

Co-Operative Development in Tanzania: A Tool for Equality and Socio-Economic Development

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Abstract

Cooperative development in Tanzania has passed different down falls. They were imposed by colonialist during 1920s for the purpose of obtaining the agricultural produce. Despite of these missions, the cooperative in Tanzania had been agricultural based up to 1960s on independence. That went on up to 1980s when cooperatives were used as a tool for rural development. Afterwards, different cooperative forms started, such as saving and credits, consumers and others. The objective of these papers is to explore the genesis and growth of cooperatives in Tanzania as well as different downfall that cooperative had been experiencing. The theoretical reviews co-operative promotions and institutional capacity on co-operative promotion in its history, co-operative schemes through MSMES strategy, policy reforms and co-operative development, group action promotions through co-operative and funds promotions in co-operative development, promotion of nontraditional co-operative enterprises. The hindrance on cooperative development had been viewed in assessing the the status of co-operatives in Tanzania on the position of co-operative in the bargaining power, members' role in co-operative governance, the politicization of co-operative institutions, economic liberalization and co-operative development, agency problem to member ownership, unions formed on tribal and ethnic base as a common bond. empowering the Union on the expense of primary societies, change of co-operative management from weberian to democratization, co-operative being agents of the government, cut on prices syndrome to members profit gain, the economic democracy and co-operative competition, Global warming impacts on co-operative production margins, the blue print training on socialism co-operatives to member's participation and politician's decisions on co-operative status. The recommendations is based on promoting new forms of co-operatives that should be promoted as a co-operative had been a new sector of its own in promoting different sectors. In that we can promote co-operative new venture business in the area of new crops in agriculture that had no room on co-operative sector. Other promotion sectors being transport co-operatives is a new sector to be promoted in Tanzania. Other sector includes Health sector, tourism, and many more that should base on participatory policy reforms which should reflect shareholders on board. That will ensure member inclusion that will also support its implementation which will solve social economic member's needs.

1.1 Introduction

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise (ICA 1966). Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others. All over the world, co-operatives generally operate using these seven principles as guidelines by which they put their values into practice (ICA, 1965). Co-operative enterprise being a social entity had been used by the majority by different country citizens in attaining their social economic needs. As Wanyama, Develtere and Pollet (2009) advocates, co-operatives were used as a tool for uniting the poor for poverty reduction through member owned institution. The co-operative enterprises are primarily member owned enterprises that can be used as a tool for community development (Chavez, 2003 & Tairo, 2012).

The social economic development in Tanzanians had been attained through co-operative institutions. The landmarks to rural empowerment becomes possible from the use of co-operative, that capture the comprehensive dimensional part of villagelization, agricultural mechanization, income generating tool, agricultural input supports, developing good governance mechanism in Tanzanians majority. Co-operative institution needs to be placed on the government priority since of its democratic nature that is embarrassed in its values ethics and principles.

Historically, Tanzanians co-operatives were largely agriculture based. From early 1920's colonial administration promoted the establishment of co-operative that was primarily agricultural based. The logic behind colonial co-operative establishment was for obtaining the agricultural raw material to feed the metropolitan industries. Since Co-operatives was established in the mid 1930s, Tanzania has experienced opportunities and challenges of the co-operative enterprise in agriculture and other sectors of the economy that operates in co-operative name.

The independence and development of Tanzania took the same methodology of imposition nature of co-operative idea to its citizens from 1961 (Kiongo, 1998). The use of co-operative institutions as a driving tool

for citizen development becomes a driving engine as a model for rural development. In 1967 co-operative was used as an engine to implement socialism and self reliance. Tanzania embraced central planning through Ujamaa village Act of 1975 where co-operatives were village based and any citizen aged 18 years, was automatically a member. In the same year, that is 1975, co-operative was declared as capitalist institution by the state, and co-operative unions was burned replaced by crop authority. Unions were reintroduced in 1984. From 1980s with SAP which conditioned third world countries to cut down expenditures, Tanzania had no breath after cutting subsidies to cooperators. The liberalization of the economy that leads to the implantation of open door policy, free trade under WTO conditions where co-operative institutions was not prepared (Komba, 2011)

The emphasis now is for co-operative to be independent from the government by increasing member participation and member co-operative governance. The members in that move should patronize the co-operatives including subscribing to capital and sharpening their managerial civility where they find that the co-operative venture that reflect their wishes, the existing co-operative do not fit into this model. (Wanyama, *et al.*, 2009)

The aspect of co-operative governance in the co-operative institutions should respect the aspect of human rights, rule of law, democratic governance accountability, and other aspect that govern co-operative governance context (Chris, 2004). All these should be done in the participatory systems where member's holds positions in making structures that will respond to co-operative objectives of the members.

1.2 Objectives and Justification

The objective of this paper is to accentuate the roles of co-operatives in perpetuating equality and the socio-economic development. In different communities of the world, people are faced with problems of poverty and inequality in social and economic development dimensions. Development will be sustainable if it is built on the principles of equality and empowerment, development must be shared by those who are affected by it. Therefore, the problem of inequality and poverty reduction in world's communities can be addressed through co-operatives practices ranging from agricultural to financial. Despite the increased scratches in the development of these co-operative entities, there have been balances between the values of equality, solidarity, fairness and the empowerment.

Feasibly, the paper is lined with the UN's General Assembly resolution 62/128 in which the general secretary submitted a report on the socio-economic impacts of the co-operatives. The reports underscored the importance of co-operatives to socio-economic development and how agricultural and financial co-operatives contribute to long term solutions for food security and a more resilient and inclusive financial systems in the perspectives of food and financial crises in the world. In that sense, inclusive financial system marks the footprint of equality in socio-economic development. The paper is further compacted with Tanzania National Strategy for Growth and Reduction of poverty (NSGRP) and the Co-operative Development Policy 2002 which both established that co-operatives bring equality in socio-economic development.

2. Methodology and analysis of information

The paper is experienced based with compiled information from various field visits and supervision of co-operative entities with both agricultural and financial stands. However, analysis and synthesis of information from reviewed literatures at local and international perspectives was one of the methodology used to carry out the findings in this paper. Specifically, the information was drawn from the research papers of the Institute of Research and Education on Co-operatives and Mutual of the University of Sherbrooke- IRECUS (2012). Global annual reports and classification of 2010 was used to draw inferences basing on the 300 largest co-operatives in 26 countries of the world which were measured by their sales figures as studied by IRECUS (2012), (*See appendix A of the co-operative figures*). According to International Co-operative Alliance (2012), it was estimated that there were 750,000 co-operatives worldwide; therefore the use of local and international multi cases of co-operatives gives clear view of the impacts of co-operatives on equality and socio economic development.

3. Results and discussion

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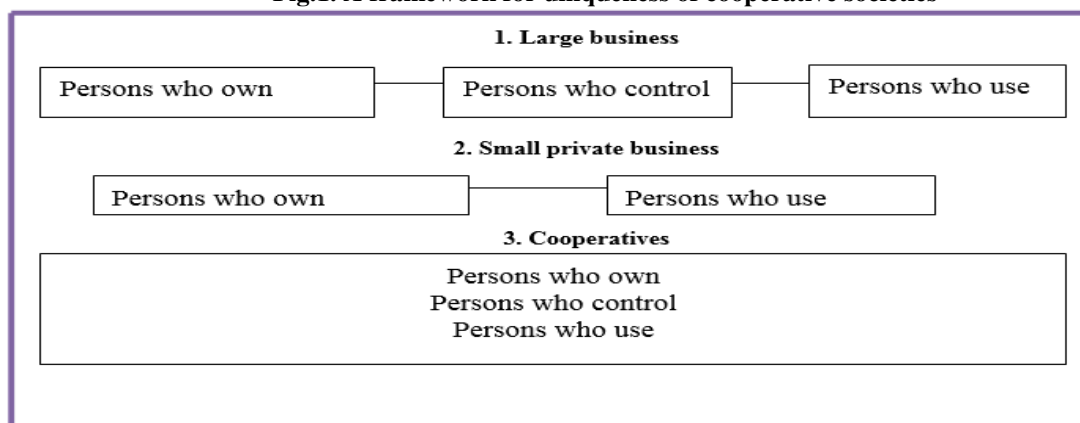
3.1 Results and discussion

3.1.1 Democratic and equality institutions

Information shows that cooperatives constitute a democratic and equality force that bring its members together and united. Democracy and equality is seen in many perspectives in the stand of cooperatives, through leadership election such that board members, committee members, it enables democratic and equal participation of members in training and workshop. Democracy and equality are two sides of one coin, where democracy exists, equality flourish. The IRECUS (2012) put it clear that, if members of 300 world’s largest cooperatives could form a country it would be the world’s number one democratic country with equality. On the other hand Wanner (2011), cooperatives promotes equality in the dimension of access to services and goods depending on the needs of the time. This is quite possible because in varied cases cooperative have muscles strength of penetrating and grabbing the available opportunities in services and businesses than an individual person can do. However, in cooperative, equality is seen in the sense of ownership, control and benefits, this is a unique feature that set aside these entities from other kind of business and services

(Fig1)

Fig.1. A framework for uniqueness of cooperative societies



Source : Bello (2005)

3.1.2 An instrument for empowerment of the poor people

The world’s nations are struggling to fight against poverty and inequality; this is evidenced by the fact that, many development programmes and agendas are geared at reducing poverty. The most known current effort of poverty reduction is marked by the establishment of the Millennium Development goals (MDGs) at international level. Tanzania like any other countries in the world has put forward and in place various strategies like National Strategy for Growth and Reduction of Poverty (NSGRPI &II) and Tanzania Development Vision 2025 which creates a move for poverty reduction by improving socio economic development and equality in development and social dimensions through cooperative entities. Cooperatives usually make its members to have power on

development plan and business decisions. Empowerment comes in that of being exposed to renovations of business and services kinds. Economic gains which is obtained thorough membership benefits is the most valuable empowerment because the effects of economic stability and gains among cooperative members has multiplier effects in the aspects of other life dimensions, through empowerment individuals can easily work towards poverty reduction and be able to meet health services cost, housing improvement and excel beyond economic effects. Cooperatives are not just for the poor people but for both, the purpose is to increase and create new paths towards economic and social gains which could hardly be obtained without it.

3.1.3 Institutions that foster employment

Cooperatives of both kinds are emerging institutions that foster employment to both males and females, as any other entities, cooperatives requires skilled and non skilled workers to run its activities. Evidence have shown that in Kenya there are over 11,200 registered cooperatives societies country wide ,and the membership is over 8Million , the number of personnel who are directly employed is over 300,000. This also marks the footstep of the 63% of the population in Kenya that is 40million which directly depends on cooperation based enterprises (Kuria, 2011). Employment creation is also wide gained in cooperative entities in Tanzania, the fact is supported by the findings from Sumelius *et als* (2013), that the number of cooperative being 1.6million , the number of individuals that directly benefit from those cooperative is about 8milion.It is quite true that informal sectors is a major employer of individuals in many countries of especially the developing nations. Employment does not only benefit the employee to gain payment rather it strengthens human capacity through training and workshops.

3.1.4 Direct and indirect contribution to GDP

Cooperative have direct and indirect contribution to Gross Domestic Products .However data pertaining to how much cooperatives contribute to GDP is not readily available , but the URT(2010) showed that agricultural practices have contributed up to 45percent of the GDP and 60percent of total export, this contribution signify the bright color move. Agriculture and cooperatives have had an annual growth rate of 5percent in 2001 to 10percent in 2010. In the broad growth, agriculture and cooperatives have scaled up the participation of SMEs and informal sector in the growth. Development of agriculture may signify a direct implication to the development of agricultural cooperatives and GDP growth. Development of cooperatives also imply an increased revenue to the government through taxation of export and some imported materials which directly drive the impact on the growth of GDP

Worldwide, investigation showed that cooperatives and mutual of the Global 300 had total revenues of the \$1,926 billion; if they were a country they could rank 9th largest economy in the world in 2012. These are the results of only the analyzed 300 biggest cooperatives. It is highly likely that 750,000 cooperatives in the world would raise their economic rankings to an even higher order. It is interesting to note that the sales figure of these businesses surpasses the total exports for fuels, cars and car parts, textiles and clothing (IREUS, 2012). This economic performance is achieved while also amassing reserves of more than \$867 million, paying out annual dividends of \$66 million, all the while getting involved in the community, creating some 4 million jobs, promoting principles and values, and contributing to the maintenance of equal access to goods and services. In short, cooperatives and mutuals contribute greatly to the world economy while receiving relatively little attention from the general public, governments and other businesses.

3.1.5 Improved education and health services

It is widely known that education and training are amongst the best ways to counter economic, social and political exclusion. It seems clear that cooperatives and mutuals contribute to this educational process. Nevertheless, cooperative content remains largely absent from national educational programs. The principles of autonomy and independence, and the very nature of cooperatives and mutuals create a model that is, in itself, extremely varied and able to adapt sartorial, cultural and political specificities and realities. A good example of cooperatives that has positively contributed to the development of education among the members and the poor communities is SHIRECU of the cooperatives which owned the school, KCU have had the efforts to support education services by paying schools fees for the deprived children. The cooperatives entities operate within the community's environment, as services and business organizations they usually retain some money for social service support in the community.

3.2 Challenges facing co-operative promotion in Tanzania

3.2.1 Co-operative promotions and institutional capacity

3.2.1.1 Co-operative promotion in its history

The promotion of co-operatives in Tanzania took different forms and peace at different time in the co-operative history (Alfred, 1992). The promotion agricultural based co-operative, the few promoted crops were coffee, cotton, cashew nuts, tobacco, tea, sunflower and paddy, despite of having numerous crops such as Maize, coconuts, groundnuts, pyrethrum and many more. The movement went on promotion of the housing co-operatives, and co-operative banks. In 1990s the Housing Banks run bankrupt and co-operative bank and rural development bank was amalgamated to Co-operative and Rural Development Bank (CRDB) which was replaced

in CRDB Bank, the cooperators shares are nowhere to be found in new reformed bank. By 1990s the saving and credits co-operatives start to take a rapid pace. And other co-operatives in mining, fishing, bee keeping, diary, also were promoted by different sectors.

3.2.1.2 Co-operative schemes through MSMES strategy

Currently there are different policies, schemes, Institutions and funding that promotes co-operatives and based much on Micro Small and Medium Enterprise SMES. These includes; Credit guarantee scheme for agriculture and rural enterprises development, dealing with appraisal and sustainability, youth entrepreneurship development through small industry development organization, Tanzania development trust for small grant scheme, sustainable industry development. Despite these efforts, the co-operative institutions did not benefited from these schemes as it was expected. The co-operative institutional expects development change in income access, training and development, rural empowerment on community co-operative employment creation, development in agricultural development, community resource governance and other development initiatives being achieved.

3.2.1.3 Policy reforms and co-operative development

According to Chukwu (1990) and Shaw (2006) the government in promotes co-operative through the use of policy reforms. In Tanzania these policies includes co-operative development policy, national microfinance policy, mineral policy of Tanzania, gender and women development policy, sustainable industrial development policy, national environmental policy and small and medium enterprise development policy. The question that comes is, how these policy reflect co-operative development on board, what is the participation of the co-operative movement in the policy formulation and implementation, who are the key actors in the operationalisation of policy with reflection to co-operative promotions and does the policy have a co-operative breath (Pretty, *et al.*, 1995 & Chris, 2004). These answers should be reflected in the policy guide, from formulation, implementation, monitoring and evaluation.

3.2.1.4 Group action promotions through co-operatives

Co-operatives are mostly dealing with MSMEs on different dimensions, the joint effort of groups through the use of Pre-Co-operative ventures, such groups as SILC, HISA, VICOBA are promoted via MSME co-operative model (Ally, 2008; Andrew, 2006 and Tripathy, 2010)). The institute supporting the micro small and medium enterprise as well as co-operatives are, Tanzania industry research development organization, centre for agriculture mechanization for rural technology, Tanzania engineering and manufacturing design organization, Tanzania bureau of standard, board of external trade, institute of production and innovation, Moshi Co-operative university, and other financial and technical institutions. The question that rises is how MSMEs co-operative model are promoted, other think these are not co-operatives, how do we ensure and guarantee the market to products and service generated, what is the role of the government in developing Delay on Payment Policy, is there institutional support for creating investment potential to groups and individual falling in these category, do we have a political will to support MSMEs co-operative model, and do we have cluster development approach to empower different MSMEs.

3.2.1.5 Funds promotions in co-operative development

Fund for promoting different individuals and groups are not intending to promote co-operative sector (Chris, 2004). The funds available for the promotions includes, national entrepreneurship development fund, youth development fund, women development fund, small industry loan facility, national income generating program, president trust fund, community development trust fund. The rising question to these funds that comes to co-operative stakeholders are; does these fund directed toward effort to promote co-operative, how different sectors of economy support co-operative initiative trough sectoral fund available, what went wrong since community development was implemented via co-operative models in Tanzania,

3.2.1.6 Promotion of nontraditional co-operative enterprises

The efforts towards promoting other nontraditional co-operatives in Tanzania, basing on the analogy that, our thinking was promoting rural development by the use of co-operative model has bold our mind (Chavez, 2003 & Andrew, 2006). It had been the practice that co-operatives are equal to both agricultural marketing co-operative and nowadays SACCOS. What about promoting co-operative in other marginalized sectors of economic and social development such as food, handcraft, textile, health, beverages, transports, security, education, small mines, tourism service, assembling, and other firm that are growing fast in the different enterprise sectors (Chambo & Diyamett, 2011) this will create a wider perspective for individual to form different kind of co-operative institutions.

3.2.2 The status of co-operatives in Tanzania

2.2.2.1 The position of co-operative in the bargaining power

Chambo (2009) and Karthikeya (2010) provide the status of African co-operatives that continue to be producer of raw material but trading with industrialized countries. The later groups of countries, which have the capacity of nationalization on the economic utilization of imported raw materials from the developing world, remain dominant. As result of this position Africa continue to occupy a weak bargaining position when it comes to trade bargaining participation (Alfred, 1992). The co-operative member decisions on market and trade policies and

institutionalization of marketing business is determined by peripheral mode of the co-operative enterprise (Cornforth, 2004; Bruynis, *et al.*, 2011 & Komba, 2011). The peripheral in this context includes; market forces, crop boards, research institutions, standard control institutions, bureaucrats, international organization and bourgeoisie class. In that system where co-operative members do not hold decisions, the marginalization of the organizational member participation in decision making, pooling of resources and capital contributions of the co-operative enterprise becomes inevitable.

2.2.2.3 Members' role in co-operative governance

Co-operative governance in its concepts, the co-operatives is built in four major catch words (Chambo, 2009 & Alfred, 1992)) Co-operatives are instruments that are used as a mechanism to develop the community in socio-economic development. First, they are formed by group of people with specific need. Second, it is formed freely by members after contributing to its assets. Third, it is governed democratically. And fourth, its independent enterprise promoted, owned, and controlled by people to meet their needs. It that co-operative institutions that needs to address the aspect of member participation as one key element in the co-operative governance. The AGM that becomes the organ with higher authority in the co-operative management should be driven by member's participation since members are the shareholders of the co-operative institutions (Bruynis, *et al.*, 2011). What is going on, is the agenda are decided by the management and board on the expense of members, and sets the decision where members becomes part of that decision (Craig, 1993 & Chukwu, 1990). According to Oran (1998) the board and managers in most co-operatives in Tanzania denies to disseminate and to provide co-operative education to member, that rejections has made member to believe on whatever done by the board and management, when the forum for training comes from co-operative promoters and other agency, it's the board and management privileges. The percentage of profit generated to sustain co-operative education had never be fulfilled on its implementation in the co-operative industry.

2.2.2.4 The politicization of co-operative institutions

The politics decides on what should be the focus in the co-operative sector development (Bruynis, *et al.*, 2011). When the co-operative were condemned of being a capitalist institution in Tanzania, they were burned, and the bearcats establish the crop board to take charge of the union. The driver of change in the co-operative management is external driven on deciding the affairs of the cooperators. The co-operative institution becomes no longer of the members and their organizations are not part of current debate as a priority of the members in enabling them on their effort to eliminate their social economic problems using co-operative as a strategy.

2.2.2.5 Economic liberalization and co-operative development

The liberalization and privatization that Tanzania practiced as from 1990's, co-operative industry was not prepared to enter into that private system of the economic stigma (Chachage, 1993 & Zamagn and Zamagni, 2010)). The transformation from central planning framework of co-operative development was more disastrous than where the market economy was driven by co-operative monopoly (Chaddad and Cook, 2003; Ropke, 1992 & Wanyama, 2009). The death rate of co-operatives in Tanzania during liberalization increased despite the fact that Tanzania had the largest agricultural co-operative movement in Anglophone Africa. Tanzania agricultural co-operatives have been facing survival challenges as a result of the agricultural industrialization process. According to ILO (2001), the international competitive strategies pursued by agricultural co-operatives in response to environmental and structural changes in the agriculture production system, including value added processing, brand name development, product patents, and entry into international markets require substantial capital investments. Co-operative institutional policy and law change in Tanzania is inevitable, to embark on these global dynamic change (Sacchetti & Tortia, 2012). The traditional model of co-operative industry cannot swim in this competitive change driving the co-operative sector. According to Chaddad and Cook (2003); Tripathy (2010) contended that new generation co-operative model is a solution to our co-operative institution. The new generation co-operative organizational innovations include but are not limited to: base capital plans, subsidiaries with partial public ownership, preferred trust shares, equity seeking joint ventures, combined limited liability company-co-operative strategic alliances, and permanent capital equity plans. But without changing in policy and laws, such dream will be impossible.

2.2.2.6 Agency problem to member ownership

The Co-operative governance is the set of relationship between the co-operative members, the board and the management (Nakkiran, 2006). The board of representatives that advise management on the absence of members and the management that care and control the co-operative for the members and how business can be best governed in the interest of its owners (Munkner, 2006; Wong and Jacoubus, 2008). The biggest problem that had been facing the co-operative industry was the participatory approach to be adopted that will take member on board. In order to acquire the necessary skills to implement member co-operative participatory approach to membership empowerment is a solution to co-operative development. Institution growth related strategies are necessary for enabling co-operative members remain competitive. That will enable agricultural, fishing, mining, financial, health, transport and other co-operatives co-operative forms to adapt industrialization by means of organizational innovations (Karthikeyan, 2010). The action of having a participatory framework will ensure

member creativity and innovative, in turn it will create and entrepreneurial ideas in to our co-operative industry. According to Hutton (1997), the aspect of information sharing, feedback access to decision made, participative budgetary planning and implementation, dividend distribution decisions, investment decisions, capital expansion and managerial change can be a driver to empower co-operative growth when members are part of these emerging change.

2.2.2.7 Unions formed on tribal and ethnic base as a common bond

Develtere, (2008) explains that, over the year co-operative enterprises have successfully operated locally owned and people-centered businesses. Co-operative serves as catalysts for social organization and cohesion for creating a socio economic development. With their concern for their members and communities, they represent a model of economic enterprise that places high regard for democratic and human values and respect for the environment that support co-operative development. In doing that primary societies were fused, which on the formal growth forms the unions. The union is the unification of primary co-operative, which fall under the same business category. It is defined in terms of business nature, types of business traded within a specified geographical defined society (Chaddad and Cook, 2003). That being the model of formation, the co-operative development in Tanzania on secondary level had been facing a substantial challenge. The decision to form a union is based on tribes and ethnicity as a common bond that has been destroying our co-operative unions, currently in KNCU members are talking on equal representation from Rombo, Marangu, Uru, Kobosho, Machame and Siha. The network formation is now amalgamated into the above stated area, in KCU where KDCU was result of the Wanyambo from Karagwe and Haya from the entire part of Kagera that makes these separations. Same Co-operative Union separates from KNCU and die a natural death. Also there is another rising separation in SHIRECU to form union from Simiyu and Shinyanga regions, in CETCU things are not better between 14 tobacco primary co-operative society by having analogy of big 4 and small 10, where the big 4 they want to form their union. That had been eating our co-operative through the back door, we can ask ourselves, where is SIRECU, Same co-operative Union, Mara Co-operative union, and it time we shall be discussing where is KCU, KNCU, SHIRECU, Nyanza Co-operative Union and others.

2.2.2.8 Empowering the Union on the expense of primary societies

The aspect of co-operative governance according to Wong and Jacoubus (2008) is about structure, relationship and monitoring performance, for the co-operative to succeed a sound governance model must be in place. This model must provide a framework that will enables the organization to function in keeping with its aims and objective (Lema, 1997). Changing the role of the Union as a secondary co-operative is inevitable to create a clear picture of who has more stakes in the co-operative business (Hung, 1998). Currently the Unions had the rote to take loan from banks and distribute to primary societies, to buy agriculture produce from members where the primary societies act as collection centers, process the sales of the cash crops of the primary society members to the buyer in local and international markets, also they are the buyer of Unions cash crop as exporter agents. In that complex situations members remained in dilemma of who has the right of ownership and control the co-operative society (Munkner, 1995). It should be the primary society role to market the members produce, and with the liability to borrow and pay back the loan. The union should change its role and become information and coordinating organ. Co-operative movement and shareholders should change their thinking on having higher investment at the Union lever on the expense of primary societies. Member empowerment should be done at the level of the primary society to manage the buying and marketing process (Munkner, 1995 & Chambo, 2008). As the Reform and Modernisation Program puts it, "it is only when the grassroots membership is empowered that Tanzania will see a true emergence of democratic and economically viable co-operatives". (CRMP, 2005). Thus far, it admits the involvement and participation of members remains weak. Strong emphasis, therefore, is given to the need for member empowerment, as a key part of the work of rebuilding co-operatives in Tanzania. This is described as a process of power sharing with the ordinary members, in order to build their confidence and their ability to manage their own economic affairs and their co-operative organization

2.2.2.9 Change of co-operative management from weberian to democratization

Investment in democratic system in co-operative institutions require empowering members in the creation of an enabling environment, one which encourages participatory ways of tackling and solving problems (Chachage, 1993). It also requires a change of attitude on the part of co-operative leaders and support workers, so that they become facilitators and agents for change (Andrew, 2006). The structure of co-operative in Tanzania had been for quite long time practicing the weberian mode of bureaucratic system in the co-operative environment that limits democratization practices in the co-operative industry. In the aspect of co-operative reforms, Sizya (2001) explained much on the process co-operative reforms. But how far have the policy addressed issues on how member will participate toward co-operative policy reforms? How does the policy respond to the changing dynamics, diversity and demand of members? Are the grassroots know the co-operative policy in place and its functionality? We need to find out these so that we can have member co-operatives who are the true stakeholders of the co-operative industry.

2.2.2.10 Co-operative being agents of the government

The existing co-operatives are a victim of exotic paradigm. They were created by the government to serve the purpose of the government, not the members (Chambo, 2007). The fact that the government is giving them a low profile serves as a red-light of warning. An era of government sponsored co-operatives has come to an end with member driven co-operative mode of governing the co-operatives (Mfangavo, 1994). The agriculture marketing co-operatives were nursed like small babies whose parents suddenly decide to abandon it to fund for itself. The child in this case will have to learn fast to be independent otherwise it will die. (Lema 1997) The dependency syndrome of the co-operative institutions that was formally created by the government, according to Mfangavo (1994) and Chachage (1993) co-operative was compared like a bicycle which remained upright only when someone is riding it. When he stops riding it will fall down. That it is running with heavy assistance from the government makes the co-operative dependence syndrome. The question is, until when! When will the members fill that they have the responsibility to make it stand and make co-operative institutions stand on its own.

2.2.2.11 Cut on prices syndrome to members profit gain

The capacity of the co-operative movement in Tanzania to enforce co-operatives for creating viable and sustainable enterprises that can secure productive employment, markets, generate income and the payment of decent wages and salaries are not be attained (Enriquez, 1986, TFC & CDD 2006). In Tanzania the large majority of producers at the primary level are smallholders. They have joined together in village groups and co-operatives to purchase agricultural inputs, to access technical supervision, to farm irrigated plots, to market cash crops through their primary co-operatives with crops such as coffee, tobacco, cotton, groundnuts, paddy, cashew and others (Rwekaza, 2012). When agricultural produce is marketed, the co-operative charges commissions or fees which are often invested into gross sell increase total collapse of our co-operative member on their effort to poverty reduction strategies. Take a case of coffee, after sell to the export market is subjected to international currency inflations since it is marketed in US Dollar, TCB deductions charges, Coffee development trust fund, Tanzania coffee research institute, local government deductions, TBS, TFDA, TRA, Coffee Processor charges, Union operating cost, Interest on loan from banks, primary co-operative operating cost. The question comes, what is the residual price of the members under these underlined cost charges on crops.

2.2.2.12 Member participation and co-operative ownership

Mbasha (1998) explained by using simple question to member participation that, when we pose a simple question as to whom does the co-operative belong? The simple answer expected from every person is that it belongs to members. But in the actual fact is that this is not the case in the co-operative. They only own shares and not fixed assets which are product of their share that claimed to belong to the board and management (Dubell, 1981 & Alton, *et al.*, 1975). In that contention we can assess how much the participation of members are lagged behind even on having understanding of their ownership. Kiongo (1998) said, Member participation is weak resulting in mismanagement and non-acceptance of co-operative as reliable commercial institutions. Solomon (1999) and Goel (2006) explained the co-operative organizations base on participative principles that are full of ambiguity; argument and conflicts, co-operative often confuse ownership and management. In normal practice the boards are provided with the opportunity to make policy. But professional managers use their technical knowledge to cheat what the policy guideline direct them. Board members who are representatives of the members in a democratic representation, found not able to hold management accountable to what went wrong due to low knowledge capacity on technical professionalism of the co-operative enterprise management (Conforth, 2004). The agency conflicts come in and members are the loser, since managers decide in favor of the organization and managers themselves, and they are the expert over the board and members, therefore they can twist on their side.

2.2.2.13 Economic democracy and co-operative competition

The co-operative movement has been fueled globally by ideas of economic democracy. Economic democracy is a socioeconomic philosophy that suggests an expansion of decision-making power from a small minority of corporate shareholders to a larger majority of public stakeholders (Alton, *et al.*, 1975). There are many different approaches to thinking about and building economic democracy. Both Marxism and anarchism, for example, have been influenced by utopian socialism, which was based on voluntary cooperation, *without* recognition of class conflict (Chachage, 1993). In that co-operative organization loose the track since cooperators autonomy are in the hands of stakeholders who makes decision

2.2.2.14 Global warming impacts on co-operative production margins

The global warming impacts on co-operative prosperity limit co-operative development in Tanzania. The impact of climatic change made different areas especially on the agriculture sector to have tremendous drought and floods. These bring impact on the production capacity and yield per acre (Rwekaza, 2012). The downfall in production makes cooperators to produce less and sometimes none. The sky emission causative countries such as India, North Korea, USA and other industrialized countries failing to sign the Kyoto protocol for controlling global warming becomes the challenges to agricultural related co-operatives. The change in the production capacity to cooperators made increased poverty pandemic and hence increased economic dependency that eats

co-operative democratic control and institutional ownership.

2.2.2.15 The blue print training on socialism co-operatives to member's participation

The application of co-operative values and principles that may provide important guidelines for co-operative management (ICA: 1995). The trainers, managers and leaders are trained and socialized in the bureaucratic tradition of blue print structures of co-operative philosophical implementation (Hung, 1998; Craig 1993 & Goel, 2006). The blue print tradition will always have answers to all co-operative problems since there is a big gap between theory and practice. The implementation of blue print co-operative development marginalizes 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.

2.2.2.16 Politician's decisions on co-operative status

Misconception of co-operative experts provides the downfall landmark to co-operative institutions in Tanzania. Politician to decide the status of co-operative had becomes the normal practice (Grindle, 2007). Change of co-operative position in the government ministries. Co-operative suffers that drastic shift now and then from different Tanzania government ministries as from independent to date. Despite these changes the mentioning of co-operative was at the end that signifies even on its priority. Co-operative had ever in the ministry such as; trade, industry, agriculture. That makes co-operative losing focus and dimensions to specialize on its co-operative business. Some members of Parliament even misconceived the concept of SACCOS to mean Savings and Borrowing Associations (SABOAs) (Ally, 2008 & Chambo, 2008) and other think SACCOS is not co-operatives society. But more than this level of misconception, in some local communities' cultural values are still the drivers of internal governance and member's behavior (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 examples in some communities in Southern Tanzania, people try to grow every crop so that they are self sufficient. In such communities, introducing savings and credit co-operatives becomes hard task, the thinking behind is that, people may join in order to save but do not borrow because doing so, is considered as sign of weakness of the head of the family and an embarrassment. In those areas a number of rural SACCOS have more savings than loans taken by members.

4. Recommendations

New forms of co-operative should be promoted as a co-operative had becomes a new sector of its own. In that we can promote co-operative new venture business in the area of new crops in agriculture that had no room on co-operative sector, transport co-operatives is a new sector, health sector, tourism, and many more.

Different schemes and projects that support for community empowerment, they can channel their efforts through group actions, that in turn will develop the co-operative institutional base. SMES development can take co-operative as a driving sector for program implementations

Participatory policy reforms should take shareholders on board. That will ensure member inclusion that will also support its implementation. The current business change should be reflected in the policy reforms to go with the current global business trend and requirements

The microfinance model that becomes a pre-co-operative should be promoted, trained on how they can graduate to become primary co-operatives. This will enlarge the EMSMES capital base and become vibrant in economic drivers.

The change of mind set in all co-operative promoters from agricultural co-operatives and financial sector co-operative, to other co-operative sector development in essential for creating the co-operative operation base. In that thinking we can expand the equality that is rest in co-operative theory.

The investment on member education, especial on coping with the bargaining power as well as market access to co-operatives will empower the competitive advantage. On international market, the higher efficiency strategy on market accesses the better price on product and service being marketed.

There must be a participatory approach on the institutional decision making organ, the participation be rest on the members, and board who are the principle owners. The power of the management be based on the issues agreed by the members.

Politicians should not use the co-operative members by their numbers to capitalize on their political legitimacy. Despite the fact that they belong into the influential group, co-operative should remain a driving engine to community development with its professional expertise that rest on principle theory, values and co-operative ethics.

The implementation of new generation co-operative is inevitable in creating a competitive co-operative institution in the competitive environment that will ensure capital gain through different forms of co-operative ventures that cannot be attained under traditional co-operative models.

Empowering the primary societies should become the strategy for developing the viable co-operative

institutions. Empowering primaries to the extent of marketing their member produce. This should be done with reviewing the roles of the union to become the coordinating unit.

Rebuilding Tanzania's co-operatives as effective member-owned businesses requires a clear break from unfortunate historical legacy. The imposition nature of co-operative in its establishment, policy and laws formulation, as well as bureaucratic directives should be revisited to make owners participate in those decisions.

Many commercial banks still view co-operatives as inherently not creditworthy. Many co-operatives are weighed down by the presence on their balance sheets of accumulated debts dating back many years. Sorting out this problem requires both immediate short-term measures and longer-term solutions. In the short term, the government relieves co-operatives of historic debt owed to state institutions, and long term measure being establishing internal co-operative capitalization capacity

The systems of feedback in co-operative societies need to be indicated in the Act of co-operatives, and bylaws to enlarge accountability of the governing board and management to members. Reports needs to be known to members through notice boards, meetings, committees of representations and in any systems that will give the members information on what transpires in their co-operatives

The extension of audits be expanded in the co-operative institutions that to go beyond financial audits, to manpower audits, material audits, investments, and operational management audits to increase accountability of the administrative staffs and board to members, also to increase accountability

Members Capacity building in the co-operative movement, we need for capacity building in the co-operative movement. Priorities include human resource development, better training, research, improved quality of audit and supervision, increased use of ICT, and the creation of pools of co-operative specialists. A number of already existing government-based support institutions have roles to play in this task.

Reforming the Co-operative Development Department (headed by the Registrar of Co-operatives) is one of technical departments of the Ministry of Agriculture, Food and Co-operatives. This Department has a key responsibility in the implementation of the Co-operative Reform and Modernisation Program. To meet this, the Department itself needs strengthening; the Department is short of staff, and existing staff need training in new approaches.

The creation of a National Co-operative Advisory Council, an autonomous institution mandated to play an advisory role in the revival and strengthening of Tanzania's co-operatives. This body will bring together the cooperators; co-operatives support institutions, experts (such as lawyers and corporate strategists) and NGOs with specialist interest in co-operatives. The intention is that the National Co-operative Advisory Council can promote co-operative interests, for example at the high-level meetings of the Tanzania Business Council, how to venture into international business and implementing different model of co-operative promotions

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