

**Review of Cooperative Development
in Tanzania as it Relates to Agriculture**

**Report by Agricultural Cooperative
Development International (ACDI)**

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Acronyms and Abbreviations

ACDI	Agricultural Cooperative Development International
AISCO	Agricultural and Industrial Supplies Company
CAT	Coffee Authority of Tanzania
CATA	Cashew Nut Authority of Tanzania
CCM	Chana Cha Mapinduzi (Party Organization)
CEC	Cooperative Education Centre
DAFCO	Dairy Farming Corporation
GAPEX	General Agricultural Products Export Corporation
LIDA	Livestock Industry Development Agency
NAFCO	National Agriculture and Food Corporation
NARCO	National Ranching Corporation
NMC	National Milling Corporation
SMC	State Motor Corporation
TANSEED	Tanzania Seed Company
TCA	Tanzania Cotton Authority
TFA	Tanganyika Farmers Association
TFC	Tanzania Fertilizer Company
TPB	Tanzania Pyrethrum Board
TRDB	Tanzania Rural Development Bank
TSA	Tanzania Sisal Authority
T/SH	Tanzania Shilling
TTA	Tobacco Authority of Tanzania
UCS	Union of Cooperative Societies
USAID	United States Agency for International Development
USAID/T	United States Agency for International Development in Tanzania



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In the course of this study we gathered information from a great number of people, both Tanzanians and expatriates with extensive experience in the country. We acknowledge their valuable contribution to this study. Without exception, the people we contacted were generous with their time and provided us with the information and data at their disposal. Annex C includes a partial list of the people with whom we met, each of whom contributed to our understanding of the topic of study. We apologize to those additional people who also contributed but have been omitted from this list due to our failure to record names.

I. EXECUTIVE SUMMARY AND RECOMMENDATIONS

The agriculture marketing input and credit system for cash crops is operated by parastatals in Tanzania and is not performing well. The latest financial analysis of these government organizations by the World Bank shows that in their most recent year of operation, the major crop parastatals, including National Milling Company (NMC), had a total loss of T. sh 679,200,000 (about \$67,000,000.00). Because of their failure the parastatal system is to be replaced by a cooperative system. In view of this, USAID/T with concurrence of the Government of United Republic of Tanzania has employed a team of 3 consultants, all experienced in cooperative development in African countries and elsewhere, to make a candid review and assessment of the cooperative situation in Tanzania. This team was in country approximately four weeks and traveled in four regions observing and talking with villagers, key government officials, and others knowledgeable about the cooperative sector. In addition, the team met with key government officials in Dar es Salaam to discuss plans and projects for re-establishment of a viable cooperative system. The team also studied a vast amount of published material on the subject. A draft report was then prepared and submitted to USAID/Tanzania and TanGov for review and comment. An analysis of all the aforementioned information including comments from USAID/Tanzania and TanGov is the basis for this summary of findings and recommendations.

Cooperatives have operated in Tanzania on a formal basis since 1925. From that time to the present, the concept of what a cooperative is has undergone a considerable change. The earlier cooperatives were owned by members who organized them on a voluntary basis and controlled them democratically. These cooperatives competed with proprietary (private sector) firms for the privilege of serving farmers. This approach was used in the development of cooperatives until about the mid-1960s when the government began to use cooperatives to implement its social as well as economic policies. This resulted in a system whereby cooperatives were given monopoly power to perform nearly all of the marketing,

input, and credit functions. By 1976, the cooperatives had become somewhat politically powerful and were said to be mismanaged, corrupt and serving mainly the interest of the rural elites. The cooperative unions that operated, one in each region, were the heart of the system and they were officially abolished by government in 1976.

The re-establishment of a viable cooperative system will, in the team's view, require that primary societies be formed on a village-wide or multi-village basis of sufficient size as to make for efficient marketing of crops, delivery of inputs and credit. These primary societies should restrict their operations to purely business affairs. This does not preclude cooperatives from using accumulated surpluses in such manner as their members may decide, as for example housing, schools, water systems, dispensaries, etc. However, it is important that cooperatives, like any other economic organization build up capital reserves for their own viability and increase in services. It would be a mistake to count on agricultural service cooperatives substituting for government revenues in the provision of basic non-agricultural services.

Cooperatives should be organized on a voluntary basis with democratic control by their members. The government should assist these societies to organize and operate with the least interference possible. The second tier of the cooperative structure (system) would be the unions, one per region, which would acquire, sell and deliver needed inputs to the primary societies. The unions would also market the crops assembled at primary level. The control of these unions would be by a board elected by the primary societies. At the national level would be the apex organization whose controlling board would be democratically elected by the unions, one board member from each of the regions.

The functions of the apex organization should be primarily educational, promotional, and supportive. It should also be helped by the government to organize and operate on an effective basis with the least possible interference. To this end the TanGov has recently issued a policy statement that all mass organizations (including Apex Cooperatives), will

from now on be expected to be financially self sufficient and no longer eligible for government subventions. This is sound policy as it makes it mandatory that the Apex be financed by its members (unions) and therefore controlled by members to a greater extent than would otherwise be the case.

The present agricultural credit system is not working well and must be greatly improved if it is to effectively support the proposed re-established cooperative unions. It was determined for example that in the four districts visited by the team, figures for the most recent year reported showed a loan collection rate of only 13.5%. TRDB should restrict its activities to orthodox banking functions and no longer be responsible for acquisition and distribution of inputs. Those functions would be handled by the unions which would help collect loans, but not be responsible for them.

The TanGov has stressed cooperative education and training since it first gained its independence. Evidence is the fact that it established a cooperative college in 1963 to school government officers and employees of cooperatives as to the principles, practices, legal aspects, and operations of these organizations. A year later with the assistance of the Nordic Cooperative Consortium, a Cooperative Education Centre (CEC) was established to provide cooperative training for members and management (directors) of these organizations. As a part of the 5 year plan of 1969-74 "wings" (regional training centres) were established to make the training more accessible to the cooperatives. At the present time "wings" have been established in 17 regions.

The Cooperative College has a building program underway to expand its resident student capacity from its present level of 360 to 600 by 1984. Coursework at the college is basically structured into a two year diploma course or a one year certificate course. Diploma students may specialize in accountancy, supervisory or management line. A limited number of superior students are accepted each year for an advance diploma course. One

year certificate students may specialize in either Cooperative Management or Cooperative Development.

An academic year consists of 12-week terms and a student receives about 1,000 hours of classroom training per year. In addition diploma students devote 12-weeks to practical field training each year and certificate student 6-weeks.

The team concluded that the College maintains high academic standards for a diploma-level institution. The team also determined that prior to 1976 about 60% of the students came from the cooperative unions and primary societies, but since the dissolution of the unions the pattern has radically changed. At the present time, 53% of the students are employees of TanGov; 39% are employees of parastatals; and 8% are foreign students. As the unions are re-instituted it is expected that the pattern will revert to one with a majority of the students coming from the cooperatives.

The principal of the Cooperative College expressed a need for American technicians to instruct in transport management, industrial economics, agricultural economics and cooperative operations.

The Cooperative Education Centre administered by the same Board as the College and located on the campus at Moshi has been under utilized in recent years after the unions were abolished. With the re-institution of unions and strengthening of the primary societies the CEC, including the "wings", will have to be re-vitalized. A long range Cooperative Education and Training plan was prepared in early 1982 providing details as to support needed to re-establish the cooperative system. The team understands this plan has been updated to strengthen it, for example thirteen specific programs to be conducted in the regions to back up the training wings have been developed (mentioned elsewhere in this report).

Some recommendations and strategies on cooperative training are offered:

- Training should be job oriented.

- Training should be in short segments closely related to working situations and skills acquired immediately put into practice.
- The cost of training should be assessed as directly as possible to the employer in order to insure that training remains practical and necessary.
- Training is always the responsibility of the employer and he should have a large input in the design of the training program.
- Training strategy should be developed with the aforementioned principles in mind and they suggest decentralized regional facilities must be available to train cooperative employees when managers determine training is needed, and cooperatives should pay at least a portion of the training cost.

The most critical training needs of the newly formed cooperatives will be job training for their newly recruited employees. Such training should be offered in short courses at decentralized locations. The course should be designed to teach only the job skills which have been identified as being necessary to the employee. It is most encouraging to learn that these training needs are being seriously addressed. Thirteen special training programs responsive to this need are now reported to be underway and the entire employee program in the "long course" is being upgraded.

The team believes successful cooperatives, no matter what country or political system, adhere to several basic fundamentals (principles/practices). These are: (1) Cooperatives are organized by those they are to serve on a voluntary basis and controlled on a democratic basis. (2) Cooperatives require sound, well-trained management. (3) They are business enterprises and not socio-economic enterprises, and (4) they operate best when they have to compete with other forms of business enterprises.

The success of cooperatives is also dependent upon a favorable economic climate in which to operate. At this time such conditions do not exist in Tanzania. Economic

conditions that closely relate to cooperatives are these: (1) Agricultural prices established by the government that are too low and discriminate against farmers in favor of urban dwellers; (2) shortage of agricultural inputs and consumer goods in rural areas; (3) ineffective system to deliver inputs and collect crops; (4) agricultural development neglected in favor of industrial development; (5) inadequate infrastructure; and (6) lack of foreign exchange to remedy aforementioned problems.

It is noted that the TanGov is already responding in a positive fashion to improve the unfavorable economic conditions mentioned here. USAID/Tan reports that new agricultural policy is being adopted to deal with these conditions. Details are contained in a report now being finalized titled "The Tanzanian Agricultural Policy". This report also strongly supports the re-establishment of cooperatives, and the present view of USAID/Tan is that the overall climate in Tanzania appears more conducive to development of cooperatives than it was at the time the team was in country. Also on the positive side a viable cooperative system did operate in Tanzania as recently as 6-7 years ago and this should give this country an advantage not found in many developing countries.

GENERAL RECOMMENDATIONS

The team has given attention to how USAID can best help Tanzania to successfully re-establish cooperatives and finds a lack of detailed information at this time on how the government plans to proceed. For example, what will be the role of the parastatals that are now performing the functions to be taken over by the unions? How will the parastatals react when time comes to reduce their operations, and what is the time table? Will the assets taken from the unions at the time they were abolished be returned to them, and, if so, how? Will the new unions be required to assume the liabilities of those abolished in 1976.

The most obvious areas where USAID might assist are being addressed by the Nordic project. This project provides for a technical advisor to be assigned to each regional union and for technicians at the apex level. It should be noted that the Nordics have assisted cooperatives in this country for 18-20 years, and their knowledge and experience should be a great asset in re-establishing the cooperative system. In addition to technical help, the Nordic countries have provided financial assistance to build the Cooperative College, to operate the Cooperative Education Centre, and provided 133 million Danish kroner for the current building program at the college. In addition, they are now planning to provide a capital fund of T.Sh. 50 million (about U.S. \$5 million) to be available to loan to the new cooperative unions as they are registered.

The team suggests that, as USAID observes changes in economic conditions and policy conducive to sound development of cooperatives in Tanzania, it should consider how it can best be of assistance. As the re-establishment process proceeds, there will be numerous opportunities for USAID to be of assistance. Any assistance provided by USAID should be closely coordinated with the Nordic project.

II. PURPOSE OF REVIEW

A. Brief Review of Cooperative Situation in Tanzania

To better understand the purpose of this review, a brief history of cooperative development in this country is presented here. Cooperatives as business enterprises in Tanzania began as early as 1925 with the organization of the Kilimanjaro Native Planters' Association to help African coffee farmers. The First Act of Parliament on Cooperative Societies was passed on 12 February 1932 and marks the legal beginning of cooperatives in this country. Since that

time, the cooperatives have experienced some changes from the original concept of cooperatives as being a form of business enterprise organized on a voluntary basis by members and controlled by them on a democratic basis. The most notable change in this concept began in 1967 when the nation decided to follow the policy of socialism and self-reliance. The direction that cooperatives were to take was contained in the "Arusha Declaration" that stated in effect that cooperatives were to be responsible for production and distribution of the wealth of the country.

The Government of Tanzania then instituted a policy that resulted in cooperatives being formed on a "top down" basis without sufficient consideration of economic viability, the availability of trained management, or in most instances, the desires of the members themselves. Evidence of the "crash" nature of this approach was the rapid increase in the number of registered primary societies, from 691 in 1960 to well over 2,000 in 1976. Also, the types of services increased to include not only business but social services such as construction of primary and secondary schools, business colleges, water systems, health services, and others.

The business services of the cooperatives were also expanded rapidly during the period from 1966 to 1976, especially in the distribution of inputs and in the granting of loans to villages. They also became responsible for collection of export crops such as tea, coffee, tobacco, cotton, pyrethrum, cashewnuts, and sisal and delivering them to the marketing boards. The government decreed that each of the 22 regions in Tanzania and Zanzibar were to be served by a cooperative union which was to be the coordinator for all cooperative activities

in its region. It should be noted that these unions were responsible not only for the primary village societies but for consumer cooperatives, credit unions, housing, industrial cooperatives, and other non-agricultural types.

Based on review of published materials and discussions with key officials of the Tanzanian government and donor countries, it appears the cooperatives were working reasonably well. For example, "The Report of the Prime Minister's Commission of Inquiry into the Possibility of Re-establishing Cooperative Unions, 1981" stated:

"... Cooperative unions acted as linkage between crop authorities, corporations and the peasants in the provision of services.

Their functions and limits were well defined.

... The peasants, through their societies, could elect their leaders and these meetings gave them an opportunity to air their views and complaints. As a whole, the structure gave them a forum to discuss their economic and social problems.

... The societies were well prepared before purchasing crops. Therefore there were few problems on collection, payment to the peasants and transportation.

... The farmers were informed on the market situation in the Union Paper."

Also, from discussions with key government officials, there is agreement

that while the cooperatives needed to improve, they were doing an acceptable job serving the farmers.

In spite of considerable evidence that the cooperative system was working, the government in May of 1976 issued a decree abolishing the cooperative unions. The primary societies that had served as distribution and procurement points for the farmers were also legally abolished and replaced by multi-purpose cooperative societies under the 1975 "Villages Act." Officially the assets and liabilities of the unions were in most instances turned over to the parastatal marketing and distribution authorities. Much distrust and dissatisfaction were caused among members by these actions.

Since May of 1976 parastatals have been responsible for the distribution of inputs and collection of crops. This system has not proved to be effective and the cooperative unions are to be re-established and other changes made to improve the cooperative movement. The Cooperative Societies Act of 1982 provides the legal basis for this action.

The Government of Tanzania wished to re-establish cooperatives on a sound basis and is making every attempt to do so. One of its approaches is to solicit the advice and material help of donor countries, one of those being the U.S.A. through its USAID program. USAID has responded by sending a team composed of three cooperative specialists employed by Agricultural Cooperative Development International (ACDI), a Washington-based consulting firm organized by cooperatives in the U.S.A. to assist cooperatives in developing countries.^{1/}

^{1/} These specialists are Dr. Job K. Savage, formerly assistant administrator for cooperative development in the U.S. Department of Agriculture; Mr. Harold Jordan, retired general manager of the Indiana Farm Bureau Cooperative Association, Inc., a large, successful farm supply and marketing organization; and Mr. Newton J. Guderyon, project leader of the Cooperative Training project in Kenya, and formerly training manager for Farmers Union Central Exchange (CENEX).

B. Team Mission

The mission of this team is to make a study of the cooperative situation in Tanzania and to make recommendations as to how the cooperative movement can be effectively helped to re-establish a viable cooperative system to improve the agriculture situation in this country. Emphasis is on the development of agricultural cooperatives to distribute inputs and market crops. The specific objectives of this study are to:

- Review former and present status of farm supply, credit and marketing services;
- Outline a workable concept of cooperative structure within the Cooperative Act of 1982 and socio-economic conditions to serve the needs of farmers for production information, input, credit and marketing services;
- Assess cooperative training needs;
- Provide suggestions as to phasing of cooperative development and indicate priorities in development of cooperatively-owned agricultural processing industries;
- Ascertain, to the extent possible, the climate for development of cooperatives on a voluntary and democratic basis;

- Outline conditions that should exist if cooperatives are to be successfully developed and make some assessment on prospects for their existence; and
- Make recommendations as to USAID/T's role in the successful re-establishment of a viable agricultural cooperative system.

III. METHOD OF STUDY

The length of this study in country was four weeks. During that time the team reviewed published reports and documents; met with key officials from host and donor countries in Dar es Salaam and obtained their ideas and information on a cooperative development situation in the country; reviewed the Cooperative Act of 1982; visited the Cooperative College at Moshi and reviewed its programs and future plans; and traveled to four regions, talked with cooperative leaders, regional and district development officers, cooperative managers and other key employees of farm supply and village cooperatives. The ideas and information were analyzed and along with team's subjective views used to prepare a draft report. This report was circulated to USAID/Tan and to TanGov for comments. A final report was then prepared taking into account any additional ideas or information obtained from the comments.

IV. REVIEW OF FORMER AND PRESENT STATUS OF FARM SUPPLY, CREDIT AND MARKETING SERVICES

A. Former Situation

Earlier in this report it was mentioned that these services were largely supplied by the cooperative unions and the village cooperatives. Further, it

seems that this system was working reasonably well at the time it was abolished in May of 1976. Why then were the cooperative unions abolished and the primary societies converted into village multi-purpose cooperatives under the "Village Act" of 1975? This important question was about the first one the team sought an answer to. Numerous reasons were given by those with whom it talked, and numerous reasons were mentioned in published reports. Most of those given related to improper conduct on part of cooperative officials in managing affairs of the unions and to the increasing political power and exercise of it by the cooperative hierarchy. The World Bank Sector Analysis, September 1982, states relative to cooperative union abolishment:

"Corruption, fraud and mismanagement increased, and according to one observer, there was clear and growing evidence that the rural elite who controlled the movement in many places were the only beneficiaries of the system, which was leading to increased socio-economic differentiation. In the post-Arusha Declaration period, there was a growing tension between the rural elite who dominated the cooperative movement and the central leadership of the Party and Government."

With the unions out of existence, the parastatals came into full control of input acquisition and distribution, and marketing. There were parastatals for each of the cash (export) crops of tea, coffee, tobacco, cotton, sisal, cashewnuts, and pyrethrum. A parastatal also operates to purchase all major food crops and many minor ones. These parastatals are in effect legal monopolies. They also control most of the processing and most of the distribution of inputs to farmers.

It should be mentioned here that until the mid-1930s, proprietary firms operated the agricultural commercial sector: wholesale, retail, finance, agro-

processing, transport, and servicing and repairs. Beginning in the late 1930s, the cooperative form of business began to emerge and compete with the proprietary firms. Many of these proprietary firms were owned by Asians with Europeans owning a limited number. A review of the economic history of that era reveals some exploitation by these firms, but according to the World Bank, the inefficiency and subsidies of the parastatals resulted in far greater losses to farmers than the Asian traders accounted for through exploitation.

By the mid-1960s, cooperatives had seriously challenged the proprietary firms and the results for farmers were good. The period from the mid-1950s to mid-1960s represented the peak of performance for the cooperatives in terms of efficiency and service to their members. By the mid-1960s, the number of cooperatives had increased from 172 in 1952 to 857 in 1961, and these were bona fide cooperatives in terms of being owned and controlled by their members on a democratic basis.

B. Present Situation

At the present time, all the cash crops are collected from the village multi-purpose cooperatives by parastatals and are sold by them, either for export or for domestic consumption. For example, tea is handled that way by the Tanzania Tea Authority (TTA). To get some idea as to the magnitude and scope of the parastatals, the following organizations and their activities are listed, taken from the World Bank Agriculture Sector Report of September 1982.

ORGANIZATIONACTIVITYAgricultural Marketing

National Milling Corporation (NMC)	Sole rights to buy food grains domestically and to import them
Sugar Development Corporation (SUDECO)	Sole rights to market, export and import sugar
Tanzania Cotton Authority (TCA)	Sole rights to purchase and export cotton
Coffee Authority of Tanzania (CAT)	Sole rights to purchase and export coffee
Tanzania Pyrethrum Board (TPB)	Sole rights to purchase and export pyrethrum
Tobacco Authority of Tanzania (TTA)	Sole rights to purchase and export tobacco
Tanzania Sisal Authority (TSA)	Sole rights to purchase and export sisal
Cashewnut Authority of Tanzania (CATA)	Sole rights to purchase and export cashews
General Agricultural Products Export Corporation (GAPEX)	Sole rights to purchase and export a range of minor crops

Agricultural Production

National Agriculture and Food Corporation (NAFCO)	Crop production, principally wheat and rice
Kilombero Sugar Corporation	Cane and sugar production
Tanganyika Planting Company	Cane and Sugar production
Mtwiba Sugar Estates	Cane and sugar production
Dairy Farming Corporation (DAFCO)	Livestock and milk production
Livestock Industry Development Agency (LIDA)	Livestock and milk production
National Ranching Corporation (NARCO)	Livestock and milk production

Agricultural Credit

Tanzania Rural Development Bank
(TRDB)

Provision of agricultural credit
and imports

Agricultural Inputs

Agricultural inputs and Supplies
Company (AISCO)

Importation of agricultural
inputs and equipment

State Motor Corporation (SMC)

Sale rights to import vehicles and
vehicle parts

Tanzania Fertilizer Company (TFC)

Production and marketing of
fertilizers

Tanzania Seed Company (TANSEED)

Production and marketing of seed

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The World bank summary of parastatals involved in marketing inputs and credit does not mention here that cash crop parastatals distribute inputs to the villages as does TRDB. Also, the Tanganyika Farmers' Association (TFA), a private corporation, does import on its own a considerable volume of farm inputs. It also purchases fertilizer from TFC and sells it through its six locations in Tanzania. It also sells a variety of farm inputs to its members and to non-members. It is not registered as a cooperative but operates as one. It is the only private enterprise of any significance operating in the agricultural sector. It does supply credit to some of its members. According to its brochure, it has branches and depots in the northern and southern highland regions of Tanzania, with its headquarters in Arusha. It stocks some 5,000 items of merchandise. Membership is open to all bona fide farmers (bona fide being defined as any farmer operating on five acres or more of farmland) and has 2,700 95,476,695 (about U.S.\$9.5 million). Savings after taxes amounted to T.Sh. \$1,914,924 (about U.S.\$190,00). It declared a dividend of 15% on issued members' share capital for

the year and a bonus (patronage refund) of 15% on selected items. The team met with top management of this organization in its headquarters and also visited two of its branches in Iringa and Mbeya. Based on these visits, a review of their most recent balance sheet and operating statement, and statements made in the World Bank Agriculture Section Report, the team concluded TFA is a well-managed, efficient cooperative. Further evidence of this is the fact that it still operates as a private concern in an economy almost completely dominated by the government.

Based on the team's observations and published reports, the parastatals in agriculture are considered a failure, such a failure that, except for TFA's operation, there is almost a total breakdown of marketing, inputs and credit functions in agriculture. Some evidence of this is that government has recently decided to turn to cooperative unions to supply these functions again as they did in 1976. Tentatively, at least, the parastatals will continue their export functions. Further evidence of the condition of the parastatals is contained in the recent financial analysis of these organizations by the World Bank. It shows that in their most recent year of operation, the major crop parastatals, including National Milling Company (NMC), had a total loss of T.Sh. 679,200,000 (about \$67,000,000). Only one, the Coffee Authority (CAT), showed a profit and this was because it computed its cost before it established the prices it would pay for coffee.

As mentioned previously, the Tanzania Rural Development Bank (TRDB) is the major source for village input loans. For the most part, loans are "in kind" and are mainly for fertilizer, other farm chemicals and seed. Import items are secured through the Agriculture and Industrial Supply Company (AISCO), and fertilizer is obtained from the Tanzania Fertilizer Company (TFC). TFC ships fertilizer to the

regional centers, and AISCO also delivers to these centers. It is the responsibility of TRDB to distribute these items to the villages they loan to. Most often this is done by hired transport. The parastatal marketing authorities deliver some inputs. This system is not working well for a number of reasons, perhaps the most important are these:

1. Lack of adequate supply of inputs in-country was mentioned in every region visited by the team. In the Iringa region, a top government official stated that TFC delivered 20,000 tons of fertilizer to the region this past year, whereas there was an effective demand for at least double that amount. The officials of the Tanganyika Farmers' Association are not able to import any tractors at the present time, but have backed-up demand for them. They cited other items that were in short supply.

2. Lack of transport was frequently cited as a reason for the breakdown of input distribution.

3. Not stated by those contacted, but obviously a cause, is the lack of primary and secondary roads in some areas.

4. The failure of villages to repay their loans. This is about to result in a serious breakdown in the credit (input) system. The team contacted two of the regional branches of TRDB, Iringa and Mbeya, and obtained some loan repayment data. There are about 600 villages in the Iringa region and the bank made loans to 119. The loan collection ratio for the villages on a district basis were: (1) Iringa district, 50%; (2) Mafindi, 34%; (3) Maketi, 50%; (4) Njombe, 54%; and (5) Ludewa, 79%. Compared with Mbeya, Iringa's collection rate was good. Villages in four districts there were granted loans, and the highest collection rate was Chunya, 23%; the lowest was Mbozi, 2%. For all four districts, T.Sh. 10,715,000 were loaned during the season most recently reported; T.Sh. 1,443,000 were collected for a percentage of 13.5%. It should be noted that these loans are not old enough at this time to be classed as bad debts but as overdue. TRDB has recently adopted a policy that if villages do not pay their loans when due, they receive no more until they pay those outstanding.

The World Bank Agriculture Sector Report states: "The value of farm machinery and pesticide sales to institutions and farmers grew steadily until 1978 and since then has declined sharply. The record of growing loan default is equally depressing." Those who are most knowledgeable on the subject of village loans believe the villages too often consider the loans as grants.

5. The team heard from several sources that TRDB was so occupied with the physical aspects of acquiring, storing and distributing inputs that the traditional banking functions of determining loan soundness and collection were too often neglected.

V. WORKABLE CONCEPT FOR DEVELOPMENT OF AN AGRICULTURAL COOPERATIVE MARKETING AND INPUT SUPPLY PROGRAM

It is generally agreed by almost everyone who has studied agriculture in Tanzania recently, that two of the major constraints to the development of the excellent potential agricultural production capacity of Tanzania are: (a) the lack of ready and timely availability of essential farm input supplies; and (b) the failure to achieve timely and orderly movement of farm products from farm to market.

This view was shared by almost everyone this team interviewed at national, regional, district and village locations in the rather large geographical areas visited. This view was also expressed by representatives of several donor organizations visited.

While these were the two constraints most often mentioned, others were pointed out. Most important among these were:

- (1) Inadequate transportation facilities, both rail and over-the-road lorries, and poorly maintained roads;
- (2) a nationwide shortage of many items critically essential to agricultural production;
- (3) lack of agricultural production credit;
- (4) long delay in payments for farm products by crop authorities;
- (5) price restraints; and
- (6) inadequate agricultural research and extension service -- especially extension.

Based on this team's rather extensive experience in the organization, development, planning and management of farm supply and marketing cooperatives, the team submits the following as one concept for the development of an agricultural supply and marketing program that would best serve Tanzania's urgent need for efficient and expanded agricultural production.

A. Primary Cooperative Societies -- Organization and Operation

- (1) Primary societies on a village-wide or multi-village basis should be encouraged and helped to organize to provide agricultural marketing and input supply services. These societies should be of sufficient size to permit them to be well managed, viable, adequately stocked and efficient. Also they should be of adequate size and properly located to provide marketing services on an efficient basis.
- (2) Each society should have democratically elected a operating committee (or board of directors), chairman, vice chairman, secretary and treasurer.
- (3) A manager, selected, recruited and employed by the committee (or board), should be delegated authority and assigned the responsibility for management of the operations of the cooperative.
- (4) Initial cost of facilities and necessary operating capital should be furnished by members of the villages supplemented by a loan from TRDB or other available sources.
- (5) Input supplies would be acquired by the primary societies from the regional cooperative union for resale to members.
- (6) Members' farm products would be marketed by the primary society through the regional cooperative union unless resold for consumption within the same district or region.
- (7) Any net savings resulting from operations of the primary cooperative would be returned to the member patrons at the end of each year on a patronage basis, either in cash or evidence of ownership of equity in the primary cooperative society.
- (8) Loans would be made by TRDB to primary cooperatives for extending credit to members. Primary cooperative societies would have the responsibility of collecting credit extended to members at harvest time, and the regional cooperative union shall agree to deduct proceeds from products marketed by the primary society through the union in accordance with the agreement between TRDB, the primary society and the union.
- (9) Sales of input supplies to primary societies by the regional cooperative union should be for cash at time of delivery to the primary societies, either in cash directly from the primary or tendered to the union by TRDB in accordance with previous loan agreements between TRDB and the primary cooperative society.
- (10) At least minimum facilities for storage and merchandising of farm input supplies and storage for receiving farm products from members for marketing will be necessary to serve members efficiently. There should also be office space and necessary equipment for management and record keeping.

- (11) A number of villages already have lorries which could supplement vehicles owned or hired by the union to transport farm supplies from unions or regional or district supply depots to primary cooperatives and to transport farm products from the village to union locations or markets.

B. Regional Cooperative Unions

- (1) Primary cooperative societies should participate in the organization and development of regional cooperative unions.
- (2) A committee (or board of directors) of the unions should be elected by the primary cooperative societies in the region.
 - a. The primary societies in each district should elect one representative to serve on the regional cooperative union committee (or board of directors) provided they are qualified to do so by purchasing one or more shares of stock in the union.
 - b. Only members of one of the primary societies' committee (or board of directors) in each district should be an eligible candidate for election to the committee (or board of directors) of the regional union.
 - c. Terms of office on the regional committee (or board) should be for no more than three years with an equal number of terms expiring each year.
- (3) The committee (or board) should elect a chairman, vice-chairman, secretary and treasurer from among their membership. (The manager or other staff members might serve as assistant secretary or assistant treasurer).
- (4) The committee (or board) should recruit, select and employ a manager who would be in charge of the affairs and operation of the union.
- (5) The principal activities of the union would be to:
 - a. Acquire, sell and deliver needed farm inputs to their member primary cooperative societies.
 - b. Assemble, store and market farm products offered by their member primary societies.
 - c. Acquire, sell and deliver needed farm input supplies and provide farm product marketing services directly to very large private, parastatal or institutional estates.

- (6) When, and as, financing, management and other personnel are available, the union should evaluate the need and establish branch supply and/or marketing depots in a district(s) in which it is determined that both the need and viability justify such facilities. This should not be attempted unless sufficient capital is available to adequately finance the operation of such facilities.
- (7) Net savings on business done with members only should be distributed to members only in cash or evidence of ownership. Any savings on business done with other than members should be put in a general reserve to be used to finance future facility or operating capital needs.
- (8) If, and when, enough regional cooperative unions have been established, generated sufficient volume, and accumulated sufficient equity capital to finance such ventures, then, and only then, consideration might be given to the advisability of attempting to establish inter-regional cooperative organizations to manufacture, purchase, or process essential farm input supplies, equipment or materials and/or to process, store, package and sell raw or processed farm products.

C. Apex Organization

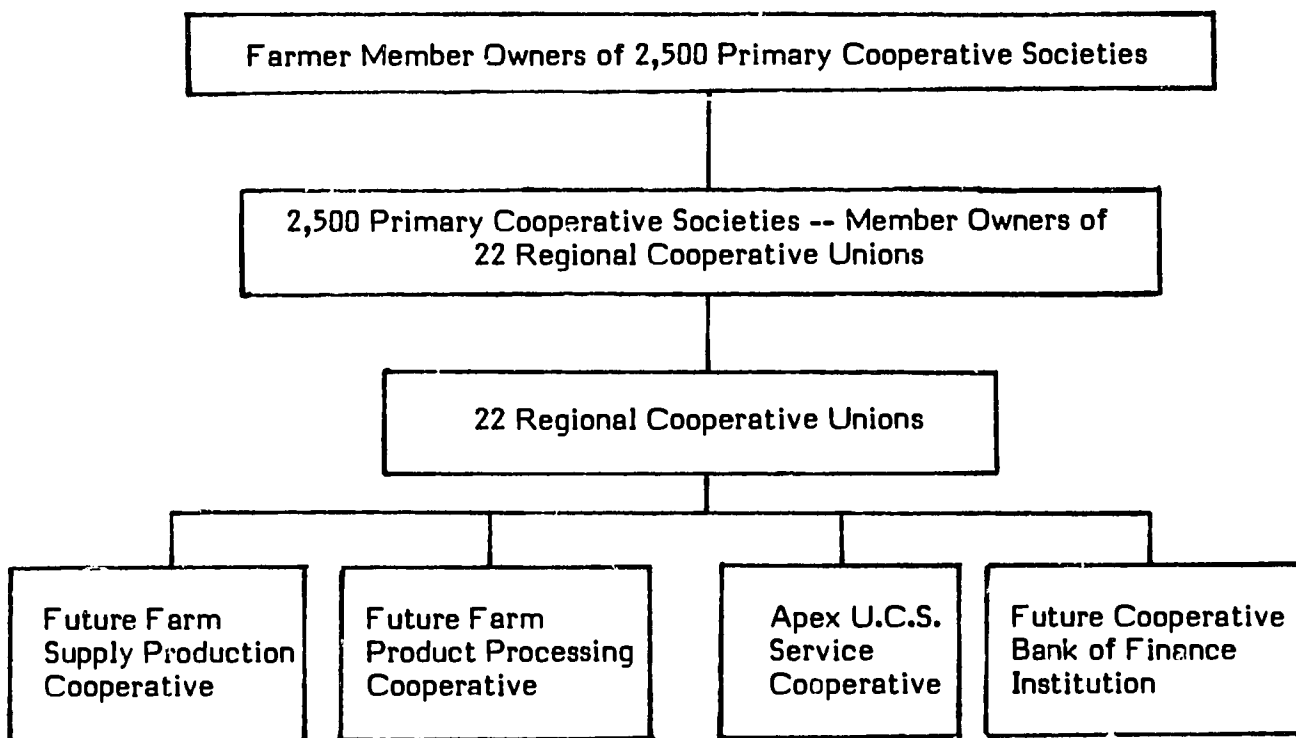
Presently there is still in existence the Union of Cooperative Societies (U.C.S) operating at the national level (Apex) even though cooperatives as such were abolished in 1976. They are currently engaged in providing forms and insuring properties for villages, credit societies, and various other organizations. U.C.S. is also carrying on certain other commercial operations (managing rental properties, etc.) to support a still rather large organization and staff.

The team notes that the new cooperative legislation does not require that U.C.S. should become involved in the production or manufacture of farm supply items nor in processing of agricultural products. If these activities are ever attempted by cooperatives, it is recommended that they be carried out as suggested in paragraph (8) above.

It is recommended that U.C.S. confine its activities to the services it now performs and also assist cooperatives in publicity, promotion, public relations, cooperative education and represent them in national and international cooperative conferences and symposiums and other international or national affairs of this nature.

If U.C.S. is to serve the Tanzanian cooperatives most effectively in the above areas, it must be closely associated with and assimilated into the newly structured agricultural cooperative supply and marketing system. The proposed structure, that has all primary cooperatives becoming members of the unions and the unions becoming members of U.C.S., should promote the association and assimilation. It is also recommended that the board of directors of U.C.S. consist of one member named by each regional cooperative union. This board would elect its own officers, employ the chief executive(s) and determine the policies and the activities to be carried on by U.C.S. after the new regional cooperative unions are organized and operating.

ORGANIZATION CHART
of
TARGETED TANZANIAN AGRICULTURAL COOPERATIVE
FARM SUPPLY AND MARKETING SYSTEMS (1988)



E. Problems -- Opportunities for Progress

Re-establishing Regional Cooperative Unions after their liquidation some six years ago and the reorganizing of Primary Cooperative Societies at the village and/or multivillage level will be no small or easy task. It will require Herculean effort on the part of all who participate in efforts to do so and on those who are in a position to support and assist those who are attempting to accomplish this extremely important task.

First, it will take the enthusiastic and unhampered effort of farm producers, both large and small, who will be most effected and hopefully the most benefited from the reestablishment of a sound workable cooperative supply and marketing system. Without their interest and voluntary acceptance of the program, and without their highly motivated efforts to make it work, it is almost certain to fail.

Secondly, it will require the full and enthusiastic support and services of all divisions and agencies of the Tanzanian government, especially support systems of the Department of Cooperatives and the Department of Agriculture. It will also require cooperation and coordination with the crop authorities and other parastatal companies on whom the cooperatives must depend for a source of supply for many farm input supplies and for final marketing and/or export of farm products.

It is highly desirable, perhaps essential, that the government provide support and services through the various departments with a minimum amount of unnecessary control and regulation which could adversely affect efficiency and growth of cooperatives and destroy the initiative and enthusiastic, voluntary participation of farmer members of the cooperatives.

Financing the needed facilities and operating capital necessary to successfully operate the primary cooperatives, and especially the new regional cooperative unions will require very substantial amounts of capital and very careful consideration and planning.

A number of former regional cooperative unions had substantial, and in some cases quite adequate, facilities and the ability to liquidate their debts from continuing operations when they were dissolved some six years ago. There is very little chance of the newly formed regional unions reinstituting meaningful operations for quite an extended period of years unless these buildings and equipment are returned to the newly formed regional cooperative unions. No doubt many of these facilities and equipment are fully depreciated and in some cases worn out or destroyed. Undoubtedly some of the longer life facilities can still serve a very necessary and useful service, especially in the beginning years of the new unions. Without them there is certain to be a very long delay in resumption of effective service to agricultural production.

It would also be not only unreasonable but impossible for the newly formed cooperative unions to assume the debts or liabilities of the former unions which were dissolved by the government six years ago.

Currently, it is reported, crop authorities are often very delinquent in making final settlement for farm products marketed for villages. It would be very unlikely if not impossible for newly formed cooperative unions to acquire enough capital to operate unless prompt payment is made for farm products delivered to crop authorities.

One of the most critical problems which will be faced by the newly formed unions will be acquiring adequately trained management with the necessary experience in managing farm supply and marketing operations. Short-to-medium range management consultant services by retired or semi-retired former managers of successful farm supply and marketing cooperatives might be of at least some help in filling the gap.

Transportation bottlenecks have hampered farm supply and marketing programs in Tanzania for a number of years. The inadequacy and neglected maintenance of roads, the shortage of trucks and spare parts have all prevented timely movement of supplies from source to farm and farm products from farm to market. Unless these transportation problems are solved, agricultural production is likely to continue to decline whether or not the new cooperative supply and marketing systems are implemented.

It has been estimated that it takes one-third as much fuel to move a ton a mile on railroads (steel on steel) as it does on rubber-tired trucks. It would seem, therefore, that special attention should be given to restoring Tanzanian railroad facilities to maximum capacity performance. Agricultural production employing approximately 90% of the population is most seriously affected by the declining rail traffic.

VI. EDUCATIONAL AND COOPERATIVE TRAINING

The Tanzanian government has placed substantial emphasis on this function since the early days of independence. The Cooperative College at Moshi was created in 1963. The college was established to conduct high level training in cooperative operations for government officers and for employees of cooperatives. In 1964, with the assistance of the Nordic Cooperative Consortium, a Cooperative Education Centre was established to provide education in cooperative principles to the membership and to provide training for cooperative (management) committeemen.

After the Arusha Declaration (1966) and the national party's announced policy of socialism and self-reliance (1967), cooperative education was given even greater emphasis in an attempt to restructure cooperatives into multipurpose societies and to encourage

societies to engage in basic agricultural and industrial production. The emphasis in cooperative education followed the national policy and a five-year plan from 1969 to 1974 provided for the establishment of "Wings" (regional training centers) at eight locations around the country. These wings were operated as a part of the Cooperative Education Centre, which is headquartered on the Cooperative College campus at Moshi. The wings were utilized to give job training to cooperative employees as well as cooperative education for members and committeemen. Subsequent expansion has increased the number of wings to 17.

A second five-year plan was initiated in 1974, but the plan was soon overtaken by structural changes in the cooperative movement. The Villages Act of 1975 caused primary marketing societies to be replaced by villages. In 1976 the cooperative unions were abolished and many of their functions were taken over by parastatal organizations. Thus, the primary clientele of the Cooperative College, the employees of the unions and societies no longer existed. The villages were not in a financial position to send employees to the Cooperative College. The CEC wings, however, were used for short-term training of village bookkeepers and shop managers.

The abolishment of the cooperative unions and the restructuring of primary societies forced most of the experienced and trained cooperative management to seek employment in other areas. It can be assumed that few of the former managers, accountants, bookkeepers or supervisors will be available to the movement after seven years. Therefore, the task of staffing newly formed unions and training newly recruited employees is going to be a serious problem for cooperatives in Tanzania as well as a constraint upon their rate of development in the 1980's.

A. Cooperative College

The Cooperative College at Morchi is currently in the midst of a building program that will increase its training capacity from a pre-1979 level of 300 resident students to a planned capacity of 600 when the program is completed in 1984. Presently the capacity is 360.

Coursework at the college is basically structured into a two-year diploma course or a one-year certificate course. Diploma-level students may specialize during their second year in an accountancy, supervisory, or management line. A limited number of students, selected with superior academic performance in the first two years, are accepted each year for an advanced diploma course involving one additional year of study. In the one-year certificate course students may specialize in either cooperative management or cooperative development. During the most recent 2-year period, about half of the the total capacity was devoted to the 2-year diploma training, one-third was for one year certificate training, less than 10% for advanced diploma and less than 10% for short courses and special seminars.

Each academic year consists of three 12-week terms. The student receives approximately 1,000 hours of classroom training per year. In addition, diploma students spend 12 weeks per year doing practical field work while certificate students spend six weeks in field work. This field training is supervised by a tutor from the college staff.

Academic course work includes training in such subjects as accountancy, management, law, sociology, cooperation, economics and statistics. Time constraints of this study did not permit the observation of classes in session.

However, an examination of the syllabus, a review of the credentials of the college faculty and a discussion of the entrance and examination policies of the college all support the opinion that it maintains high academic standards for a diploma-level institution.

The faculty members are academically very well qualified. The three senior administrative officers all hold graduate degrees. Of the 62 members of the academic staff, 44 (71%) hold a baccalaureate degree or higher, while only 18 (29%) have less than a baccalaureate, 16 (26%) have a master's degree or higher. The teacher-student ratio of 62:441 (1:7) is outstanding; however, this includes 16 tutors who were on educational leaves during the year. Deducting these 16, the ratio is still a highly commendable 1:10.

Admission to the college is competitive at this time. Courses are advertised nationally. Applicants are ranked according to academic qualifications and classes are filled with the highest ranking students. All students are sponsored by their employers. The present tuition charge is approximately T.Sh. 30,000 per academic year of study, including room, meals, and transport, and a living allowance while on field study. The student's sponsor provides the student with an allowance while the student is in training.

Prior to 1976 about 60% of the students came from the cooperative unions and societies. Since the dissolution of the unions and the enactment of the Villages Act, this pattern has been radically changed. At the present time, 53% of the students are employees of the Government of Tanzania; 39% are employees of Tanzanian parastatal organizations; and 8% are foreign students. There are no students sponsored by cooperatives or villages. As the cooperative movement in Tanzania again becomes viable over the next five years, this

pattern will presumably change again. But it will be several years before unions can again justify the expense and the long absence of an employee to attend a college course. The Department of Cooperative Education and Training plan projects that the cooperative unions' demands for college-level training will peak in 1984-85 at 96 certificate-level students and 60 diploma students. If the unions are organized as scheduled, and if their operations expand as projected, this need for trained manpower will undoubtedly exist. However, the unions' ability to pay for employee training in the early years of their existence is very questionable. Therefore, the level of utilization of the Cooperative College by the movement in the foreseeable future will probably be determined by the amount of subsidization the unions receive for employee training.

The principal of the Cooperative College expressed a need for American expertise in certain disciplines to strengthen the faculty of the college. Specifically, the principal would like to add specialists in transport management, industrial economics, agricultural economics, and cooperative operations. He believed a program of bringing in tutors from the U.S. to lecture in the college while local tutors received graduate training in the U.S. would greatly improve the level of instruction in the management area of the curriculum.

B. Cooperative Education Centre

The Cooperative Education Centre is responsible for cooperative education and training to members, committeemen and staff at the basic levels. The centre is under the same governing board and administration as the college. It is headquartered on the college campus at Moshi but most training is conducted at the 17 wings in the various regions. The centre also provides education through correspondence courses and via radio broadcasts.

The utilization of the centre has been reduced in recent years due to the abolishing of cooperative unions in the country. When the structure of the unions and the societies was removed, there was no longer the same level of interest in correspondence courses. In the early years of the move towards village cooperatives, many village officials were trained in short courses at the wings. However, that program is no longer being funded so training activities at the wings are now substantially reduced, and these facilities are not being fully utilized. Lack of money is the standard reason given for the slowdown in training activities. The operating expenses of the Cooperative College are met through the collection of a tuition fee for each student accepted. Training and education such as that provided by the Cooperative Education Centre is traditionally provided free so no opportunity exists for the Centre to generate income.

The operations of the centre are limited by shortages of basic supplies such as paper, pens, petrol and food, as well as equipment such as projectors, calculators, typewriters, printing equipment and vehicles. Monthly operation expenses of each of the 17 wings to operate fully are estimated at T.Sh.10,000 while presently only T.Sh 3,500 are being provided. In addition, funds are needed to produce new correspondence materials and new training manuals.

The TanGov is aware of the problem of financing the Centre and the desirability of the apex organization being controlled by its members. In its response to the draft report the TanGov states: "The interpretation that the Cooperative Education Centre (CEC) is under the control of U.C.S. is correct. It is also correct that since the abolishment of cooperative unions, which were the major sources of the U.C.S. revenue (through contributions), the organizations

has not been able to operate an extensive and efficient educational programme. Be it as it may, the new legislation still makes it obligatory for the new apex organization (to be formed by the unions) to provide, organize and supervise cooperative education on behalf of its member societies. With the re-structuring of the cooperative societies the apex organization through statutory contributions by its members societies is expected to be financially able to shoulder the overall training responsibility of members of the cooperative movement. This does not mean that individual societies will cease to train their own staff. To ease the team's concern regarding U.C.S.'s continued dependence on government grants to meet its recurrent expenditure, the Party recently issued instructions to all mass organizations making it clear that each organization will from now on be expected to be financially self sufficient. This means these organizations will no longer qualify for annual subventions from the government. We welcome such decision which will automatically make the apex organization be obligated to member societies contributions and therefore pay more attention to development and well being of the cooperatives".

If the problems in financing and directing the educational programs through the wings, can be overcome, the C.E.C appears to offer the most direct method of assisting Tanzanian cooperative unions and societies in training their staff. To be effective, job training should remain the responsibility of the employer and should be conducted as near to the work site as practical. The geographical spread of the wings, therefore, make them the logical locations to organize much of the job training which will be needed by the emerging cooperatives.

Member education must be a continual process in order to build a successful cooperative system. It appears that Tanzania has devoted substantial

resources to this effort in the past and that shortcomings in this area can be attributed more to confusing and shifting government policies on cooperatives than to lack of educational programs. When the government's new policies towards cooperatives are clearly stated and understood within the government, the machinery for communicating these policies to the people can probably be activated rather quickly.

C. Cooperative Development Department

The Cooperative Development Department of the prime minister's office is the branch of government responsible for supporting and directing all cooperative activities. With approximately 1,100 employees, this department has the personnel to quickly reach every society in the country. The training function of the department is the responsibility of the Cadre Development and Training Section.

A Cooperative Education and Training Plan 1982-83 to 1987-88 was prepared in early 1982 and this document gives many details, including cost projections, of the training that will be necessary to support the re-establishment of the cooperative unions. The assumptions made by the committee which drafted the plan are that eight unions will be registered in 1982-83 and twelve in 1983-84. The committee also assumed that 800 societies would be registered in the first year and 600 in the second. By the end of the five years, a total of 2,500 registered societies are planned. Obviously this rate of development will call for a substantial training effort.

D. Recommendation and Strategies

A developing nation, especially one with economic problems as great as those in Tanzania, will always have many areas where donor assistance is needed. In this section, rather than identify specific priorities, a recommended strategy for training is offered.

Certain principles should be followed in establishing any employee training program. First, training should be job oriented. General education should be left to other agencies. The employer should be concerned only with seeing that the employee acquires the skills necessary to perform the job and to progress in the organization.

Secondly, training should be in short segments and tied very closely to the working situation so that skills acquired are immediately put into practice.

Third, the cost of training should be assessed as directly as possible to the employer. This will ensure that training remains practical and necessary. This prevents unnecessary, costly and time-consuming components from creeping into the training program. Pressure is always kept on the trainers to deliver results.

Fourth, training is always the responsibility of the employer. Other agencies may deliver the training, but the needs must be identified by the employer, and the employer should have a large input in the design of the training program.

With the foregoing principles in mind, a strategy for training the employees of the newly emerging cooperative organizations can be developed. Decentralized, regional facilities must be available to accept the employees of the cooperatives when the manager determines that training is needed. The managers must be consulted to ensure that the training provides the proper job

skills. The cooperative should pay a portion of the cost of training their employees, even though the portion is relatively small at first. Perhaps a sliding scale can be used so that cooperatives with more resources contribute a greater portion.

The cooperative education and training plan that has been prepared by the Department of Cooperative Development already lists the job titles and expected numbers of new employees that will be hired by the cooperatives. By working closely with the new cooperatives and keeping the training sessions brief, segmented, decentralized and closely associated with the jobs the employees are performing, the new employees can be brought up to acceptable levels of work performance most rapidly. This training for cooperative employees will need to be highly subsidized at first, but as the cooperatives achieve some economic strength, they should be expected to pay for their own training needs.

In the early years of the re-establishment of unions the Cooperative College will only contribute indirectly to the employee training process. Unions will not be in a position to send employees away for long-term training and will not be able to pay the established fees. Eventually the college should be expected to resume its former role of training management for the unions.

A new development not underway at the time the team was in country indicates that the need for employee training is receiving specific attention. Thirteen special programs responsive to this need have been prepared by the Moshi Cooperative College in collaboration with the Cooperative Division and the Cooperative Secretariat. Further, the entire cooperative education program is being overhauled as the input of the employee in the long course is considered far too low.

The re-established unions will also be restricted by lack of money from playing their appropriate role in member education during their early years. The U.C.S., which is charged with providing member education, is too large an organization for a struggling movement to support. A recommended long-range strategy is to trim the size of the U.C.S. administrative structure and make each service section self-supporting so that eventually the cooperators through their various societies and unions, will be in control of the organization. A modest member education program where the apex organization supplies materials and expertise to the various unions and societies to help them present local programs that can then be conducted by each union and/or society.

The other area of education and training to be considered is that of committeemen (board members). The problems, needs and constraints in this area are parallel to those in membership education. To develop a strong, self-sustaining cooperative movement, this function should be controlled by the movement itself, and the long-range plans should be directed toward eventual self-sufficiency of the cooperatives in this area as in other types of training and education.

VII. CONDITIONS THAT SHOULD EXIST IF THE COOPERATIVE SYSTEM FOR TANZANIA IS TO BE SUCCESSFULLY REESTABLISHED

A. Basic Fundamentals

Successful development of a viable cooperative system depends first of all on understanding of the basic fundamentals of cooperatives as a form of business enterprise. There are fundamentals that are universal, just as valid in socialist

systems as in a free enterprise or mixed enterprise system. The most basic of these are:

1. A cooperative is a particular type of business enterprise that differs from the proprietary (private) type primarily in the way the net savings or profits are distributed: to the members of cooperatives and to the stockholders or to individual owners in the proprietary firms.
2. Cooperatives have been found to be more successful when they are owned and controlled by their members on a voluntary and democratic basis.
3. Cooperatives can eliminate the middleman but not their functions.
4. There is nothing magical about cooperatives. They perform well when they are well planned and properly managed, and it is generally conceded that cooperative enterprises are more difficult to manage than proprietary types.
5. Cooperatives do not operate successfully when they undertake to mix social and business activities. They should be operated as business enterprises, and they must succeed as such if they are to benefit their members. As successful business enterprises, they generate savings (profits) that members devote to social purposes if they so choose.
6. Cooperative monopolies are like proprietary monopolies in that they ultimately do not serve the best interest of the economies they operate in. Cooperatives operate more effectively when they have to compete with other forms of business enterprises.
7. Cooperatives do not operate in a vacuum in that their success is dependent upon external factors over which they have little or no control. These will be discussed in some detail later in this report.

B. Assessment

The team's assessment of the status of the understanding and probability of developing cooperatives on the basis of the aforementioned fundamentals is as follows:

1. At the present time village cooperatives are considered to be multi-purpose societies and do not restrict their operations to purely business activities. Quite often they include such social activities as building and operating schools, health clinics, water systems, and other such activities. This is not to say that the cooperative should not use accumulated

surpluses to promote these social activities, if the members so desire. The team does believe, however, that a clear separation of cooperative operations from these social activities is necessary if sound development is to take place. If the investment and working capital needs of the cooperative business are not adequately taken care of, there will be poor agricultural services and no future surpluses available for any purpose. Also, it appears that each village operates a communal farm. The team was not able to completely ascertain how the records of the purely communal operations are handled relative to those of members' individual operations, particularly with respect to purchase of inputs.

2. The idea of cooperatives being organized on a voluntary basis and controlled on a purely democratic basis is clearly not supported in the Cooperative Act of 1982 (See review of the Act in Annex A). While the Act does not say that these two fundamentals (principles) are to be violated, actions taken in the past point in that direction. For example, the government decreed there would be one cooperative union allowed per region prior to the time they were abolished in 1976. Further, the government ordered cooperative unions to be organized back in the early 1970s in those regions that had not voluntarily organized them, and the present plan calls for one union to be re-established in each region. In the village a party member will be on the village council that establishes policy for the village cooperative. The team concludes that the system will not allow cooperatives to operate on completely voluntary and democratic basis.
3. There are no comments on elimination of middlemen.
4. The securing and training of capable cooperative management for the unions will be a most difficult task, especially since the most qualified of those in the previous unions have relocated in better paying positions. The fact that a viable system of cooperatives did exist some six years ago will give this country an advantage not enjoyed by many developing countries. There is a good Cooperative College in the country to train top level leaders, and there is an outreach (wings) training institution operated in conjunction with the Cooperative College. Much of the training structure is in place. If sufficient funds are available and cooperatives are not developed until they can be properly managed, training should not be a limiting factor.
5. Multi-purpose cooperatives (social-businesses) were discussed in Item No. 1.
6. There are some indications that private sector firms may be allowed to operate in the agricultural sector. The World Bank Ag Sector Analysis seems to be strongly suggesting this. Already parallel firms are illegally operating in this sector. The Tanganyika Farmers Association as mentioned earlier is legally operating as a supplier of farm inputs. Also, it does provide some marketing services, particularly storage. The team believes that some competition from private sector firms would be most

helpful at this time. If this were done, the cooperative unions that are to replace the parastatals in delivering inputs and collection crops would not have as much of an opportunity to become monopolies as they will have in the absence of such firms. It remains to be seen what will actually develop.

7. External factors affecting cooperatives will be discussed hereon.

C. External Factors

The following factors are beyond the control of the cooperative system but will affect its sound development:

1. At the present time, agricultural prices as established by the government are unrealistically low and discriminatory to the farmers.
2. There is a shortage of consumer goods at all levels, but the situation is especially acute in towns and villages. With few consumer items to purchase with his cash, the farmer has little incentive to increase the production of crops which he sells to acquire cash.
3. The system for delivery of inputs, providing credit and collection of crops has proven ineffective as discussed in a previous section of this report.
4. Development of agriculture by government and donor assistance has been neglected in favor of industrial development. This was evident to the team when it visited four of the regions and talked with regional leaders about their development problems. In particular, the extension service and research arms of the Ministry of Agriculture seem to have been neglected.
5. Lack of sufficient foreign exchange to correct many of the aforementioned problems is evident. Along with this, artificial in-country exchange rates are in effect.
6. Inadequate infrastructure, including primary and secondary roads, railroads, communications, banks, facilities to repair and maintain transport and storage facilities are also limiting factors.

Assessment

The aforementioned points are being brought to the attention of the government by various donor countries, the World Bank and the TanGov is responding in positive ways. It is adopting new agricultural policy that should improve conditions in the future. This policy is outlined in a report titled "The Tanzanian Agricultural Policy" and results from the efforts of a high level task force. This report is now being finalized, and USAID/Tan reports that it strongly supports the re-establishment of cooperatives and also addresses many of the other constraints mentioned in this report. It is also USAID/Tan's view that while economic recovery will take many years, the overall climate in Tanzania now appears to be more conducive to the establishment of viable cooperatives than it was at the time the team was in country.

ANNEX A

ANALYSIS OF TANZANIA'S COOPERATIVE SOCIETIES ACT OF 1982*

Method of Analysis

This Act has as its major objectives the sound development and protection of cooperatives in Tanzania. As stated in the Act, the objects of cooperative societies are "first to accelerate the building of socialism, secondly to foster the development of cooperative farming, thirdly to satisfy the cultural needs of their members, and lastly, to improve the material living conditions of their members. It is with these objectives in mind that this analysis is made. In particular, the fact that this country seeks to develop along socialist lines is taken into account.

The Act has also been examined as to whether it contains the provisions usually found in this type of document, whether the provisions are compatible, and are they clear as to meaning and purpose. In addition, the provisions of the Act have been studied to determine to what extent if any they violate certain universal concepts of how Cooperative societies should operate if they are to be effective.

Summary of Findings and Conclusions

Findings

The Act does contain the usual provisions found in a document of this nature. In general, the provisions are compatible. Should the Act be redrafted, there are a few provisions that are contradictory. For example, the minimum age for membership in a primary society is stated as 15 years in one place and 18 in another. The definition of a cooperative society is altered in Part II relative to Part I.

The Act in numerous places contains more detail than is necessary and could benefit from being edited to make it more understandable. The Cooperative Act of Zambia, for example contains less detail and is easier to understand. The part of the Tanzania Act providing for the dissolution of a society is particularly wordy and overly legalistic. It also does not contain provisions for the dissolution of a society that is solvent at the time it ceases operations.

* Analysis by Job K. Savage, Ph.D., Agricultural Economics (Cooperative Specialist), July 8, 1982.

The Act in Part III does contain provisions to establish research services to benefit cooperatives. This is a unique feature not found in many countries and particularly not in developing countries.

The part of the Act containing a glossary of terms should include a definition of a probationary society.

The role of the Registrar relative to that of the Director of Audit and Supervision Corporation is not defined in the Act. One section of the Act states that the Director takes orders only from the Minister. In another section, he is to be directed by the Registrar. More clarification of their respective roles would improve the Act.

That section of the Act that provides for a central fund to finance the operations of a national apex society would be more effective if it provided that all societies be required to contribute annually a pre-determined amount of the net savings. The Act now provides for the apex society at its annual meeting to decide what the secondary societies only should contribute to finance it.

More serious than any of the aforementioned findings is the fact that the Act in several of its provisions does violate at least three of the most important concepts (principles) of the cooperative form of business enterprise. These are: (1) individuals are to become members of a cooperative on a voluntary basis, (2) members are to control their cooperatives on a democratic basis, and (3) cooperatives are to be politically neutral. Of the three, the first two are perhaps the most universal and the most important. The writer of this analysis has observed and studied cooperatives in numerous areas of the world, including East, West and North Africa, and has yet to find successful cooperative development where the concepts of volunteerism and democratic control are not followed. For example, cooperative development in Somalia is not working because these concepts are violated (based on two month's study in 1980). Cooperative leaders in the Philippines are just now trying to overcome some of the problems caused by cooperative development that ignored these concepts in the past (based on two month's study in 1981).

When cooperatives are not organized and operated on basis of these concepts, members do not view them as organizations that they have created, own and control. They look upon such organizations as fair game to take advantage of, and will fail to patronize them when it suits them or fail to repay loans made to them by the cooperative. Too often, cooperatives in developing countries are begun on a crash basis and members are induced to

join in order to obtain credit, use of land, or to market their crops. Little or no effort is made to properly acquaint members as to the way cooperatives should operate, or to allow members to control them on a democratic basis. This Act makes it possible for all these faults to take place.

Provisions in the Act that permit the Minister, the Registrar or both to cause the societies to violate the aforementioned concepts are mentioned in the body of this report, but are summarized there: (1) the Registrar can force individual societies to form a secondary society or to reorganize a secondary society into a primary organization; (2) village cooperatives must be multipurpose types and all other cooperatives in the village must be under control of that society; (3) members of the country's political party may be appointed by the Registrar to serve on the board of the village cooperative, usually in such key positions as chairman, vice chairman and secretary; (4) the Registrar must approve all appointments of cooperative employees, can direct a committee to fire employees of the cooperative and can dissolve the committee itself; and (5) the Registrar can direct a committee to invest cooperative funds in government securities or in such other securities and institutions as he may decide upon.

Conclusions

The Act is adequate, but could be improved, particularly with respect to: (1) clarity, (2) removal of extraneous material, (3) being over-legalistic, and (4) protecting cooperatives against those who would violate certain basic concepts of cooperative organizations.

It must be noted, however, that the Act generally states that the Minister or the Registrar may take certain actions. It does not state that these actions must be taken. This is particularly true with respect to most of the criticisms made of the Act in this analysis. Because of this, the Act is adequate for the purpose drawn. It is suggested, however, that if cooperative development in Tanzania is to be improved, every effort must be made to promote these organizations on a voluntary basis, democratic control, and a minimum of political interference.

A Review of Each Part of the Act

Each part of the Act has been reviewed, but generally only where there are perceived flaws or weaknesses, are findings mentioned in this section.

Part I - Preliminary

Section #3 (1) (page 11) should include probationary societies. Item #70 (8) places substantial restrictions on this type of society, one of these being that members do not have limited liability. Because of these restrictions it is advisable to flag them in this part of the Act that defines key terms.

Part II - The Objects of Cooperative Societies and Protection of the Cooperative Societies

The definition of a cooperative society in this Part (Section #5) differs from that in Part I, Section #3 (1) in a significant aspect, namely that the phrase an association of persons who have voluntarily joined together is used in Part I, but here the word voluntarily has been omitted. The omission may be unintentional, but it is important because the voluntarily joining together of people to form a cooperative is one of the most basic principles of this type of organization.

Part III - Responsibilities of the Minister

Sections #9-12 outline the responsibilities of the Minister to promote the development of cooperatives. This is an addition to the former Act and a definite improvement particularly in that it establishes a research service for inquiry generally into the operation of societies and for investigation and analysis of economic, social and other problems that will lead to their improvement. Numerous specific services to benefit cooperatives are generally not provided for in developing countries. This is an important step in the right direction.

Part IV - Registrar

No mention is made here or in any other parts of the Act as to the role of the Registrar relative to that of the head of the Ujamaa and Cooperative Development Department. Generally it is advisable to mention the Cooperative Department in the Act and to specify its functions.

Also not clarified here is the role of the Registrar relative to that of the Director of the Cooperative Audit and Supervision Corporation. There is, however, some clarification

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political party leaders are placed on a cooperative committee. Furthermore, in Tanzania, villages are reported to function under the provisions of the Ujamaa Village Registration Designation and Administration Act of 1975, meaning that to all intents and purposes, villages have the status of cooperatives.* Villages are headed by village councils, and in most villages the chairman and secretary of council are political party members.

Part VI - Registration of Societies

Item #61 paragraph (2) lists the cooperative principles that must be adhered to by a society registered under the Act. The list is adequate except for the absence of any specific mention that cooperatives should be organized on a voluntary basis. It does provide for open membership to all who can use the services of any society. This might be interpreted to mean a person may become a member on a voluntary basis.

Section #64 (a) (page 34) states only an individual who has attained the age of 18 years may become a member of a primary society. This conflicts with item #24 (a) that states every person who has attained 15 years is eligible for membership.

* As reported in "Draft Information Note United Republic of Tanzania," by Copac Secretariat, April 1981.

Annex B

TABULATION OF HOURS OF LECTURE FOR VARIOUS COURSES
BY SUBJECT AND DEPARTMENT
(From Syllabi for Cooperative College - Moshi)

	Certif. in Coop Devel. (1 yr.)	Certif. in Coop Magmt. (1 yr.)	Diploma in Coop Devel. (2 yr.)	Diploma in Coop Magmt. (2 yr.)	Diploma in Coop Acctng. (2 yr.)
Bookkeeping and Accountancy	150	150	120	120	120
Business Mathematics	100	100	115	115	115
Audit and Inspection	120		100		
Intermediate Accountancy					174
Auditing					150
Cost Accounting					28
Managerial Accounting			122	122	122
Taxation					108
ACCOUNTANCY TOTAL	370	250	457	357	817

General Economics			175	175	175
Economic Development and Planning	150	150			
Economics of Cooperation					120
Agricultural Development Economics			140	140	
ECONOMICS TOTAL	150	150	315	315	295

Principles of Management			100	100	100
General Management		120			
Marketing	120	120	108		
Marketing Management				120	
Personnel Management				120	
MANAGEMENT TOTAL	120	240	208	340	100

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Cooperative Law	60	60			
Contract, Agency,					
Insurance and Cooperative			100	100	100
Law			120		
Law and Public Administration				108	
Labor and Administrative Law					108
Company and Bankruptcy Law					
LAW TOTAL	60	60	220	208	208
<hr/>					
Cooperative Development	230	230	100	100	100
Survey of Cooperative					
Organizations			200	200	
COOPERATION TOTAL	230	230	300	300	100
<hr/>					
Descriptive Statistics			100	100	100
Inductive Statistics			200	200	200
STATISTICS TOTAL			300	300	300
<hr/>					
Political Education	90	90	108	108	108
Sociology and Extension					
Methods	100	100			
Rural Sociology			140	140	140
Extension Methods			140		
RURAL SOC. & POLITICAL					
EDUCATION TOTAL	190	190	388	248	248
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GRAND TOTAL	1120	1120	2188	2068	2068
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ANNEX C

PEOPLE CONTACTED

1. Honorable Paul Kimiti
Minister of State
Office of the Prime Minister, Dar es Salaam
2. J.A.O. Max
Deputy Principal Secretary
Office of the Prime Minister, Dar es Salaam
3. S.A. Bulegi
Commissioner for Cooperative Development, Dar es Salaam
4. Samuel Kahewanga
Assistant Commissioner for Cooperative Development
and Leader of Cooperative Secretariat, Dar es Salaam
5. G.J. Ngotolainyo
Assistant Administrator General
and Member of Cooperative Secretariat Legal Section, Dar es Salaam
6. A. Kazwala
Cooperative Tutor and Former Deputy Principal
of the Cooperative College; Secretary of the
Cooperative Secretariat, Dar es Salaam
7. H.A.H. Kawambwa
Administrative Manager in Charge of Personnel
and Member of Cooperative Secretariat, Dar es Salaam
8. E.P. Mwashu
Cooperative Management Administration
and Organization, Dar es Salaam
9. J.H.J. Maeda
Office of the President, Dar es Salaam
10. V.F. Mrisho
Ministry of Agriculture, Dar es Salaam
11. M.L.N. Moragwa
Chief Accountant
Union of Cooperative Societies, Dar es Salaam
12. F.K. Temu
Deputy Secretary General
Union of Cooperative Societies, Dar es Salaam

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13. B.K.A. Mganga
Personnel Manager
Union of Cooperative Societies, Dar es Salaam
14. A.H. Kihetiba
Education and Publicity Officer
Union of Cooperative Societies, Dar es Salaam
15. H.B. Kinguyu
Education and Publicity Officer
Union of Cooperative Societies, Dar es Salaam
16. S.M. Mbise
Acting Assistant Commissioner
Cooperative Development Department, Dndoma
17. Teddy Ndee
Publicity Officer
Cooperative College, Moshi
18. Tasilo J. Mahuwi
Principal/Director
Cooperative College, Moshi
19. R.A. Kimaro
Executive Secretary
Cooperative College, Moshi
20. C.W. Ngibbombi
Head of Cooperative Extension Education
Cooperative College, Moshi
21. Ellie M. Anangisye
Regional Director for Southern and Eastern Africa
International Cooperative Alliance
22. Alec Mario
Management Training and Development Officer
I.C.A. Regional Office, Moshi
23. A.M. Tejani
Company Secretary
Tanzania Farmers' Association, Arusha
24. Manubhai Patel
Company Accountant
Tanzania Farmers' Association, Arusha

25. E.N. Mudogo
Regional Director, Iringa
Government of Tanzania
26. Abraham M. Mwakibolwa
A.F.S.CO, Iringa
27. H.L. Kahwili
AISCO Branch Manager, Iringa
28. Bennett Millinga
Assistant Marketing Officer, AISCO, Iringa
29. J.M. Mgata
Zonal Manager, Iringa
Tanzanian Farmers' Association
30. K.N. Marole
Branch Manager, Iringa
Tanzanian Farmers' Association
31. B.C. Nehwele
Project Officer, T.R.D.B., Iringa
32. R.M.S. Kyando
District Development Officer
Government of Tanzania
Iringa District
33. O.M. Anderson
Chairman, Nordic Advisory Commission
DANIDA, Dar es Salaam
34. Maija Aitasala
Nordic Project
Acting Project Coordinator, Dar es Salaam