

GOVERNANCE IN CO-OPERATIVES

**A study of the Internal Leadership Dynamics in the Tanzanian Co-operative
Movement (Some Preliminary Results)**

Presented

by

Suleman Chambo and Mathew Diyamett

**The International Co-operative Research Conference held at Moshi University College
of Co-operative and Business Studies 26-2th September, 2011**

ABSTRACT

Co-operatives are value and ethical-based organizations. But despite their uniqueness, and elaborate values of self responsibility, democracy, equity and equality, they on top, need good governance. Governance on the other hand, is a process and institutions of exercising legitimate authority through citizen participation and consensus. Since Co- operatives were established in the mid 1930s, Tanzania has experienced opportunities and challenges of the co-operative enterprise in agriculture and other sectors of the economy. In order to sustain successful co-operative experience, Tanzania needs co-operatives guided by principles of good governance. Implementation of governance in co- operatives, is however met with challenges of the nature of co-operation itself, the legal and policy environment and local cultural traditions of different communities. But in order to address the issues of governance in the Tanzanian co-operative movement, the leadership, management and the membership have to make a gradual shift from the current bureaucratic mode to a co-operative enterprise paradigm.

Key words: Co-operative, governance, values, consensus, membership

1.0 Introduction

There is concern that despite the fact that co-operatives have their values, principles and ethics, such instruments are not sufficient to guide ethical business carried out by co- operatives. Co-operative leadership and management, need governance principles as additional conditions and instruments for sustainable co-operative development. For developing countries like Tanzania, the reasons for good governance, are many, but four

are important; One of such reasons is the fact that co-operatives in Africa are still

evolving and transforming from their traditional framework where success is not measured by surplus generated but by morality and cultural norms (Craig 1993). This is evidenced by the fact that the modern co-operative business model, was historically transplanted from a context of advanced economic, social and technical conditions of development when Africa was not yet industrialized. Today, Africa is not there yet. Researchers supporting this perspective, argue for example that the success of the marketing co-operative movement during the colonial days and a few years after independence, was a result of the demand-pull factors of the export crops from advanced industrialized countries rather than push factors of a member driven co-operative movement in Africa (Chambo, 2009).

The second reason for the need for governance is historical and political. Researchers such as Munker (2006) have argued that throughout the independence era in Africa, co-operatives took a new turn as state directed or officiated co-operative movement in the sense that during this period, the co-operatives in Africa did not belong to the members but to the state. It can therefore be observed that the coming of liberalization and competition in the 1980s found the co-operatives movement in Africa, still in its transformation process but had not yet reached the standards of being regarded as contractual co-operatives (Craig, 1993). Contractual co-operatives are an advanced stage of human interaction where co-operatives are voluntary, formalized and based on explicit agreement between individuals to work together for a common goal and on selected functions identified by the members. The way contracts are known and observed in the west and African settings are diametrically different. There is basic concern that contracts and legal systems in Africa need a high degree of stability before one can talk about enforcement of contracts, laws and governance (Grindler, 2007).

Thirdly, the officialised co-operative movement constrained the freedom and voluntariness of membership and tried to observe the world known and practiced co-operative values and principles. Between 1967 and 1984, the Tanzanian co-operative movement experienced another major change of automatic co-operation under the policy of Socialism and Self-Reliance. Tanzania embraced central planning and through the Village and Ujamaa Villages Act of 1975, co-operatives were village-based and any citizen aged 18 years was automatically a member of the village production co-operatives. This change was dramatic and left imprints in the minds of old co-operators. Apart from being ex-communicated from the ICA global family, this is another reason for the need of good governance in the Tanzanian co-operative movement.

Fourth, before the co-operative evolution came to maturity, the officialised and still wrestling with automatic model of the co-operative movement in Tanzania, another major process of change, demonstrated by external and internal policy factors came in.

There were two pull factors and one push reality which were responsible for change in the character of the co-operative movement. Externally, there was pressure to reduce government role in business and as early as 1990s there was another pressure from international donors for good governance in international assistance. The two types of pressure were related as both were conditioned by good governance. Since independence, African countries had continued to enjoy unquestioned assistance from donor countries. But evaluations on such assistance gave

a bleak picture of aid effectiveness Governance seemed to have provided answers for effective international aid transactions. The second pull factor was, liberalization and privatization which dealt a major blow to the erstwhile officialised automated model of co-operative development in Tanzania. Although the impact was different from one country to another, the outcome on co-operatives in Tanzania for example was much severe than what we saw in Kenya for one reason that Kenya never implemented a central planning model of macro economic policy as it happened in Tanzania, the transformation from central planning framework of co- operative development, was more disastrous than where the market economy was a continuum like what we had in Kenya. The death rate of co-operatives in Kenya during liberalization era has been much lower than in Tanzania despite the fact that Tanzania had the largest agricultural co-operative movement in Anglophone Africa. The internal push factor on the co-operative movement was first the need for export expansion under conditions of declining market prices but also the fact that Tanzania was required by donors to scale down fiscal expenditure on state owned parastatal organizations as a way of maintaining small but effective state machinery.

All these major changes and shocks on the co-operative movement in Tanzania, have had too implications on the discussion about governance. First the co-operative enterprise is a moving target. This means the location of governance is complex and has to assume some kind of mobility on co-operatives. Secondly, we are forced to conclude that all those changes happening in a span of three decades, have not produced successful and vibrant co-operatives in Tanzania. Co-operatives are slowly part of the official mode, member empowerment efforts are still outside the reach of the membership and governance issues though part of the general co-operative discourse, yet they are far from being effectively implemented.

In this presentation we are looking at the dynamics of governance as a mechanism of enhancing organizational responsibilities and performance in the Tanzania co-operatives in four parts: First we look at what is the governance problem. Then we discuss the theoretical and empirical perspectives of governance in general. Thirdly generate findings from two preliminary cases where data has been collected as pilot entry into the governance debate. In the fourth part we look at what are the lessons for co-operative research and finally conclude the presentation.

2.0 Problem Setting

In the analysis of the governance problem in Tanzania, and in any country setting, there is always a link between the dominant mode of production and its institutional set up. This is because the mode of production of a country, determines the character and the legal and

institutional system of the country. It is the institutional set up of a country and its legal system that would sustain and protect its mode of production and production relations. It is also the mode of production and production relations that will determine the character of governance in a given country.

Tanzania is currently building a peripheral capitalist economy where the private sector is said to be the engine of growth. It is peripheral capitalism because at the moment Tanzania does not have its own national capitalist class. It will have to depend on foreign direct investment. This aspect is complex because foreign investors are people with their own priorities which may not match with our ambitions. But secondly, there is no guarantee of control of profits they make from investing in Tanzania. The largest participation of foreign capital is currently in mining, service sector especially in telecommunications and minimal in the agricultural sector. According to Kilimo Kwanza (Agriculture First) programme, agriculture is given priority as shown in Table 1 below.

Table 1: Priority Sector in the Budget

S/no.	Sector	2009/20 budget in Bil. Tshs	2010/11 Budget in Bil. Tshs	% increase
1.	Education	1,743.9	2,045.3	17.2
2.	Infrastructure	1,096.6	1,505.1	37.3
3.	Health	963.0	1,205.9	25.2
4.	Agriculture	666.9	903.8	35.5
5.	Water	347.3	397.6	14.5
6.	Energy	285.5	327.2	14.6

Source: Policy Forum, 2011

As Table 1 above indicates, the importance of agriculture is observed in the percentage increase of 35%, second only to infrastructure. But the behaviour of foreign investors was observed from a statement of one of the foreign investors in oil distribution when requested to lower the price by a regulator, clearly pointed out the weaknesses of peripheral-capitalism and said “*we came to Tanzania to make money.*” So, this sums up the content of peripheral-capitalism which in the literature is called *crony capitalism* (Arkadie:2002) that it is a mode of production dependent on external capital. The greater part of decisions on policies and institutional set up, will be mobilized to strengthen the peripheral mode of production influenced by international

capital and finance. The implications of this mode of production on the co-operative front is very clear; the marginalization of the organizational nature of the co-operative enterprise. If the driver of change in agriculture for example, is large scale farmers, then the larger part of small-scale farmers and their organizations are not part of current debate as a priority.

We therefore want to emphasize three important points about contemporary co-operative development in Tanzania. First the development of co-operatives in Tanzania and the associative economy in general, is complex and their future has no clear answers. Secondly, we want to argue that the character of institutionalized governance in the peripheral capitalist mode of production, will influence the character of its co-operative movement in the country. Third, the survival of the co-operative organization in this kind of economy, will very much depend on the numerical size and empowerment of its membership and based on its principles and values, create a more formidable system of governance which can demonstrate a credible image in the eyes of the public and the community at large.

It is therefore logical to problematize that the leadership and management of the co-operative movement in Tanzania is still based on the bureaucratic mode in managing the officialised co-operative movement which is practically state driven. The opportunities for advancing the co-operative management mode are slowly taking shape but with a lot of environmental constraints. The growth of a member driven co-operative movement, will depend on the strength of the membership, guided by the co-operative values and principles in the institutionalization of the pillars of co-operative governance of autonomy, transparency, accountability, democratic practice and member participation (Shaw, 2009).

There are two associated problems of the bureaucratic mode of co-operative development in Tanzania, responsible for continued inherent failure: First, trainers, managers and leaders are trained and socialized in the bureaucratic tradition of blue print structures of implementation (Craig, 1993). The blue print tradition will always have answers to all co-operative problems without interacting with members. Secondly, the implementation of blue print co-operative development, the participation of members in making innovations and generating solutions to their problems through their co-operative institutions.

Government officers and trainers trained in the bureaucratic management institutions, will carry out co-operative promotion and training on what is desirable by the state than what is desired by the members. A government supervisor in China, spent six months in 1929 to train and mobilize fruit farmers to form fruit marketing co-operative. The co-operative was not

formed. The farmers later told him that they did not want a fruit marketing co-operative, they wanted a savings and credit co-operative (Sirickland, 1970).

It is therefore important to we have co-operative trainers, managers, and leaders trained in the co-operative tradition as we are trying to dot it at the university. Secondly, co-operative development and governance must start from a deeper understanding of the culture, economy and traditions of communities we are working with.

3.0 Theoretical and Empirical Framework

Governance Theory and Evidence

Governance is a new concept but growing very fast since early 1990's (Kohler-Koch and Rittberger, 2006). The World Bank defined good governance as a process and institutions through which decisions are made by the authority in a country. This definition tries to amplify a hierarchy of disposition of authority and can be interpreted as one-way governmental service delivery system works. The interpretation of this definition is also that external systems of non-governmental agencies and civil society can always evaluate the service delivery of the state. But the state may respond at its own. Under such as circumstances, the public can only influence the state through general elections. This takes a minimum of five years to get appropriate change. There is therefore need to involve citizens in the process of governance. Citizen participation has critically been taken on board by the UNDP (Grindler, 2007) and treats governance as a two way traffic of exercised of authority in economic political and administrative service capacity, to manage the affairs of the country but at the same time the existing authority must provide mechanisms, processes and institutions through which citizens and groups articulate their interests by exercising their legal rights to meet their own obligations and mediate their differences. It appears that governance as an art of governing, is qualified by democracy and people's participation. Governance has become a method whereby maintaining a regulatory framework with society relationship in the form of dialogue and conflict management. Kohler-Koch and Rittberger (2006) are in agreement with the UNDP definition of governance practice where they consider the state -centric coordination role of the public perspective going together with the society centred perspective of existing formal and informal networks which maintain working relationships with the state on equal partnerships.

Apart from these perspectives of governance, researchers such as Kohler and Rittberger (2006) and Grindler (2007) have added the concept of good governance on the conceptualization of governance in the same that there could be sets of governance in any country situation, but

such governance has to be qualified by certain generally acceptable indicators. They add what could be relational concept a process and value laden bench marks of good governance which include legitimacy of decision by those in power, ten rule of law, free market competition and active involvement of the civil society. The same concept is taken up by Grindler (2007) and Hyden (2004) who outline five dimensions of good governance to include: participation, fairness, decency, efficiency, accountability and transparency, and that all these should be found in the six areas of governance system of political society, government, bureaucracy, economic society and the judiciary.

On the other hand, researchers have also argued that governance as such and good governance in particular, cannot be discussed in vacuum and without direction. Kaufmann in Grindler (2007). Giving results of 40 different studies done on governance, has shown evidence that governance is a critical input into successful economic development even when measured by statistics of income per capita.

We can therefore argue that governance and good governance are relational concepts indicating a balanced approach on how a state in a given country upholds the basic values of democracy and people's participation including processes that identify critical issues of development in a direction that is proven by legitimacy, the rule of law, fairness, transparency, accountability and efficiency of delivery of government service to th people. Tracing the origins of governance, Alcantara (1998) observed that the concept emerged at the failure of economism in international development discourse. International development was not only defined by economic criteria of cost benefit analysis, but as a political process based on consensus where and when different interests are considered. In this logic, governance is a cross-cutting concept which can be used to manage relationships of people locally, regionally and internationally. It is a guiding principle for conflict mitigation but also for economic development. But because of its comprehensive applicability, governance needs innovation, adaption and creativity to improve people's ability to manage their own affairs (Alcantara, 1998).

Why Good Governance

The question to why did governance and good governance come at the time it came about is very important. Studies done on the performance of international technical assistance showed how it was needed in order to demonstrate of aid effectiveness in the mid 1980's and 1990's (Grindler, 2007). It was fair that tax payers in donor countries demanded to know the characters of the states receiving international assistance. The fact that the World Bank and its

international committee had to respond to this demand, made good governance become a popular method of analysis of international assistance by propagating sound fiscal management and administrative efficiency in the use of international aid (Kohler-Koch and Rittberger, 2006).

The second major reasoning for the demand of good governance came through shareholders of major corporate entities to guard their resources and assets from bankruptcies as exercised by Enron of the US (Centre for Good Governance, 2002), and more specifically, guarding against fraud and mismanagement. But also, as democracy and participation became measurable characteristic through good governance, it is not only the avoidance of bankruptcy, but also there is increasing demand for shareholders' participation in decision making. As organizations determined their competitive edge in the market place, investor-owned firms, increasingly saw the need for enhancing customer influence into their business operations (Porter, 1967). Good governance has provided entities to remain competitive because it gives them attractive image and perception in the market place, enhancing their opportunities for expansion in product and service markets where the global market is driven by information technology, liberalization and competition. This important observation has been attested to by the USAID (1997) when introducing the concept of value chain management for agricultural co-operatives. The point emphasizes is the fact that in the late 1960's co-operatives were selling their commodities to the global markets blindly. But the current discourse in the marketing activity is guided by knowledge of customers so that co-operatives can offer the best commodities to known customers. In carrying out this kind of business, value governance is critical because customers are featuring out as stakeholders in the current global business.

Governance in Developing Countries

At a macro-level, World Bank researchers such as Grindler (2007) carried out a study to build up a framework on the status of good governance in different World Bank member countries including developing countries like Tanzania. Countries are categorized in terms of strength of institutions for disposition of good governance. In the framework, countries' political systems are categorized as collapsed states, personal rule states, minimally institutionalized states, institutionalized but non competitive, and institutionalised and competitive. According to this global categorization of political systems in different countries, Tanzania and most African countries are categorized as the minimally institutionalised countries, and demonstrate the following characteristics as seen in the modified framework.

Table 2: Classification of Political Systems in Some Developing Countries

Country	Tanzania
Type of political system	Minimally institutionalized
Basic characteristics	Varying degrees of legitimacy political parties partly based on personalities
Institutional stability	Basic rules are established, there is rule of law though poorly functioning
Organizational capacity of the state	Low/modest There may be some organizations that are able to carry out responsibilities on sustained manner but they are still fear
Degree of state legitimacy	Low/modest Tensions over the right to wield power persists in the absence of consensus over institutions for resolving conflict, partisan electoral commission Tension between the three pillars of the state, especially between the legislature and the executive
Types of policies in place	There exists a wide of range of organizations to provide a range of public and welfare services but coverage is patchy and often based on patronage from above

Source: Modified from Grindler (2007)

We use this framework as entry point into our discussion on governance to demonstrate two important points: first, governance in the public management system in Tanzania is still at fragile state and needs time for capacity building to create stable structure, rules and institutions for legitimacy of decision making in the state system. Second, to try and demonstrate that governance in the cooperative movement in any country including Tanzania, is affected by the status of governance at the state level. The fragility of governance at the state level has greater influence on the structures and performance of its respective cooperative movement because policies, laws and rules are not only state -based, but also determine the character of the cooperative movement is currently distributive (Carlsson, 1992), is due to the fact that the bureaucratic officialised model of co-operative organization, is inherently distributive or created as a convenience of disposing government assistance policy and legislation.

Governance in the Co-operative Movement in Tanzania

There is rich research on governance in the corporate world than in the co-operative sector. There is even more scanty research in co-operatives in developing countries like Tanzania. But in order to locate the importance of good governance in co-operatives one notes that the values of co-operation of self help, self responsibility, equality, equity and democracy as well as their ethical values of honesty, openness, social responsibility and caring for others as the starting point. Those instruments put the co-operative enterprise on a better footing for formulating good

governance principles and coded than capital-based firms. Co-operatives are unique people - owned institutions therefore there is less tension in instituting good governance.

While it is true that co-operative values and principles may provide important guidelines for good governance, (ICA, 1995) attempts to formulate good governance instruments, have been limited due to internal tensions and some of them are explained by principal-agency theory (P-A theory). The PA theory underlines that the board members as lay people representing principal owners, may not have the technical capacity to play stewardship over professional managers who are the agents (Conforth, 20024). In theory, the board should formulate policies to be implemented by managers. But during policy implementation, professional managers are inherently taking the advantage of their professionalism to wield their own interests. When this happens, managers may co-opt board members and both members, and the board lose stewardship of the co-operative to the managers where democracy and member participation are lost.

But a second scenario is where lay board members after knowing their technical deficiency, proactively build partnership with professional managers for shared organizational effectiveness. In this scenario, there are opportunities for instituting principles of good governance. However, this scenario can ably be guaranteed by dynamic review of the pay package pf managers, involving both in leadership training and by co-opting professionally non-elected board members from the public sector.

Second, governance in co-operatives is met by the character of the membership who still keep aloof of their organization (Craig, 1993) and are not making use of co-operative principles although they would like to access benefits as members. The strong cooperative enterprise in India, for example, become vey successful because while members were treated fairly and received frangible income, they were given an open mandate and power to remove corrupt and arrogant leaders.

The complexity of institutionalized of Good Governance in Tanzania

As pointed out earlier, the cooperative organization in Tanzania has had success but also it had its own overriding internal problems of governance and its organizational ecology. First, is the evolution perspective making the movement less growing all the time. Second, is the overriding imposition of predominant bureaucratic model of co-operative organization. The bureaucratic style of managing co-operatives conceals democracy, and governance. More co-operative

development work is needed now than any other time in the promotion of member-based co-operatives using co-operative promotion methods of organizational development.

The officialised model of cooperative development is still predominant in Tanzania (Craig, 1993) the power of the Registrar of Co-operatives is still intact and with this control, autonomy of co-operatives is not guaranteed and fail to employ Any self autonomous logic. Third, is the bureaucratic failure of the unified model of building co-operative through unions that has created a hierarchy which subordinates primary societies and members than a logic of facilitating a network of working together as equals (Craig, 1993). Fourth, is where we have promoters, educators and managers trained in the bureaucratic tradition where democratic structure is turned into a hierarchy suppressing democracy, member participation and collective voice. Fifth, Northern advisors have had the solutions to co-operative problems in the south. But northern advisors look at co-operative management in the bureaucratic way against the logic of co-operative that a different culturally developed model of co-operation in the north can be applied across cultures without re-interpretation of the model within the receiving country's context using a blue print approach without innovative contextualization.

The Nordic project is a case in point. For 20 years since 1968 up to 1988, (Karkhan, 2020) we had very good Scandinavian co-operative advisors to peasant driven agricultural co-operatives. Using the logic of external objectivity that bureaucratic solutions from the north could solve local co-operative problems in a blue print way. This proved failure because the logic of co-operation demands that members must discuss their own problems using their own views rationality to generate solution to their own problem and hence discover their own views about good governance as part of the solution. This however, does not imply we should not learn from outside. Lessons are needed but solutions must be generated by co-operators themselves. Bureaucratic models of education have also failed to facilitate members to generate their own co-operative solution because such education is not defined by the needs of members and the delivery is also blue print driven.

Sixth, co-operative policy and legislation environment is also conflictive and one question which has to be answered is whether co-operatives are tools of rural development. Before independence, the colonial government allowed co-operatives because they would make small farmers able to pay taxes. After independence, they were all tied to government marketing boards and subjected to systematic transfer of surplus for institutionalization (Chachage, 2005). This was against the wishes of the cooperators because they formed co-operatives to control

the surplus they produced and what level of the surplus should have been appropriated by the state, should have been negotiated as an issue of good governance both on the part of the state and on the co-operative movement.

Otherwise, if good governance is not observed during price negotiation and the appropriate formula for co-operative taxation, put in place (Munkner, 2006), one could argue that co-operatives could as well be the wrong organizations for rural development. Seventh, is the influence of the state in a peripheral mode of production with fragile institutions of the state. This evidenced by the current price tension in the pricing of cotton and disintegration of the co-operative organization in the cotton growing areas in Tanzania, is an issue of good governance between the movement and the government. While the government is using the bureaucratic method of taxation on cotton, the co-operatives have been demanding negotiations to arrive at a consensus price.

Information that we get through the media is the fact that co-operatives in the cotton areas are declining and handing over small farmer members to a direct production contract system where collective power is disrupted, loss of good governance and cotton farmers will once again be exposed to a systematic deprivation of their surplus and will finally remain income poor.

Throughout the debate, there have been little member education for member empowerment and absence of a national co-operative mechanism for negotiation, the number of agricultural co-operatives is going down as the following Table 3 indicates.

Table 3: Co-operative Statistics as at 31st March 2010

Type	%
Financial services	55
Agricultural marketing	30
Livestock marketing	2
Fisheries	1
Irrigation	1
Industrial	2
Services	3
Others	7

Source: Ministry of Agriculture, Food and Co-operatives

In the assessment of members' empowerment as an input to good governance, it was observed that the cooperative concept in general and that of Savings and Credit Co-operatives in particular, were not understood by the general public (Ally, 2008).

Some members of Parliament even misconceived the concept of SACCOs to mean Savings and Borrowing Associations (SABOAs (Chambo, 2008). But more than that this level of misconception, in some local communities' cultural values are still the drivers of internal governance (Ally, 2008) to the extent that people may not join a co-operative just because the practice may go against their strong cultural values. For example, in some communities in Southern Tanzania, people try to grow every crop so that they are self sufficient. In such circumstances, introducing savings and credit co-operatives, people may join in order to save but not borrow because doing so, is considered as sign of weakness of the head of family and an embarrassment. In a number of rural SACCOs there are more savings than loans taken by members.

4.0 Pilot Findings

Findings are based on preliminary survey based on two cases of a national co-operative organizational framework and a local savings and credit co-operative in what could be considered as an advanced member -based co-operative.

The data from the national co-operative framework was collected using structured questionnaire by a student of our university researching on governance and in the local co-operative, data was collected using focus group discussion. The findings cannot be generalized because some more survey will be conducted after the conference. It is however, used here to indicate what could be the status of governance in the Tanzanian cooperative system.

4.1 Findings at the National Co-operative Framework

Member organizations were exposed to organizational knowledge on good governance, leave alone being ignorant of cooperative law and policy. Members did not know their rights and obligations. Although there was discussion about good governance issues, there was no framework for putting those ideas into a mechanism for action because some of the board members had conflict of interests with good governance instruments for two reasons:

First, there was no push from member organizations and therefore they chose to abandon rather than pulling it. Second, the fear of conflict of interest in the board has weakened the push process for governance on management.

There is the government, Co-operative Reform and Modernization Program (CRMP) of which one of its agenda is the implementation of good governance in the cooperative movement as it prepares to become competitive with a good image. However, the pilot data from the research indicates the absence of a clear strategy for implementing the proposed governance strategy. The national framework has not proposed its own reform programme for the cooperative movement that takes deeper the issues of good governance. There was also, no evidence for communicating to members organizations on the requirements of the CRMP and n instrument has been proposed for implementation and evaluation of good governance practice todate.

4.2 The Local Savings and Credit Co-operative

The case study is a local savings and credit co-operative society where focus group discussion as organized on issues of good governance at the local competitive level. The following were the results on the issues of good governance in cooperatives.

Table 4: Member Assessment of Good Governance Practice

Good governance practice	Frequency
Low transparency	12
Low accountability	6
Low participation	8
Low democratic practice	5
Poor service delivery	5
Low leadership capacity	5
Lack of leadership capacity	2
Lack of innovation	1

Source: FGD results

It is very clear that at the local co-operative level, governance is also minimal at the local level primary society too, especially the lack of transparency, low member participation, and low accountability. The main issues covering low accountability were summed up to be arrogance of leadership and lack of timely feedback to members' queries. Members would demand information on the status of their accounts but it would take a minimum of three weeks to get feedback. There is evidence that the leadership is quite knowledgeable about cooperative financial services. However, there has been continued disruption of services due to weak

management. Weak management is a factor causing frustrations in the membership to the extent that members are waiting to clear their loans before they save their membership with the co-operative society.

Transparency in a co-operative financial institution is improved by such factors as enhanced information management and information flow to all members when they need it. But to the contrary, all the technological and communication facilities available, members are not informed about their business including products and services available.

4.3 Preliminary Analysis

Governance is a critical issue in the Tanzanian state and its formal institutions. There is quite logical room to see the need for capacity building on governance issues at the state level; as well as capacity building at the interface level between the state and the co-operative movement.

Lay board members are not able to assume a steward position because they have personal interest to protect at the national level. This automatically makes the board at the national level lose direction and unable to build a good image of governance for the co-operative movement. Joint training for board and management may not help because there is not push from member organizations.

The implementation of the CRMP aspects of governance without an internal instrument and without its own change programme at the national level is a reflection of three factors, first, the national framework is still implementing and carries the bureaucratic perspective of leading the co-operatives in Tanzania. Second, they have no programme of initiating change process in the membership, and third, the bureaucratic methodology of the national framework makes it reflect a distributive kind of co-operative movement through which the state can use to distribute government credit and repayment funds for unpaid bank credit. A collective movement build from below is certainly a required eventuality. But the initiative has to come from members. Another point that has weakened the board is its compromise with professional management. As such, governance issues cannot be part of leadership discourse at the national level of the co-operative movement.

Education programmes offered by the national framework are not attractive as long as they are provided as rhetoric of what members know about co-operatives and are not material for change and innovation. The introduction of members empowerment programme by the College

has not been accepted totally at the national level for reasons of internal board interests and as such, the members of agricultural co-operatives are declining for loss of sustainable image of good governance at the national level.

At the national level, the picture is similar to the national structure. Individual members are losing hope for lack of transparency and accountability by the leadership. Members are confined to discuss about the availability of loans rather than the comprehensive development of their co-operative organization, including issues of governance. The internal supervisory committee has been sidelined and is practically powerless as members do not demand accountability from the board.

The board treats the members bureaucratically because they have tuned democracy up side down. When the democratic structure is turned up side down by the board, the members implement what is suggested and decided by the Board while the Management plays the role of transmission of Board decisions. The consequence of this scenario is loss of co-operative organization. The boards have higher qualifications than the management therefore there is quite an opportunity to develop better instruments of good governance. However, there are three reasons as to why this is not happening; first, members are more credit associated than other issues of their co-operative. They discuss issues of credit only because savings are deducted through the salary system. Secondly; the members are reactive to co-operative issues as long as the board can make sure that the loanable fund is available and therefore, the push for governance from the membership is practically minimal. But thirdly, there is weak external governance input by the department and the Co-operative Audit and Supervision Corporation which would have reminded the board of their leadership responsibilities. The absence of internal and external supervision, makes the co-operatives run into two major risks. First, the co-operative may lose huge sums of members' funds due to unmonitored fraud and embezzlement but secondly, the co-operative faces a risk of being taken over by the board while members maintain their commitment to membership because they have huge loans to pay and not as active members of the co-operative society.

5.0 Policy Research Implications

Co-operatives are still relevant both to small farmers and workers in urban areas. But with weak leadership at the national level, the agricultural co-operative movement is declining while the savings and credit movement is more urban centric, is growing fast. The rise of the savings and credit co-operative movement is more in urban areas and not in rural areas because it is

more employee based. However, the growth of the savings and credit co-operative movement in rural Tanzania depends on three important factors including the rate of commercialization of agriculture, the enhancement of production and processing technology and a well negotiated taxation policy on agriculture and agricultural marketing co-operatives. There is need to make a thorough review of training and research agenda so that both address the co-operative mode of organization than going the long-established bureaucratic approaches to co-operative development. Thorough research is needed into co-operative governance and in understanding the culture and traditions of different communities each on its own right so that co-operative development does not fall into the trap of blue print tradition from the centre.

6. 0 Conclusion

In this presentation we have made a survey of the internal dynamics of governance inside co-operative organizations. We have argued that the co-operative enterprise in Africa is still a moving target as it evolves to becoming a stable institution. We have also seen and accepted that the political economy of Tanzania is still a complex one as it derives a peripheral mode of production and distribution. As a peripheral capitalist economy, it still consists of fragile institutions of the state. As such the co-operative movement derived from it replicates *the* weaknesses of the state system as we have noted with the preliminary case studies.

A review of co-operative policy in addressing the emerging co-operative mode of organization is clearly needed. But such a policy should be guided by a research intervention into the economic, cultural and traditional perspectives of co-operative development of different communities without generalization.