

# **Co-operatives and Basic Industrial Strategy in Tanzania**

**By**

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## **Abstract**

The focus of this study was industrial co-operative management in less industrialized countries. It was based on a premise that less industrialised countries had a narrow industrial base - indeed, absence of basic industry. Lack of basic industry had consequently made these countries, like Tanzania, heavily dependent on foreign aid, loans and grants for their development efforts. This study, therefore, attempted to question the traditional import substitution industry and suggested an alternative approach towards a meaningful industrial strategy. Basic industry strategy through co-operatives was considered to be appropriate for the development of the Tanzanian economy.

The study sought to challenge the existing economic structures imposed by the colonial system and propose how Tanzania could implement a basic industrial strategy focusing on the co-operative movement. The co-operative movement was considered as one of the central actors in the implementation of such a strategy. However, co-operatives were the operating on the dictates of a weak economic base. Deficits in balance of payments, inefficient import substitution industry and declining export prices made agricultural co-operatives also dependent, indirectly though, on international aid and loans.

Further, policies of the neo-colonial state had a direct influence on co-operative growth and performance. The state used co-operatives for accumulation through taxation and unequal exchange between industrial and agricultural commodities in favour of state-sold industrial goods. Marketing boards had greater say on the producer prices for agricultural co-operatives than the co-operatives themselves. Also, the national representative structure had become a stereotype from the centre on how co-operatives should structure themselves nationally rather than through joint consultations between co-operatives and the state. The abolition of co-operatives in 1976 was a case in point where giant peasant organisations were dissolved without any consultation.

The dilemma for co-operatives was essentially the implementation of such neo-colonial economic policies while they needed to satisfy their members' needs at the same time. On the other hand, the co-operatives themselves had their own limitations to growth and performance.

First, some of the leaders in the co-operative movement did not seem to be committed to the re-designing and transformation of the movement. These leaders would obstruct any attempts to make the co-operative movement more responsive to local community needs because they benefited from the status quo. The fact that any co-operative leader had first to be a member of the then only political party made such leaders pay more allegiance to that party than to their co-operatives. Moreover, given the economic hardships which the country was going through, co-operative leadership had become a lucrative position for personal accumulation rather than commitment to co-operative growth.

Second, from a historical perspective, co-operatives had been operating as independent units. There were no formal economic linkages, for example, between agricultural co-operatives and consumer co-operatives; no linkages between industrial co-operatives and saving and credit co-operative societies, etc. This, however, was not accidental. The models and style of organisation which Tanzania received from the industrialized countries was one guided by private enterprise competitive philosophy operating under capitalism. Under such a model, even co-operatives did not see themselves as constituting a wider community of co-operators.

Third, in terms of practical co-operation, there had been some hesitation or outright rejection among different types of co-operatives. For instance, in 1984 when agricultural co-operatives were being re-introduced in Kilimanjaro region, the formation meeting was asked if they could join hands with existing consumer and industrial co-operatives. The answer was general fear that, at the initial stages, the co-operative union might not have been comfortable dealing with other types of co-operatives.

Fourth, there was a growing tendency among agricultural co-operative unions being ambitious of becoming bigger organisations at the expense of their member primary societies. This tendency was being reinforced by more international and Government support going directly to the unions. Moreover, most unions were increasingly designing their own revenue-generating projects such as hotels and large estates, often without consulting their members - the primary co-operative societies.

All these shortcomings called for a re-thinking about co-operatives development in the country. In particular, this meant that there was need to re-orient the existing agricultural and industrial co-operatives to address basic industrial development - to ensure that co-operatives are able to actively participate in an industrialization strategy that is capable of restructuring the 'banana and cassava' economy towards a self-sustaining economy.

This study showed how the basic industrial strategy could be implemented through the co-operative structure by starting with small engineering and manufacturing economic undertakings. This is where co-operators would engage in producing simple tools and fabrication of spare parts at a community level far in the rural areas. The co-operative movement was being preferred because it was considered to be the most decentralized and democratic nongovernmental institution.

In this study, several areas were identified where the state could make a positive response to increase the capacity of the co-operative movement in the country. These included the re-designing of industrial co-operative organisations along with the traditional co-operative principles to capture wider aspects of industrial development.

The study further underlined the importance of international collaboration with respect to basic industry and co-operatives, while noting that such collaboration ought to be guided by mutual understanding and recognition of the problems of all concerned parties. It was observed that aid deployment could be more meaningful if more attention were paid to participatory research and planning rather than top-down procedures of shop listing independent projects for donation of funds requested from the North.