated the support which will be given to the cooperative movement to enable its members to realize their inherent strength and to contribute positively to the overall national efforts towards development.

Through cooperatives, people will be encouraged to take active participation in the shaping of the economy along their wishes. The cooperative movement in this case is not only a means to economic ends but it is also an instrument through which the cooperators have a say in various policy formulations and implementation of the same. It is the belief and sincere hope of the government that the

people will respond to the call for them to form these important democratic organizations:

The policy also affirms government's recognition of cooperatives which are service oriented as distinct from other types of private enterprises like companies or partnership which are essentially profit oriented.

The government will endeavour to formulate workable strategies in order to tackle problems that currently face cooperatives at their different levels, those that are anticipated and those that have not been dealt with in this policy or in any other policy documents of this country.