

**ANALYSIS OF TREND AND CHALLENGES OF COOPERATIVES IN AGRICULTURE,
LIVESTOCK AND FISHERIES IN TANZANIA**

Final Report Submitted to ANSAF

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Abbreviations

AGM	Annual General Meeting
AMCOS	Agricultural Marketing Cooperatives Societies
ANSAF	Agricultural Non State Actors Forum
BMU	Beach Management Unit
CBT	Cashew nut Board of Tanzania
CBD	Coffee Berry Disease
CDP	Cooperative Development Policy
CSO	Civil Society Organisation
CUT	Cooperative Union of Tanzania
EMEDO	Environment Management and Economic Development Organisation
FAO	Food and Agriculture Organisation
FDG	Focused Group Discussion
FUO	Fisheries Union Organisation
ICA	International Cooperative Alliance
ILO	International Labour Organisation
ILRI	International Livestock Research Institute
JUWAVITA	Jukwaa la Wazalishaji Vijijini Tanzania
KNCU	Kilimanjaro Native Cooperative Union
KNPA	Kilimanjaro Native Planters Association
KUC	Kilimanjaro Ureni Corporation
MAMCU	Masasi Mtwara Cooperative Union
MCC	Milk Collection Centre
MCU	Mtwara Cooperative Union
MOU	Memorandum of Understanding
MoCU	Moshi Cooperative University
NGO	Non-Governmental Organisation
NCU	Nyanza Cooperative Union
PORALG	President's Office Regional Administration and Local Government
SACCOS	Savings and Credit Cooperatives Society Organization
SHIRECU	Shinyanga Region Cooperative Union

SHPs	Small Holder Producers
TACRI	Tanzania Coffee Research Institute
TADB	Tanzania Agricultural Development Bank
TAFO	Tandahimba Farmers Organization
TANECU	Tandahimba Newala Cooperative Union
TCB	Tanzania Coffee Board
TFC	Tanzania Federation of Cooperatives
TCDC	Tanzania Cooperative Development Commission
TDCU	Tanga Dairy Cooperative Union
TWFWA	Tanzania Women Fish Workers Association
VFCU	Victoria Federation Cooperative Union
UN	United Nations
UCS	Union of Cooperative Societies
WRS	Warehouse Receipt System

Executive Summary

Background and Objectives

The government of Tanzania recognizes the vital role of cooperatives in supporting social economic development of Small Holder Producers (SHPs). It is therefore important to review the suitability of the current policy and legal frameworks, as well as challenges and factors constraining the effectiveness of cooperatives. This has necessitated Agriculture Non State Actors Forum (ANSAF) through Jukwaa la Wazalishaji Vijijini Tanzania (JUWAVITA) platform to commission a comprehensive analysis on the history, current status and future of cooperatives in Tanzania. The outcome of the analysis is intended to be used by ANSAF and JUWAVITA members to advocate for the interests of SHPs in the cooperatives.

Methodology

To achieve this, the study was carried out focusing on five main commodity value chains of cashew nut, cotton, coffee, dairy and fisheries targeting four regions namely Mtwara, Mwanza, Kilimanjaro and Tanga. In these areas, a checklist of issues was used to collect information and views through Key Informant Interviews (KII) and (FGDs) with JUWAVITA members and stakeholders in the target commodity value chains.

Distinctive consultations were made at the Moshi Cooperative University (MoCU), the Tanzania Federation of Cooperatives (TFC) and the Tanzania Commission Development for Cooperatives (TCDC).

Key Findings

Cooperatives emerged as a consequence of introducing cash crops in the early 20th century by colonial rulers to quench the need for raw materials for their factories in Europe. Since these crops were produced by Small Holder Producers (SHPs), cooperatives served an important function of collecting and bulking the produce to ease transportation. In the course, some cooperatives became too powerful and popular to cause fear among the ruling echelon. Among these included the Victoria Federation Cooperative Union in the Lake zone, Kilimanjaro Native Cooperative Union (KNCU) in Kilimanjaro, Bukoba, Matengo and the like. As such in 1976, the government disbanded all the cooperatives and their functions and replaced them by Crop Authorities.

The Cooperative Societies Act No.14 was enacted in 1982 in the government attempt to reinstating cooperatives. This was due to the importance of the cooperatives in providing services to SHPs especially in the production and marketing of produce. Most of them were registered in 1984, for example Nyanza Cooperative Union (1984) Ltd, KNCU (1984) Ltd.

The first cooperative legislation was not passed until 1932. After independence the government policy was to make the cooperatives movement an engine for economic development through which a new legislation was passed in 1968. A second edition of Cooperative Development Policy (CDP) was developed in 2002 to ensure cooperatives operate independently and competitively as member-based organizations. The CDP 2002 is currently under review.

In 2013, the Cooperative Societies Act, 2013 was enacted leading to the establishment of Tanzania Cooperatives Development Commission (TCDC).

In general, across all the cooperatives, there is a common hierarchy from Members – Primary Society- Cooperative Union – Federation as the apex organ. Under the current policy and regulations, management structure of Cooperatives, both primary and secondary, composed of: Annual General Meeting (AGM) as the highest decision making organ of the cooperative; the Board of Directors (Board) comprised of up to 9 elected members; the Executive Committee; the Tanzania Federation of Co-operatives Ltd (TFC) as the national cooperative umbrella organization that coordinates the work of cooperatives in Tanzania; the Tanzania Cooperative Development Commission (TCDC) established by the Cooperative Societies Act No 6 of 2013 and is mandated with the regulation and promotion of cooperative sector development.

Benefits of Cooperatives

Cooperatives in Tanzania beside their shortfalls have a number of benefits. Important benefits include:

- To unify the SHPs to bargain for better services (extension, credit and inputs) and fairer prices for their commodities;
- They promote collaborative entrepreneurship and economic growth;
- Create competition with the local market for their commodities;
- Create a critical mass for cohesion and source of future community leaders.

Challenges of Cooperatives

Throughout all the commodity-based cooperatives, the following challenges are common:

- *Poor governance and management:* Most of the staff and leaders are short of management skills and don't have orientation and training on the guiding principles of cooperatives.
- *Lack of integrity of leaders and executives:* Leaders and executives are short of morals and use their position to accumulate wealth to the expense of SHP members
- *Lack of cooperative education and training:* Result in only a small proportion of producers joining to become cooperative members
- *Government interference vs. intervention:* There has been too many and too frequent Acts, regulations and directives that at best confuse the cooperatives governance and conduct. The new Cooperative Act has placed too much power on the Registrar that robs ownership of Coops to members.
- *Members' lack of ownership, voice and power:* Some cooperatives are used by some unscrupulous and influential individuals to meet their own ends.
- *Weak coordination between commodity boards and cooperatives:* The commodity boards play important roles throughout the whole commodity value chains including marketing and traceability after sales. However, Boards are not trusted, and it is

alleged that sometimes the boards collude with buyers to arrive at low prices for commodities during auctions to the disadvantage of SHPs.

- *Use of inappropriate management structure:* This leads to higher overhead costs, less profit for the cooperatives and it is a disincentive to members' cohesion.
- *Negative mind set regarding cooperatives:* For long, cooperatives have been marred by instances of late payments, misappropriation and embezzlement. This has tarnished the image of cooperatives and as such viewed as an undesirable entity associated more with the government than with members.
- *Persistent late & sometimes no payments to producers:* Producers have been marketing their produce through the Agriculture Marketing Cooperatives (AMCOs) using the much advocated Warehouse Receipt System (WRS), which has meant delays in payment to the producers, sometimes lasting for several months.
- *Fisheries sector lags behind establishing cooperatives:* There is a general perception that it is not possible to bring the various actors in the fisheries value chain together. This is expected due to fisher folk's migrations seeking for better fishing points. There is however, great potential for developing cooperatives through the Beach Management Units (BMUs) arrangement.
- *Youth engagement:* Overall, it has been noted that youth are not very much engaged in the agriculture sector. This is caused by lack of ownership of capital, land and a negative mind set about cooperative due to poor historical performance, limited business orientation on cooperatives and use of inappropriate agricultural technology.

Recommendations

Despite their long history, cooperatives in Tanzania are still evolving. It is acknowledged that the potential of cooperative enterprises has not been fully utilized partly due to an unfavorable legal and regulatory framework (Bibby, A. 2006). Under the current policy and regulations, there is a common management structure of Cooperatives for both primary and secondary across all the target commodity value chains.

Given the above set of affairs, the following are the study recommendations;

- ✓ There is need to review existing cooperative policies and regulations in a participatory manner involving all stakeholders, especially SHPs, women and youth;
- ✓ The government through its regulatory institutions should provide guidance and oversight leaving operations to be member managed and controlled;
- ✓ Commodity boards as custodians of the commodity value chains should support SHPs in the value chain and especially the marketing functions;
- ✓ The cooperatives set up and its administrative structures should be lean, cost effective and run as a commercial business;

- ✓ It is important to provide cooperative education to raise awareness, attract and enlist more producers to join cooperatives. Moshi Cooperative University (MoCU) and Tanzania Federation of Cooperatives (TFC) have shown interest and they have the capacity to design tailor made training to various target groups. This should complement the education and training initiatives by Tanzania Cooperative Development Commission (TCDC)
- ✓ Cooperatives should innovate and initiate complementary commercially viable businesses, provide more services and give members more income options and increase unity.
- ✓ There are many models for cooperatives. It is recommended that a home-grown model, adhering to the seven International Cooperative Alliance principles and customized to suit specific location and commodity best for Tanzania.
- ✓ ANSAF in collaboration with other Civil Society Organizations (CSOs) should use their lobbying and advocacy skills to reduce the stumbling blocks to cooperatives development.
- ✓ Since it has been found that in cooperatives where women hold leadership positions, good management and business has been reported, it is recommended that women be encouraged to join and to take up leadership positions in the cooperatives.
- ✓ To attract more youth engagement in cooperatives, it is essential to provide training and demonstrate well managed business-oriented cooperatives using appropriate technology that can show quick returns and income.

Analysis of Trend and Challenges of Cooperatives in Agriculture, Livestock and Fisheries in Tanzania

1.0 Introduction

This report is a presentation of the interpretation and understanding of the Terms of Reference for the study on cooperatives in Tanzania. Agriculture Non State Actors Forum (ANSAF) and Jukwaa la Wazalishaji Vijijini Tanzania (JUWAVITA) a multi-sectoral platform representing a variety of rural producers who are key beneficiaries of cooperatives need to understand more on functioning of cooperatives in Tanzania.

The main objective of the study is to analyze lessons generated through JUWAVITA platforms and conduct a comprehensive analysis on the policy environment for cooperatives and its contribution to the economic development and income generation initiatives of Small holder Producers (SHPs). In addition the study documents the history and current status of cooperatives in Tanzania and suggests an appropriate model for effective, autonomous and democratic farmers' cooperatives.

1.1 About ANSAF

Agricultural Non-State Actors Forum (ANSAF) is an advocacy network made up of likeminded organizations that seek to advocate for a pro-poor and conducive agriculture policy environment that promotes dialogue and constructive engagement among sector stakeholders. As such, this enables ANSAF to effectively analyze the existing agriculture policies and suggest alternative practical policies and practices. ANSAF's institutional arrangement provides a platform for learning, sharing, networking and coalition building around pertinent issues in the agriculture sector.

1.2 Background and Context

There is a diversity of processes and spaces for rural producers and their representing organizations to discuss approaches and strategies for developing of their livelihoods. However, there is limited space that allows rural producers to engage among themselves, with the government and development partners on the same. In order to address the above limitation, a rural producer forum in Tanzania, also known in Kiswahili as Jukwaa la Wazalishaji Vijijini Tanzania (JUWAVITA) has been established.

JUWAVITA is an independent loose coalition of agricultural producers/farmers who are represented by *Member Based CSOs* that is accountable to its members, who are fostering farmers' livelihoods agenda. JUWAVITA is established as an outcome of long-term discussions on the need to strengthen engagement of rural producers with a stronger voice in policy and decision-making platforms. JUWAVITA aims to create space and bringing together pastoral, hunters and gatherer, beekeepers, crop growers, livestock keepers and fishing communities to agree on key issues that promote rural producers' development.

1.3 Problem and Purpose of the Assignment

The core business of JUWAVITA and its member CSOs is to mobilize and unify SHPs to advocate for their rights and demand answers from decision makers and duty bears on issues affecting their daily livelihoods. JUWAVITA organized zonal mini forums during 2019 and 2020 to consolidate policy challenging issues facing SHPs in Agriculture sector within Tanzania. Lack of effective cooperatives was seen as one of the problems hindering economic growth among small holder producers.

Efforts to create a sustainable agricultural sector involves boosting cooperation activities since they contribute to societal and economic development of the farmers and rural societies. The transformation of cooperatives is key to foster and attain an agricultural revolution. However, cooperatives face a number of challenges that hinder their growth. This challenge has compelled ANSAF through the JUWAVITA platform to conduct a comprehensive analysis on the policy environment for cooperatives for economic development and income generation to SHPs.

Given the history of cooperatives in the country and government's desire to revive and develop strong cooperatives it has become of interest for JUWAVITA to see how cooperatives can be developed and become instruments for developments. This will enable farmers to reap the benefits of economies of scale, that is; organize and raise their income levels, productivity, organize financing, link them to markets and engage in processing.

There is desire of the government and appreciation that cooperatives, if well-structured and managed can be supportive to farmers. It is thus important to review the suitability of the current policy and legal frameworks, as well as challenges and factors constraining the effectiveness of cooperatives and the institutions linked to cooperatives (including the training, regulation and administration systems). These issues form the basis for undertaking this comprehensive study on the history, current status and future of cooperatives in Tanzania.

1.4 Scope and Objectives of the Assignment

The assignment focused on the analysis of cooperatives. ANSAF selected five commodities namely; dairy, fisheries, cotton, cashew nut and coffee value chains. The assignment also considered the issues of policy, governance, management, accountability and sustainability of cooperatives in Tanzania. This analysis revealed key issues that hinder the development of the cooperative development. The outcome of the analysis will be used by ANSAF and JUWAVITA members to advocate for the interests of SHPs in cooperatives.

Specifically, the analysis addressed the following objectives:

- a) To carry out a comprehensive analysis on the policy and regulations supporting cooperatives in Tanzania
- b) To assess the challenges facing cooperatives in the context of SHPs
- c) To look at the current set up of cooperative and if it serves well the interests of SHPs
- d) To learn from models which work well in other countries for replications or adaptation in Tanzania
- e) To draw plausible recommendation on challenges facing cooperatives

1.5 Methodology

To achieve this, the study was carried out focusing on five main value chains of cashew nut, cotton, coffee, dairy and fisheries as previously stated, targeting 4 regions namely Mtwara, Mwanza, Kilimanjaro and Tanga. In each region one regional cooperative, ANSAF partners or JUWAVITA member organizations were selected for detailed data collection. Further consultations were made at Moshi Cooperative University (MoCU), a leading institution within Tanzania as well as regionally on research, training and development of cooperatives. Other key stakeholders that were consulted include; the Tanzania Federation of Cooperatives (TFC), Tanzania Cooperative Development Commission, Registrar of cooperatives for policy coherence and selected Regional Cooperative Unions such as Nyanza Cooperative Union (NCU), Fisheries Union Organization (FUO), Tanzania Farmers Organization (TAFO), Café Africa, Kilimanjaro Native Cooperative Union (KNCU), Tanga Dairy Cooperative Union (TDCU) and Mtwara Masasi Cashew nut Cooperative Unions (MAMCU). Selected regional cooperatives officers were also consulted to get their experiences. The consultations were organized such that an adequate sample of partners and stakeholders voices and views were heard.

The study adopted various approaches and methods that were relevant to meet the objectives. It involved a review of Mini- forum reports and conducting interviews with JUWAVITA members to obtain their views on the practices and transformation of the cooperatives in Tanzania.

Furthermore, a comprehensive literature review was conducted to help map the various historical stages that cooperatives have gone through. The literature review also included several documents and reports pertaining to previous and current models and forms of cooperatives, as well as policy and legal frameworks governing their conduct and performance. Further reviews were conducted at higher learning and research institutions particularly, MoCU and International Livestock Research Institute (ILRI).

The consultations involved focus group discussions (FGDs) and key informant interviews (KIIs) using guide questions (Appendix 1) with key partners and stakeholders including small holder producers represented by their organizations (sample of JUWAVITA members and cooperatives).

Additional approaches involved using Emails, What's App, Phone Conversations and face to face meetings. In all cases public and private sector partners including youth, men and women were consulted to get their perspectives. Efforts were made to ensure that the Ministry of Agriculture officials and leaders of selected crop boards were consulted to get their insights regarding the development of cooperatives in the Tanzania. In addition, experiences from other countries in Africa and abroad were reviewed to draw lessons for adaptation.

The consultants and ANSAF jointly agreed on key individuals, institutions and organizations to be consulted. The list of institutions and individuals that were consulted is outlined in Appendix 2.

Information collected through the above techniques was compiled and analyzed on the basis of which preliminary findings were submitted to ANSAF for review and comments. This stage

assisted to improve upon the findings from the field and solicit further ideas, which were integrated in the report.

In addition a validation workshop on the study findings was organized to validate information and solicit further input on cooperatives issues. Appendix 3 provides a summary notes and Appendix 4 contains a list of the participants for the workshop. This information has been incorporated in the final report.

1.6 Limitations of the Study

It is important to note that all stakeholders consulted expressed interest in the study focusing on the analysis of cooperatives. They asked for more time and wider stakeholder's consultations at various levels. However, the consultants faced major limitations including; limited time for each location, contacting only a few selected members to represent their constituency and the Covid-19 pandemic. These factors affected the extent and depth of information collection.

2.0 Findings

2.1 Historical trends of cooperatives in Tanzania

Cooperative development in Tanzania goes back to the early years of the 20th century mainly in cash cropping areas. There was rivalry between African farmers reacting against unfair marketing and processing practices and political discrimination. Hence, cooperatives were established to enable African farmers to receive higher commodity prices; challenge leaders, get involved in cash crop marketing, create social and political cohesion against colonial domination, promoting cooperatives for economic development (URT, 2005).

Cooperatives were promoted in order to replace Asian middlemen out of crop trading (Mhando, 2014). The government therefore pushed to establish cooperatives with monopoly buying power, encouraging them even in areas where there was neither the economic base nor adequate local skills. The first cooperative law was enacted in 1932 which gave rise to the registration of cooperative unions such as KNCU and Ngoni-Matengo and Victoria Federation Cooperative Union. The expansion of cooperatives was already having problems by the mid-1960s. In 1966 a Presidential Commission was established to probe into complaints regarding Cooperatives abuse and inefficiency, especially where they had been politically imposed. The Arusha declaration of 1967 advocated and recognized cooperatives as instruments for implementing the policy of Socialism and Self-reliance. Eventually cooperatives were abolished in 1976 to be replaced with Crop Authorities.

In 1982 a Cooperative Societies Act No. 14 was enacted reinstating cooperatives unions and primary societies. Following Act No. 14, cooperative unions were registered in 1984. Later in 1994 the Tanzania Federation of Cooperatives was formed as the apex organization of cooperatives. A summary presenting the evolution of the cooperative movement in Tanzania is presented in Table 1 below.

Table 1: Evolution of Cooperatives in Tanzania

Year	Development event and action taken
1925	Kilimanjaro Native planter's association founded
1932	First Cooperative Law enacted
1932-1962	Registration of Cooperative unions (such as; KNCU, Ngoni-Matengo, Bugufi, Rungwe, Bukoba, Shinyanga (SHIRECU), Victoria Federation Cooperative Union and Cooperative Bank)
1968	New Cooperative Legislation
1973-1974	Villagisation and Crop Authorities, Ujamaa villages registration
1976	All Cooperative Unions dissolved. (Cooperatives were transformed to fit in the rural development process based on Ujamaa villages)
1977-1982	Cooperatives were replaced with Crop Authorities which were required to undertake marketing of agricultural produce directly from villages.

1978	Union of Cooperative Societies (UCS) formed
1979	Act passed recognizing Union of Cooperative Societies (UCS)
1980-1984	Crop Authorities were not performing, hence in 1984 reintroduced cooperatives and crop authorities turned into Crop Boards.
1982	Cooperative Societies Act No.14 reinstating Cooperatives Unions and Primary Societies.
1984	Cooperative Unions reintroduced and registered
1986	Open market policy-structural and economic adjustment programs
1991	Cooperative Societies Act No.15 passed establishing a four tier for cooperative societies. It declared membership to be voluntary and placed the day-to-day management of the cooperatives under the control of the members themselves.
1994	Tanzania Federation of Cooperatives formed (as cooperative apex)
1997	First Cooperative Policy formulated (development of cooperatives that belong to members as per ICA principles)
2000	Presidential committee on Revival, Strengthening and Development of Cooperatives in Tanzania formed to identify constraints hampering cooperatives development and suggest strategies to overcome them
2001	Department of Cooperatives upgraded, and Ministry of Cooperatives and Marketing formed
2002	Ministry of Cooperatives and Marketing issued a Cooperative Policy in line with the 1995 ICA principles; The Cooperative policy, 2002 encourages establishment of cooperatives in various sectors of the economy;
2003	Cooperative Societies Act.No.20 of 2003 passed; having appropriate legislation which guide implementation of the policy
2006	Livestock policy produced (briefly covering dairy and cooperatives)
2009	National Youth Development Policy of 2009 recognizes that agricultural sector has inadequate infrastructure to capture the participation of youth. The sector is unattractive to young men and women. Policy focuses on the development of mechanisms for promoting labour intensive infrastructure and creating conducive environment for effective participation of youths in agriculture.
2013	Cooperatives Society Act 2013. To provide the establishment of Tanzania Cooperative Development Commission (TCDC) as a regulatory body for the cooperatives for the formation, constitution, registration, and operation of cooperative societies;

2013	Agriculture Policy produced (small section on cooperatives). Policy is still under review
2016-2020	New Agriculture policy under review (focus on commercialization, private sector, youth)
2019-2020	TCDC Cooperative policy under review (stakeholder involved in its reforms) but not yet published.

Source: Study Findings and adaptation from the Cooperative Reform and Modernization Program, 2005

Table 1 above shows that the development of co-operatives in Tanzania took different forms and pace at different times in the history of co-operatives. The promotion of agricultural based co-operatives promoted only a few crops such as coffee, cotton, cashew nuts, tobacco, tea, sunflower and paddy. Hence the cooperatives were highly focused on those few cash crops.

Cooperatives in Tanzania are still evolving and the current government leaders are taking a number of steps to revitalize the cooperatives (URT 2005). This includes setting committees to recover cooperatives assets, effect payments for specific produce bought without payment, and restructuring the Tanzania Cooperative Development Commission (TCDC) and placing at Presidents' office regional Administration and Local government (PO-RALG). This move is seen as positive, allowing the Registrar of Cooperatives to be closer to the small holder producers through the local government structures. In addition, cooperatives are seen as cross cutting organizations that are not aligned to a specific sector.

After independence the government policy was to make cooperative movement an engine of economic development. The Arusha declaration of 1967 advocated and recognized cooperatives as instruments for implementing the policy of Socialism and Self-reliance. Changes in macro-economic policies in 1980s aimed at introducing free market and trade liberalization policies led to making cooperatives member-based organizations (URT 2005). Hence the cooperative Act of 1991 was enacted to conform to economic liberalization policies. For more than 70 years of the cooperative history from the early 1920s there was no cooperative policy until 1997 (URT, 2005).

Cooperatives developed in Tanzania as elsewhere in the world because they performed a valuable role of uniting SHPs and links to the market. That role remains as relevant today as ever. Without cooperatives, small producers are left with no form of collective organization, which puts them at an immense disadvantage when taking their products or crops to the market. Cooperatives can also provide solutions through collective action in other areas too such as fisheries, forestry, minerals and housing. In future, if cooperatives are to live up to their potential and their members' expectations it is imperative that a comprehensive transformation of cooperatives in Tanzania will be necessary. It is important to re-focus at key cooperative principle that state: *"cooperatives are owned and controlled by members."* The purpose of cooperatives is, above all, to fulfill their members' economic and social needs. To achieve their goals, cooperatives need to be commercially viable enterprises, able to survive and prosper in the marketplace. To be sustainable, cooperatives have to be run on a business-like footing. In

contrast to other businesses, however, the rewards from their trading activity are available to be shared between all the members on a collective basis (Bibby. A, 2006).

However, more recently the cooperatives image has become negative. For many Tanzanians, cooperatives are seen as stuck in the past, unable to cope with modern economic realities. Far from being models of member self-empowerment, their image has been tarnished by poor administration and leadership, poor business practice, and by corruption (Bibby, A. 2006).

In line with negative image, a number of important initiatives have put in place the foundations for a rebirth of Tanzania's cooperative sector. They include the Special Presidential Committee in the year 2000, which was established to pave the way for evolving cooperatives. Following that a Cooperatives Development Policy was issued for the purpose of enabling cooperatives to get back onto the development path and become more responsive to the needs of members. For this purpose, a cooperative legislation was enacted in 2003 to guide implementation of the policy. These and other efforts have culminated in the production of a key strategic document, which led to the development of the Cooperative Reform and Modernization Program 2005-2015. The goals of the Reform and Modernization Program are clearly identified and summarized to include the following:

- Economically strong cooperative societies, capable of facing competitive challenges
- Strong savings and credit cooperatives, providing better services and offering a source of capital for cooperatives
- An empowered membership
- Good governance and accountability in cooperative societies.
- A network of cooperatives with efficient and cost-effective structures, able to respond easily to the needs of their members.

A Cooperative Societies Act of 2013 was enacted to provide for the establishment of the Tanzania Cooperatives Development Commission (TCDC) as a regulatory body for the cooperatives. The TCDC is currently spearheading a process to review the 2002 Cooperative Development Policy in order to guide implementation of the Public Private Partnership (PPP) policy and to match with current trends in cooperatives development.

2.3 Trends on Policy Environment

Beside the introduction of cooperatives in the 1920s, the first Tanzanian Cooperative Development Policy (CDP) was formulated in 1997 outlining the government's commitment to cooperative development. This gap meant there was no laid down guidelines on how cooperative matters should be carried out. A second edition of CDP was developed in 2002 to ensure cooperatives operate independently and competitively as member-based organizations. Between 2007 and 2012, the ILO worked closely with cooperative stakeholders in Tanzania on creating an enabling legal and policy environment for cooperative development, facilitating access to financial resources, and providing capacity-building opportunities to cooperative stakeholders.

As highlighted by the ILO Recommendation on the Promotion of Cooperatives, 2002, (No. 193) the establishment of a supportive policy and legal framework is critical for cooperative

development. Acknowledging that the potential of cooperative enterprises has not been fully utilized, partly due to an unfavorable legal and regulatory framework such as low budgetary allocation and over-regulation. The Government of Tanzania has embarked on the review of the Cooperative Development Policy (CDP) . Overall there is need to strike a good balance between autonomy of cooperatives and the role of the state. It is important that for co-creation of the policy, all relevant stakeholders participate in the process and share their views to form a common understanding of the current situation and the future direction. (ILO, 2006).

Drawing from the above information, it is clear that cooperative policy development is still evolving. The current institutional arrangements of TFC, TCDC and Registrar provide an opportunity of reforms and improvement adhering to ICA principles. This will ensure that cooperatives are member based and owned, operate with business skill orientation, increasing incomes of the small holders and leading to economic development.

2.4 Commodity Boards and Linkages to Cooperatives

Tanzania has commodity boards for most cash crops. Agricultural commodity boards have evolved over the years since the 1990s during market liberalization. Commodity boards have role throughout the whole commodity value chain including marketing and traceability after sales. It is mainly a regulator and also leads committee that carries out production analysis to determine indicative price of the commodity to guide stakeholders during auctions. Currently there are nine crop and two livestock boards engaged in promotion and development; policy and strategy setting; and industry regulation. These are cashew nut, coffee, cotton, sisal, sugar, tea, tobacco, pyrethrum, cereals and other produce, dairy and meat. Concerns have been raised regarding the boards' practices, particularly with regard to their relevance in the wake of the market economy, existence of other regulatory bodies, over-regulation (e.g. setting indicative prices) and the fiscal burden to the government and the smallholder producers (URT, 2016).

These commodity boards operate without policy to guide their functions of regulatory, promotional and financing, but depend on the relevant sector policies. However, some boards do contribute to funding research, overall commodity extension services and development.

In practice commodity boards work hand in hand with cooperatives in a bid to serve the commodity producers. It is at this point therefore important to dwell on the roles of cooperatives in the commodity value chain.

3.0 Role of Cooperatives in the Commodity Value Chain

This analysis of challenges and opportunities of cooperatives draws experiences and lessons from the major strategic agricultural commodities' value chains. The commodities considered include cashew, cotton, coffee, dairy and the amorphous fisheries sub sector.

One of the most widely adopted definition of a value chain is that it the full range of activities which are required to bring a product or service from conception, through the intermediary phases of design, production, delivery to final consumers, and final disposal after use (Kaplinsky, 2000). IFAD (2006) defines a value chain as a market focused collaboration among different stakeholders who produce, and market value added products. Thus, elements to be considered in the analysis of any value chain for a commodity include; actors along the chain, their functions and interrelations; governance mechanisms for the chain, the roles of actors in terms of power relations and principal drivers of the chain functions; impact of upgrading products, services and processes within the chain; and distribution of benefits among actors within the chain. Cooperatives play important roles in each node of the commodity value chain from production, processing and marketing through provision of services such as extension and inputs; collection and bulking of produce, price negotiation and marketing.

The literature identifies several constraints for value chain development in Africa ranging from limited access to markets and resources, poor infrastructure and weak institutions which are grouped into regulative, cognitive and normative (Grunert, 2005). From a value chain perspective, the mandate of regulatory institutions is to ensure that actors comply with the legislation, regulations and other policies established to govern activities and practices along the commodity chain. Normative institutions are nested within actors' norms and practice reflecting what is perceived to be appropriate business behavior and acceptable exchange processes. Cognitive institutions define shared identities that bridge differences in perception and values judgment.

It is important that the analysis of institutions should consider both the effectiveness of legislation, regulations and policies and the extent to which these governing factors are able to cope with changes in the marketplace (Ponte and Gibbon, 2005). This focus is particularly important in developing countries, where value chains are typically underdeveloped consisting of relatively large informal and small formal markets (Kadigi *et al*, 2013). Thus, there is a need to identify chain-specific constraints, evaluate legislation, regulations and policies to develop a relevant (contingent) value chain governance framework.

The following sections will therefore briefly describe the main value chain characteristics of the commodities in focus.

3.1 Cashew Nuts

Tanzania is the fourth biggest producer of cashew nuts (*Anacardium occidentale*) in Africa and the eighth globally having realized a total production of 313,826 tons in the 2017/18 crop year. Commercial Cashew nut production began as late as the mid-20th century, originating from in South America, particularly Brazil. The Portuguese brought Cashew nut seed. Then the seed were taken from here to Europe. By the early 1970s, many farmers in Tanzania had embraced

the crop which generated record sales during this period. The most extensive cultivation belt is along the coastline in the south of the country including Mtwara, Lindi Ruvuma, Pwani, Tanga and Dar es Salaam regions. Cashew nut has continued to be a major foreign exchange earner, and in the 2018/19 season out of the USD 1.1 billion from sales of major cash crops (cashew nut, cotton, coffee, tea and tobacco), cashew nuts contributed 575.6 million USD.

Most cashew nut farmers in Mtwara region are smallholders producers. These farmers market their produce through primary cooperative societies (AMCOs).

AMCOs are usually governed by a Board of Directors, normally between 4 and 10 members depending on membership size of AMCOs. Under the Board there is Chairperson (+ assistant), secretary (+ assistant) and manager as the executive committee. AMCOs operate in a defined geographic location, supporting members in production, such as providing for inputs, extension services as well as collecting and marketing the commodity; collect the necessary levies from member's commodity sales; and employ staff to ensure smooth operations of the AMCOs, such as secretaries, recorders and casual/manual laborers.

Information from FGDs revealed that criteria for membership to Agricultural Marketing Cooperatives (AMCOs) include practicing farmer of the particular commodity/crop who must sell the commodity through the AMCOs; voluntary joining and register to become member; participate actively in AMCOs activities including meetings and right to participate in elections.

In Mtwara region there are two Cooperative Unions: Masasi Mtwara Cooperative Union (MAMCU) and Tandahimba Newala Cooperative Union (TANECU).

This was a result of a split from the former regional Mtwara Cooperative Union (MCU) in 1995. The split occurred because it was realized that MCU size and geographical coverage was too extensive, volume of produce was very large for management under one union and to bring services closer to its members.

Masasi Mtwara cooperative Union (MAMCU) is a Cooperative Union for the Mtwara District Council, Masasi Town Council, Masasi District Council, Nanyamba District Council and Nanyumbu District Council. The Union has 154 AMCOs. MAMCU deals with agricultural products including cashew nut, sesame and cassava.

Tandahimba Newala Cooperative Union (TANECU) Ltd accepts both voluntary and registered members to join from primary societies that operate within Tandahimba and Newala districts. TANECU supervises and coordinates the cooperative activities in agro-business, and also deals with cashew nut operations and other mixed crops to enable farmers to benefit from their crops after sales under WRS. The cooperative (TANECU) deals mainly with raw cashew nuts, sesame seeds, dried cassava, cassava starch, and groundnuts. It has 177 AMCOs of which 128 are from Tandahimba district and 53 from Newala district, which leads in terms of volume of cashew nut production and in terms of sales in Mtwara region.

3.1.1 The Warehouse Receipt System

In the cashew value chain, the Warehouse Receipt System (WRS) was introduced in 2007. The WRS was established in order to foster the efforts of the government to formalize the existing marketing systems aiming at minimizing various constraints hampering effective production and marketing. The Warehouse operators accept the deposit of produce and provide a receipt to the farmers and the farmers receive part of payment (William, J. G. and N. Kaserwa, 2015). With this system, marketing of the produce goes through the following process:

- i. Individual farmers collect produce through their AMCOs, and farmer gets receipt (CPR) indicating the amount and quality of produce delivered;
- ii. AMCOs submit the collected produce to a central Cooperative Union warehouse where quality checks are carried out and the collected produce await auctioning. Such a warehouse is usually certified;
- iii. During the auction, buyers/ bidders access sales catalogue for the warehouse and then cast their bid requests specifying the price, source of produce and amount of produce they require: Buyers bid accordingly.
- iv. At end of the day the bids are opened in front of all stakeholders including farmers, CBT, Coop Union leaders, AMCOs members of the area and others interested and attending;
- v. The winner/s are required to make payment within 3 working days from date of bid opening to the Coop Union account;
- vi. Then Cooperative Union arranges to pay the same to AMCOs within five (5) days. The AMCOs also verify the member's particulars, arrange and instruct banks to pay members according to the volume of produce deposited through their bank accounts.

Noted however, that only a small proportion (about 30%) of cashew producers are actual members of AMCOs in many locations. This is because producers don't get paid promptly and that cooperatives don't give support as expected during production. Through advocacy and promotion efforts by the District Cooperative Office and some NGOs, the situation is improving. Therefore, there is need to establish why some cashew farmers are not very keen to join AMCOs.

About 90 per cent of the cashew nuts are exported in their raw form, most of it to India. To increase or establish local processing capacity, Tanzania is looking for investors to add value on the nuts and produce products such as cashew nut cheese or butter, sweets, fruit drinks or distilled liquor, lubricants, waterproofing and paints (URT, 2019).

Exports earning from cashew have dropped by over 60% this season (2019/20) compared to the 2018/19 season. The price of raw cashew in the global market is in decline. As of March 2019, raw cashew in Africa sold for US\$1,300- US\$1,400 per ton, down by US\$600-US\$700 per ton against 2018 prices, while World price of cashew has fallen to US\$7,500 per ton from US\$9,000. During the first day of the crop (cashew) auctioning this season (2019/2020) on October 31, 2019, over 20,000 tons of Raw Cashew nut (RCN) were auctioned by Tandahimba and Newala Cooperative Union (TANECU) as well as at Masasi and Mtwara Cooperative Union (MAMCU) at a minimum price of Shs.2, 409 and a maximum price of Shs 2,559 per kilogram.

Due to the prolonged marketing procedure as narrated above, it is apparent that farmers faced liquidity problems in 2019/20 production season due to delays in payment of cashew sales deposited at the Warehouses under the Warehouse Receipt System (WRS). Hence, there is need for government to temporarily reinstate a subsidy for inputs that were previously offered. It is further argued that farmers could be earning more if the Cooperatives invest in processing to add value to the raw crop. Additionally, processing raw cashew will produce other byproducts and bring about employment especially to youth and women.

3.1.2 Challenges of the Cashew nut Cooperatives

Cashew cooperatives at both the primary (AMCOs) and secondary (Unions) levels are doing their level best to serve their members but also other cashew SHPs in their areas. Some cooperatives, however, face a number of challenges including competition with private traders who are well connected with multinational corporations, cashew farm gate prices offered were dismally below the farmers' expectations given the cost of production. Besides, payment delays are persistent each season, there has been little effort being to acquired and install processing and value addition of the commodity. In many instances, there are political and government directives, which confuse and at most interfere with the smooth operations and management of the cooperatives not designed to the benefit SHPs. The members feel that they have little voice, no control in making decisions through their constitutional instruments, as these have been, in many instances, overturned by few powerful people; especially politicians and senior government officers. Sometimes, resolutions that are discussed and agreed upon during the Annual General Meeting (AGM) or stakeholders' meetings are not fulfilled. Such action discourage farmers and bring about conflicts within cooperatives.

Regarding the management of cooperatives there is a malaise of mismanagement, lack of integrity and corrupt practices of the Cooperatives leaders and executives taking advantage of the lack of the farmers' knowledge. There is a loose operational working relationship between AMCOs and the Cooperative Unions as they do not have any formal written agreement or Memorandum of Understanding (MoU). As such the AMCOs cannot hold the Unions responsible for any mishaps which affect the farmers (SHPs) undesirably. A case in point was the mismanagement of the crop (cashew) by the Cooperative Union, resulting in spoilage during storage due to improper storage facilities and handling while awaiting auction. This in many instances has resulted in lowered value of the commodity and as such fetch low prices during auctions to the disadvantage of producers.

Additionally, the Cooperative Act of 2013 has placed too much power on the Registrar that robs ownership of Cooperatives to members.

3.1.3 Mitigation of Cashew Cooperatives Challenges

Given the above and other challenges facing cooperatives performance and development especially in the cashew value chain, strategies to alleviate the situation include provision of cooperative education and awareness rising to members to empower them. Such education will enable them to perform their responsibilities and know their rights including raising their voices

where necessary. For example, it is important for members to fully participate in running their cooperatives, including attending and actively participating in meetings. It is important therefore for Civil Society Organizations (CSOs) and Farmer Organizations (FOs) to lobby and advocate for politicians and government executives to remove stumbling blocks towards cooperatives development and allow more cooperative members autonomy. This should go hand in hand with a reform and introduction of incentives such as provision of services and inputs for members to get more benefits from the cooperatives.

Low produce prices directly translate to low earnings. It is noted that cooperatives are short of capital and not prioritized value addition of the produce. The cooperatives should engage and invest in processing of cashew as a way to add value to the raw cashew crop. Such undertaking will have additional benefits of ensuring market for the crop, additional employment options especially for youth and women, and the by-products will find some supplementary uses.

Beside the fact that the Warehouse Receipt System (WRS) takes advantage of economies of size through bulking of individual and AMCOs produce, there is need to lobby for reforms to the Warehouse Receipt System (WRS) operations to have some capital funding to enable make early initial payments to farmers for the amount of crop deposited. Thereafter, the necessary deductions including levies and loans (for inputs) can be instituted in later payments after the auctions. This will enable farmers to meet their family obligations at their early convenience.

The Cashew Board of Tanzania (CBT) has a role throughout the whole cashew value chain including marketing and traceability after sales. It is mainly a regulator and also leads a committee that carries out production analysis to determine indicative price of the commodity to guide stakeholders during auctions. TARI Naliendele plays a key role in the calculation of price. It has been widely acknowledged that the WRS takes advantage of economies of size in the various marketing operations. The CBT oversees smooth operation of the commodity auctions, taking stock of the interest of both sellers and buyers.

3.2 Cotton

The crop was first introduced by the Germans in 1951 to service the European need for cotton. In the Lake Victoria zone, smallholder cotton producers joined together under what was formerly known as Victoria Federation Cooperative Union (VFCU) established in 1955 and registered in 1957. The federation had its focus mainly in cotton production as a cash crop. The Victoria Federation covered the whole lake zone regions, including the current Kagera, Geita, Mara, Shinyanga, Simiyu and Mwanza.

According to discussions with VFCU leaders the Federation became so powerful economically and influential on people to the extent it was a threat to the government and ruling political party. The VFCU was considered strong and first in Africa and 2nd after the Nordic cooperative movement. Hence in 1976, the President of Tanzania abolished all the activities of VFCU. The pronouncement was so abrupt that assets of the Federation were not formerly and properly handled, resulting in loss of some assets and investments. As stated earlier, the government abolished all cooperatives in 1976.

Later in 1982 act number 14 was introduced that reinstated cooperative societies and unions to improve service delivery to producers. The cooperatives were reinstated. Nyanza Cooperative Union (1984) Ltd was subsequently registered . Currently, NCU has 8 zones and 249 AMCOs members, and each AMCOs is estimated to have an average of 200 members. It is also worth noting that more than 90% of the cotton farmers are members of the grassroots AMCOs. During its early years (before 1976) of effective and efficient operations, it had over 23 ginneries in the zone responsible for buying and processing cotton.

3.2.1 Issues that Weakened Nyanza Cooperative Union

Observers have indicated that the current NCU, has not been able to achieve the level of performance of VFCU which was disbanded in 1976, along with other cooperatives nationwide. Several reasons are behind the poor rating of the NCU, notable ones include government interference in the running of the organization to the extent its decision-making organs have been rendered nonfunctional. A typical case is the appointment of staff of the union by the government instead of cooperatives management. This greatly reduced autonomy of the Union. Sometimes resolutions made at the AGM were not effected if not favoured by some prominent individuals both from within the cooperatives as well as from the government.

Another big blow to the Union was lack of integrity and embezzlement by some executive officers and elected leaders. Finally, the government dissolution order for all cooperatives of 1976 was hastily implemented and it did not involve cooperatives leadership and members, hence a lot of Union assets and property vanished.

Nyanza cooperative union collaborate with cotton board in supporting cotton producers along the whole cotton value chain including marketing.

3.2.2 Tanzania Cotton Board

The Cotton Board is a government institution under Ministry of Agriculture formed in 2001 and came into operation in 2004 serving as the regulatory body for the cotton value chain. Its head office has been shifted from Dar es Salaam to Mwanza with two zonal offices: Shinyanga for western zone and Dar es Salaam for eastern zone with representation at the district level. The CBT as a regulator provides advice on the best way to deal with cotton value chain including cotton business and functions to negotiate commodity price on behalf of producers.

Some noteworthy issues regarding the cotton commodity value chain:

- a. Prices are greatly dependent on world markets, as such they may vary considerably even within same season;
- b. Farmers amount of investment in the production of the crop is influenced by the previous season's price and the weather: When rains are favorable, cotton is given last priority compared to food crops such as paddy and maize, but when rains are short then cotton gets first priority;
- c. In order to be able to maintain a constant number of producers, it is important for AMCOs to own ginneries for cotton processing (ginning) to separate lint and seed as has been during the VFCU era. Most AMCOs are short of capital to enable them to rehabilitate ginneries they

already own. Recently however, Tanzania Agriculture Development Bank (TADB) came to rescue the situation for some AMCOs.

- d. Beside the fact that the role of cooperatives on ensuring improved services to cotton SHPs is crucial, there is generally lack of integrity on the part of some cooperatives officials to result in members losing trust;
- e. The government's top down approach to cooperatives formation is counterproductive. Ownership of cooperatives by farmers and full autonomy is key to the success of its operations;
- f. Most of the SHPs have little understanding regarding the value of various other by-products of cotton beside the lint;
- g. Over the years it has been observed that farmers do not follow the recommended cotton agronomical practices anymore because such effort does not pay. For example, farmers do not adhere to the recommended plant population of 22,000 plants /acre, which results in low production and low quality of produce.

3.2.3 Issues on Cotton Cooperatives

Following discussions with cotton stakeholders (Nyanza Cooperative Union, Tanzania Cotton Board, Mwanza Regional Agriculture Officer), issues raised are summarized below:

- Cooperatives are a necessary institution for the growth of the cotton industry/ value chain
- There has been a rundown of the spirit to join cooperatives because they have been ineffectiveness in helping SHPs resulting in a negative mindset
- Cooperatives are voluntary and they need to start from the grassroots and the government should only provide backstopping and regulation;
- However, the practice now is to reintroduce cooperatives from the top through government directives. Government has no patience to see the emergence of the cooperatives.
- Existence of competition of Cooperatives with commercial private dealers in cotton marketing without following the stipulated rules and regulations, such as indicative price and quality standards.
- Members especially farmers lack proper education on cooperatives principles;
- AMCOs have no financial capacity and base to get loans needed to rehabilitate ginneries;
- Quality of cotton has declined because farmers are not motivated to produce quality produce as they feel the investment required does not match with the prices offered.

3.3 Coffee

The history of coffee production in Tanzania dates as far back as 1898 when coffee seedlings were first introduced in Kilimanjaro by missionaries from German at the Kilema Roman Catholics church after they found out that the weather and soils were suitable for coffee. Thereafter the first cooperative was initiated in 1925, the Kilimanjaro Native Planters Association (KNPA) to assist local farmers in the produce marketing. In due course, several native planters' associations based on chiefdoms emerged that led to the formation of the mighty Kilimanjaro Native

Cooperative Union (KNCU) in December 1933 as the first cooperative union in the then Tanganyika.

The KNCU was the only cooperative union that could evade the government dissolution order of 14th May 1976. After the chiefs overheard about the government's intention a day before, they dissolved the KNCU and formed a private company known as Kilimanjaro Ureni Corporation (KUC). Therefore, KUC as a private company was able to escape the dissolution order. Hence after 8 years of struggle, the KUC led by Raymond Kimario as chairperson changed to KNCU 1984 Ltd following the re-instatement of cooperatives in 1982.

The KNCU (1984) Ltd has 92 AMCOs in 4 districts (Moshi, Rombo, Hai and Siha) with a total of 68,000 members. Later due to market and commodity price instability, 32 AMCOs broke out of KNCU and started a group known as G32 because they were not satisfied with the operations of KNCU. Their thrust was to compete, provide market access, better price as well as services along the commercial business orientation. The remaining 60 AMCOs continued to offer services by strengthening its associations (AMCOs) and working closely with members.

3.3.1 Challenges of KNCU

The KNCU after it was reinstated in 1984 struggled hard to render good services to its members. However, their efforts are not without bottlenecks. Among the key challenges are the government's liberalization policy in 1995, which allowed private traders to buy coffee straight from the producers as such distorted the existing marketing arrangement through the cooperatives. The Union also lacked capital to compete with private commercial companies, price instability/ frequent price fluctuations, market competition requiring more organic coffee, costly and limited availability of inputs, multiple levies and taxes, and frequent and undesirable political directives and interference.

The challenges as listed above could be overcome through diversification of AMCOs investments and engaging in other commercial businesses, such as consumer retail, value addition of produce and even brick making.

KNCU feels that the move of the Commission (TCDC) to PO RALG is positive as it will facilitate administrative arrangement and bring closer and quicker support to unions and farmers through the Assistant Registrar at the region. This is a valid observation especially after the local government leaders receive adequate training and orientation on cooperatives development.

3.3.2 Tanzania Coffee Board

The functions of the Tanzania Coffee Board (TCB) are governed by Coffee Act No. 23 of 2001 which was amended in 2009. Tanzania Coffee Board is the main ingredient in the coffee value chain. The main roles include; Regulator in the coffee industry including licensing and quality control. In its activities, the Board is an important stakeholder in its endeavor to ensure improved performance of the coffee industry. In the coffee value chain cooperatives about 50% of the farmers are members. The Coffee Board is useful to farmers because it provides seedlings, crop promotion, research with TACRI, coordinates the coffee auction and it provides policy guidance to Cooperative unions and farmers.

Noted that before liberalization in 1990s, the cooperative had monopoly in the coffee value chain and specifically marketing. The Coffee Industry Act mandates all coffee producers to be registered. The Board estimates that there are about 450,000 coffee producers in the country, but so far only 320,000 producers have registered and this process is still ongoing. The main challenge of identification and registration exercise was the liberalization of the coffee industry that allowed farmers to market their produce to private traders. However, in 2018, there was a government directive to empower cooperatives to be the sole actors in produce marketing. This has been rescinded to allow for Public Private Partnership (PPP) arrangement.

3.3.3 Opportunities and Challenges of Coffee Industry

The coffee industry in Tanzania is endowed with vast potentials and opportunities. To that effect there is no dispute that coffee producing areas in Tanzania are well off compared to non-coffee producing areas. Under proper management the crop generates a reliable source of income to all categories of producers. The open competition with private companies brings about competitive prices to the advantage of SHPs. There are two types of coffee marketing: Commodity auctions where buyers/bidders access sales catalogue for the warehouse and then cast their bid requests specifying the price, source of and amount of coffee they require. In the direct export, the producer makes direct contact with international buyer. These opportunities are not without inherent challenges. Some notable challenges include over dependence on the world market means that producers and their organizations are always price takers at the mercy of multinational companies (>93% of coffee is exported by multinational companies). Hence, extension services are required to carry out and ensure certification and verification process. In addition there is a chronic lack of integrity and poor management on the part of cooperatives leaders. However, it was reported that where women hold leadership positions, there is more trust and accountability.

3.3.4 Strategies to Mitigate Coffee Industry Challenges

In its efforts to mitigate some of the setbacks in the coffee value chain the TCB has introduced a special nine (9) months certificate course in Coffee Quality and Trade which is certified by the Moshi Cooperative University (MoCU) and a special curriculum in coffee extension for newly recruited extension staff. In order to raise productivity and production, Tanzania Coffee Board through Tanzania Coffee Research Institute (TACRI) supports research that has enabled production of higher yielding coffee varieties resistant to Coffee Berry Disease (CBD) and leaf rust. In order to ensure higher profits and more benefits to members, cooperatives at all levels should reduce bureaucracy and unnecessary administrative overheads, that is operate as a commercial business rather than a service organization. Last but not least, members should manage their own cooperative while government and politicians should resist interfering into the affairs of cooperatives.

On 14th January 2018 the Prime Minister organized a coffee stakeholders meeting that among other things recommended that private buyers are banned from purchasing crops directly from farmers but rather through the auctions. It was agreed that farmers should be encouraged to join and use cooperative unions services. It was also agreed that all coffee farmers should be registered and this process is ongoing. Additionally, TACRI was given the responsibility to

produce high yielding and disease (CBD and leaf rust) resistant coffee varieties seedlings. Farmers were to be sensitized to adopt and plant these improved varieties. The improved varieties are superior and produce on average 3.5 to 12 kg per tree while the traditional varieties give about 0.5 kg per tree. There is need for the extension services and cooperative unions to assess the farmer's uptake of the varieties and its impact at farm level.

Coffee production in Tanzania has stagnated, if anything declining over the years. In the recent past the highest production was reported in 2014/15 at 71,000 tons. Thereafter the average is about 50,000 tons earning the country some \$150m per annum. The slump in production is a result of aging coffee trees with little replacement, aging farmers while the youth are migrating to urban areas or switching to produce horticultural crops. Fragmentation of farm plots, farm gate prices are not stable and not favorable to farmers, consequently farmers are shifting from coffee to other high value produce such as vanilla and vegetables.

3.4 Dairy

3.4.1 Historical Perspective

Before the year 1961, the dairy sector including dairy farms and processing plants were dominated by large estates. Between 1961 and 1965 the sector was under three Zonal Dairy Boards: Namely Northern Dairies for Kilimanjaro and Arusha, Coastal Dairies for Dar es Salaam and Coast (Pwani) and Mara Creameries for Mara Region. These Boards were charged with among other duties, the task of collecting milk and milk products from farmers, producing processing and marketing milk and its products, opening and running dairy farms and milk processing plants and grading milk and its products. In 1965 through a parliament Act No. 32 (Cap. 590) the National Dairy Board was enacted, which scrapped off Act No. 61 of 1961 (Cap 456). The Tanzania Dairy Board wider objectives and responsibilities than the former ones including training, research and market development. It had the authority to register milk producers, processors, importers and vendors and to license their activities and to set regional milk prices. Moreover, it was authorized to enact by laws to govern the smooth running of the sector.

3.4.2 Current Production Levels

Tanzania is far from self-sufficient in milk and milk products. In 2019/20 milk production has been estimated to be 3.0 billion litres, whereas 2.1 billion litres from local cattle and only 0.9 billion litres are from improved 1.95 million dairy cows. Out of that amount of milk produced (3 billion liters) only 74.3 million liters are processed through the existing factories. Most of the milk produced in the country is consumed at the farm level or sold to neighbors. The government's policy is however, to attempt to channel surplus milk to dairy plants for commercial processing with a view to supply urban markets with hygienic milk and milk products, at the required standard.

In the context of milk, a formal value chain is defined as one whose actors are licensed to handle the product after complying with defined minimum standards for competence in hygienic handling and processing in order to safeguard consumers. This chain is operated with an organized collection system, using well-established mechanisms of bulking (for example,

through cooperative societies or agents), chilling and transportation in insulated tankers, to factories where the milk processed and packaged before marketing. These markets tend to function independently, although inputs like unprocessed products may flow from the informal to formal market for processing and on-ward distribution to consumers who demand for high value and safe products. The co-existence of these weakly connected markets coupled with weak institutional oversight pose significant challenges for harmonization of quality, safety standards and value chain development (Ruben et al. 2007). Thus, there is a need to identify chain-specific constraints, evaluate legislation, regulations and policies to develop a relevant (contingent) value chain governance framework.

3.4.3 Tanga Dairy Cooperative Union (TDCU)

Tanga region has a good grassroots model of cooperatives in Tanzania, the Tanga Dairy Cooperative Union (TDCU). The cooperative was established by famers who joined to address a common problem of milk marketing and economic development. TDCU was established in 1993 with 8 primary cooperatives from the districts of Muheza, Pangani, Korogwe and Lushoto. Its main role was to collect milk through the primary cooperatives from smallholder dairy farmers and ferry the same in its raw form to the far away market in Dar es Salaam. In 1997 it saw a need for establishing a small processing plant. Later the Union in partnership with other investors mainly Holland Dairies and Farm Friends Tanzania , established the now famous *Tanga Fresh* milk processing plant.

3.4.4 The Tanga Fresh

Currently TDCU has a 43.5% share in the factory. To date there are 26 AMCOs (with 26 MMCs) that form the TDCU and all its members sell milk to the local partner processing plant Tanga Fresh. TDCU is governed by a Board of Directors whose members are drawn from Board members and chairpersons of the constituent primary cooperatives. There are as many as 6000 dairy farmers in the region, but only 3338 are members in the primary cooperatives. This is because these nonmembers do not see the disadvantage of not being members and that the cooperative offer low price for their produce.

The major role of the factory is to provide an assured market for the milk collected in the primary cooperatives and other producers. Starting 2017, Tanga Fresh acquired an UHT milk processing capacity. The total capacity of the factory has grown from the initial 50,000 liters per day to 120,000 liters per day.

Depending on season farmers deliver on average 80,000 litres of milk per day. Dairy farmers and the Tanga Fresh factory play complementary roles since farmers supply milk which is the raw material for the factory while the factory serves as an assured market for the farmers produce (milk). As such, the factory support farmer cooperatives through establishing milk collection centers (MCC) closer to the farmers.

The Heifer Project International is working in partnership with TDCU in a project aiming to raise milk production and quality, an important ingredient especially in the new UHT processing section. This is carried out through:

- Installation of collection centers in far off areas. So far 22 have been installed and the target is to install 45 MCCs.;
- Mobilization of more farmers to join cooperatives and sell milk through the established MCCs.;
- Improving the quality of milk and processed products by observing simple hygiene practices;
- Raising awareness and mobilization of more women to engage in dairy farming;
- Discussions with TDCU executives indicated that primary cooperatives where women hold leadership positions, there are less issues of mismanagement and embezzlement. Hence, it is encouraging women to take up leadership positions in the dairy cooperatives.

There is a general complaint that farm gate price offered by the Tanga Fresh to farmers is lower than the farmers' expectations. However, it has become apparent that when farmers' productivity is raised to at least 10 liters/cow/day, a farmer will breakeven and higher productivity will result in profit.

The main challenges reported for TDCU and for dairy farmers they represent include inferior cow breeds, low quality pastures, limited knowledge of dairy keeping that give rise to low productivity and production. Additionally the Tanga Fresh offers low milk prices to dairy farmers. Key husbandry practices advocated include using good breed and ensuring improved management of cows, especially in feeding.

3.5 Fisheries

The fisheries sub sector is an amorphous one as it has a very complex and varying composition of actors and is lagging behind in terms of established cooperatives.

Tanzania is endowed with rich marine and inland waters that yield a wide range of living aquatic resources, providing livelihoods, food security, export revenues, and potential for further economic development. The fisheries can be divided into the following subsectors: marine and inland capture fisheries, aquaculture, and fish processing. The scale of operations ranges from small-scale subsistence fishing to industrial fish processing. There is a vibrant export market, exploited by small-scale fish processors and traders serving the regional market, and by large fish processors selling into international markets. Over the last decade, Tanzania's fisheries production has been in the range of 325,000 to 380,000 tons per annum. About 85% of the fish come from inland fisheries, 14% from marine fisheries and just 1% from aquaculture. Fish consumption per capita is estimated to be about 7-8 kg/year and contributes to about 30% of the total animal protein intake. This level of per capita consumption is low, compared to the global per capita consumption of about 20 kg in 2014. In 2014, there were some 183,800 persons engaged in fishing, accounting for about 0.7% of the work force, with a large, but unknown number, also engaged in fish trading and processing.

In Mwanza region, there are two organizations with some interest in the fisheries sub sector: the Fisheries Union Organization (FUO) and Environmental Management and Economic Development Organization (EMEDO). The two organizations are briefly described in the following sections.

Fisheries Union Organization (FUO) was registered as an NGO in 2007. It has 150 members (70 women and 80 men) formed under the principles of the Beach Management Units (BMUs). It advocates for rights of the fisher folks, net sizes and fishing gear; fish types and sizes as allowed by law. It has no branches but has fishers' centers/camps in 15 camps in Lake Victoria area.

Environmental Management and Economic Development Organization (EMEDO) was established in 2006 and registered as an NGO according to the NGO act 2002. It aims to address issues of sustainable natural resources management and benefit communities. Key entry points and focus is on women and youth especially on fisheries, safe water, sanitation and hygiene.

Currently, EMEDO is working on an initiative to ensure the establishment and registration of the Tanzania Women Fish Workers Association (TWFWA) in collaboration with FAO. The TWFWA involves 211 groups (about 6000 women) in the focus areas of Lakes Victoria, Nyasa, Tanganyika, Indian Ocean and small water bodies.

In Tanga region, there are six fisheries cooperatives out of which four are active and can be credit worth. In the Tanga city there are two active cooperatives:

- i. *Sahare Jitegemee Cooperative Society Ltd* that was registered in 2019 with about 50 members. Membership composition of Sahare Coop includes fisher folks, businesses and stakeholders in the fishery value chain, most of whom are young people. The Sahare coop has two major objectives: to
 - Ensure markets for fish and fish products are secured (whereas some are exporters);
 - Ensure a conducive business environment for the fishery sector including work tools for fishing, such as fishing gear, nets and storage facilities.

Members join the cooperative after paying an entry fee, but also annual fees for smooth operations of the cooperative.

- ii. *Dip Sea Fishery Cooperative Society*. This cooperative is still in its final stages of formation and registration with about 70 members.

The fisheries officers, cooperatives are a useful medium through which they can easily reach more actors in the sector. Also, as a group fisher folk can easily access credit and other services from Tanga city council such as education on the use of correct fishing gear. The main challenges facing the fishery sub sector include lack of capital for acquiring improved work tools, low level of awareness on improved methods of fishing and high illiteracy levels, especially among the fisher folks.

The preceding section 3 described in detail the role of cooperatives in each of the specific commodity value chains. The following section presents the description of cooperatives and the International Cooperatives Alliance (ICA) principles and its implication to the development of cooperatives in Tanzania.

4.0 Organization of Cooperatives in Tanzania

A cooperative 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.” Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. Cooperatives are guided by and they adhere to the seven International Cooperative Principles (ICA). These include; Voluntary and Open Membership, Democratic Member Control, Member Economic Participation, Autonomy and Independence, Education, Training, and Information, Cooperation among Cooperatives and Concern for Community (URT 2005).

It is a fact that cooperatives are a way of life and becomes a business when formalized. In commodity-based cooperatives, the main focus has been on cash crops. During the colonial era, cooperatives were part of the movement in the struggle for independence. Also trade unions were a formidable force in the struggle for independence.

Cooperative unions in the then Tanganyika adopted various models including the Rochdal model of consumer cooperatives adapted from the United Kingdom, the Germany savings and credit union and the French model combining social and economic aspects in the cooperative.

Earlier cooperatives were based on the four-tier model comprising of Cooperative Society, Cooperative Union, Federation and an apex such as CUT. This model has been interchanging with the three-tier model without the Federation stage. At some stage, there was a proposition to have an apex unions based on specific commodity. As such it would have for example apex union for coffee, cotton, cashew, tea and dairy.

In general, across all the cooperatives, there is a common hierarchy from Members – Primary Society- Cooperative Union – Federation as the apex organ. The liberalization of trade during the 1990s weakened the cooperatives as it allowed private businesses to buy commodities straight from farmers. Farmers preferred to sell to private traders who paid cash as opposed to cooperatives. As such in many areas there are more non-members than members selling through the cooperatives.

For the primary cooperatives to thrive, they need to have honest members. There is a training programme at MoCU, by the name of MEMCO to empower members by carrying out the following:

- ✓ Training on general cooperative education;
- ✓ Skills oriented training on specific commodity;
- ✓ Management and bookkeeping to ensure proper record keeping;
- ✓ Entrepreneurship skills to ensure growth of the commodity, which means, doing farming as a business.

Given the deteriorating situation of cooperatives in the country, the following suggestions and means are put forward as mitigation to the situation:

- Member empowerment through sensitization and awareness creation activities to ensure members understand their rights and responsibilities. Cooperatives necessarily should be member based and member controlled;
- Reduce the government presence in the conduct and management of cooperatives. There has been too many and too frequent Acts, regulations and pronouncements that at best confuse the cooperatives governance and conduct. It is better for the government to give guidance about what cooperatives should do, not direct them what to do.
- Cooperatives should conduct their activities as a commercial business and do away with unnecessary overhead costs that weigh heavy on overheads;
- Cooperatives should streamline and focus on the main commodity rather than engaging in many unnecessary side activities or businesses;
- Do away with the legacy of previous cooperatives of “One Area, One Cooperative”. Instead consider other important parameters including size of the area of operation or volume of produce collected.
- There is need to be networking among cooperatives to bring about complementarity among neighbor cooperatives.
- At advanced stages, cooperatives need to initiate financial institutions that complement commodity marketing cooperatives such as Consumer and retail cooperatives, SACCOs, Banks, Insurance and Social Security Fund.

The evolution of cooperatives in Tanzania before independence shows that cooperatives were a very strong uniting force among many commodity producers, notably cotton and coffee. Such cooperatives were established on the basis of demand driven – there was a felt need to unite by pooling their resources together so as to have a common voice, especially in marketing, but also in the whole value chain of a commodity.

As such, farmers in Kilimanjaro Native Planters Association (KNPA) and Victoria Federation Cooperative Union (VFCU) engaged in commodity production discovered that they can command the market much better when they are united rather than everyone acting on their own. They thus came together to form a group which after formalization gave rise to primary cooperatives. Then several primary cooperatives joined to form Unions. The organization and management of cooperatives are governed by the existing policies and regulations. In 2013, the Cooperative Society Act, 2013 was enacted that established the Tanzania Cooperatives Development Commission (TCDC) with several responsibilities and authority in the governance of cooperatives.

However, orientation, type of members and their knowledge and skills on cooperative practice is limited. This requires back stopping and support by regulatory and technical bodies such as commodity boards and the TCDC (coops officers) but also NGOs such as TAFO and ANSAF in their roles as advocacy organizations.

Under the current policy and regulations, the management structure of Cooperatives, both primary and secondary is composed of:

- i. Annual General Meeting (AGM) attended by all members in the primary cooperatives while at the secondary (Union) level, representatives from all member primary cooperatives constitute the quorum. This is the highest decision-making organ of the cooperative;
- ii. Board of Directors (Board) which is comprised of up to nine elected members from among the member primary cooperatives. Usually Board members for the Union are elected from among the Board members or leaders of the member primary cooperatives.
- iii. Chairperson, manager, secretary and treasurer as the executive committee. They serve for a three-year term (triennium); they also employ on short term support staff for security, manual labour, transportation, etc.
- iv. Through the Cooperative Society Act, 2013, the terms for Board members and leaders of both primary and secondary cooperatives have been reduced to a limit of not more than two terms of three years, from the previous three terms.
- v. Tanzania Federation of Co-operatives Ltd (TFC); is the national cooperative umbrella organization that promotes, serves and coordinates the work of cooperative societies in mainland Tanzania. TFC is an autonomous, non– governmental and non– partisan body that is member owned and managed in the spirit of internationally recognized co-operative principles and values. It was registered on 8th December 1994 with Registration Number 5503. The Federation works to support and improve the policy, economic, legal, technical and institutional environment for all cooperatives from primary societies to apexes. The Federation is working to offer alternative positive ways of developing the cooperative sector that is independent.
- vi. The Tanzania Cooperative Development Commission (TCDC) is established by the Cooperative Societies Act of 2013 and is mandated with the regulation and promotion of cooperative sector development. The enactment of the new cooperative legislation and the consequent establishment of TCDC is part of implementation of the Government policy decisions of 2008 which aimed at strengthening Government regulatory and promotional roles in order to restore people’s confidence in cooperatives. TCDC is therefore mandated to oversee the management and operations of cooperatives to ensure compliance to the fundamental principles of cooperatives.
- vii. The Cooperative development department has been moving from one Ministry to another presumably for the purpose of strengthening the implementation of its roles and functions to meet the desired demands of the targeted people and various stakeholders. The most recent was the pronouncement to move the TCDC from the Ministry of Agriculture to the President’s Office Regional Administration and Local Government (PORALG). Most stakeholders view this recent move as being positive and feel will increase its efficiency in serving the targeted audience.

5.0 Challenges and Opportunities of Cooperatives

When the government finally decided in 1984 to reinstate cooperatives, it had two choices: i) to return all assets and arrangements to era before 1976; ii) to start cooperatives all over again. Unfortunately, the second option was taken. Ever since, there have been several attempts to resume the cooperatives. They are all based on whether to resume (pick up where we left off) or initiate (start afresh). The later was favored since the new ones will not claim for the lost assets and property of the previous cooperatives. It is important to note that the CRDB bank was actually a Cooperatives bank, but not anymore. Also records show that National Bank of Commerce (NBC) and National Microfinance Bank (NMB) took some the cooperatives assets.

The new cooperatives initiated did not perform well mainly due to weak management of executives as most of them were drawn from the then Crop Authorities with an inherent government mentality of parastatal organizations, instead of having the member based and controlled thinking. As such cooperatives is a “*necessary evil and we cannot do without it*” and that “*we shall never return to the cooperative status reached before 1976. There are too many wounds to heal*”! remarked Mr. Mahadhi – (member of the Tanzania Cooperatives Development Commission).

Throughout all the commodity-based cooperatives, the following challenges are common:

► *Poor governance and management*

When the cooperatives staff are appointed by the government instead of members, they do not feel answerable or obliged to serve the members. They lack capacity in human resources, facilities, financial and skills sets. Most of the staff and leaders at all levels are short of management skills and do not have adequate training on the guiding principles of cooperatives.

► *Lack of integrity of leaders and executives*

Some of the elected leaders and executives have low moral values and use their position to accumulate wealth to the expense of SHP members. Some cooperative and political leaders are engaged in the commodity business and this creates conflict of interest on their roles and principles of cooperatives

► *Lack of cooperative education and training*

In several locations, only a small proportion of producers of a specific commodity are actually members of the area primary cooperative society. The general knowledge and practice on the cooperative principles is lacking. Many members and the community do not engage on a daily basis on affairs of the cooperatives. They leave everything to the selected cooperative leaders and politicians. This to a greater extent is a result of lack of knowledge on the benefits of cooperatives.

► *Government interference vs. intervention*

Various Regulations and Acts have been enacted from 2003, 2010 and 2013 geared to making changes and improvements; such as formulation of TCDC and its implementation; reduction of leadership terms to two terms of 3yrs each; increased penalty for offences,

emphasis on separation of leadership in the government, political and cooperatives. There has been too many and too frequent introductions of acts, regulations and directives that at best confuse the cooperatives governance and conduct. For example, KNCU reported that it has been receiving audit investigation missions since December 2019 till June 2020 diverting attention for the cooperative and giving less time for other cooperative development activities. Furthermore, the new Cooperative Societies Act 2013 placed too much power to the Registrar depriving ownership of the Coops from the members.

▶ *Lack of member ownership, voice and power*

Some cooperatives are used badly by some selfish and influential individual leaders to meet their own ends. There are cases where resolutions reached at the AGMs are not fulfilled just because some prominent and influential individual leader's interest is not met. In such a case the majority member voice is not adhered to.

▶ *Weak coordination between commodity boards and cooperatives*

The commodity boards play important roles of coordination throughout the whole commodity value chains including marketing and traceability after sales. It is mainly a regulator of the commodity industry and leads committees that carry out production analysis to determine indicative price to guide stakeholders during auctions. There are some instances where commodity Boards and Cooperative union step on each other's toes. Further, it was alleged that the boards (for example in cashew and cotton) collude through back door agreements with buyers to arrive at low prices for commodity during auctions to the disadvantage of SHPs.

▶ *Use of inappropriate management structure*

There is usually unnecessary bureaucracy and placement of more than necessary labor force that weighs heavy on the cooperative. There are far too many administrative officers leading to higher overhead costs and less profit for the cooperative, thus lacking a business orientation and a disincentive to members.

▶ *Negative mind set regarding cooperatives*

For too long, cooperatives have been marred by stories of misappropriation and embezzlement and lack of payments to farmers. This has resulted in a situation where cooperatives have been viewed as an undesirable entity associated more with the government rather than with members.

▶ *Persistent late & sometimes no payments to producers*

Producers have been marketing their produce through the AMCOs where in many instances did not get paid promptly. In the case of the much advocated WRS, producers deposit their commodity which is bulked at the unions where auctions are conducted periodically. The process leads to delays in payment for a pro-longed period to the producers, sometimes lasting for several months and no payments are made and or produce is returned for unconfirmed poor-quality reports.

▶ *Fisheries and livestock sub sectors lag behind establishing cooperatives*

Due to the nature of the fisheries sub sector, there is a general perception that it is not possible to bring the various actors in the fisheries value chain together. To the extent there is no fisheries board as in the other commodities. A few examples in Tanga are coming up. There is, however, great potential for developing cooperatives through the Beach Management Units (BMUs) arrangement. Despite large number of livestock especially beef there is no cooperative to unify the sector and it was reported that the sub sector faces many production, processing and marketing challenges.

6.0 Conclusions

Cooperatives in Tanzania were initiated during the colonial era mainly in cash crop producing areas. After independence the government policy was to make the cooperatives movement an engine for economic development. Further the Aarush declaration of 1967 advocated and recognized cooperatives as instruments for implementing the policy of socialism and self-reliance. History shows that cooperatives have gone through reforms and continue to experience institutional changes. In 1976 cooperatives were dissolved through a government decree because they posed a threat to the political leadership.

The first cooperative policy was formulated in 1997 and later a follow up policy in 2002 and the latest is still under review 2020. The role of cooperatives remains as relevant as ever today. Without cooperatives, small producers are left with almost no form of collective organization, at an immense disadvantage when taking their products or crops to the market. Without savings and credit cooperatives, many poor people have no safe home for their savings and nowhere to go for loans. If they are to meet their potential in the future, however, a comprehensive transformation of cooperatives in Tanzania will be necessary.

Despite the policies and various institutional changes introduced the problems in cooperatives have persisted. The main constraints have been inability of cooperatives to operate under a liberalized economy and adherence to the ICA principles. Summary of key challenges include:

- Poor governance and management
- Inability to compete on equal footing with private traders
- Lack of integrity of leaders and executives
- Lack of cooperative education and training
- Government interference vs. intervention
- Limited information on marketing trends
- Lack of member ownership, voice and power
- Weak coordination between commodity boards and cooperatives
- Use of inappropriate management structure
- Lack of business skills and orientation
- Negative mind set regarding cooperatives
- Persistent late and sometimes no payments to producers
- Fisheries sub sector and Livestock beef sub sector lag behind establishing cooperatives
- Cooperatives are unattractive to the young generation

In order to bring back the status of the cooperatives to their levels of years before 1976 when they were abolished a major reform is required to mitigate the setbacks outlined above. This will include a major education and training program consistent with the ICA principles at all levels for the members (SHP), cooperative leaders, government officers and political leaders. It is important to have the policy finalized, strategies for its implementations outlined and regulations stipulated. All these must be conducted in a participatory manner giving a wider and high consultative process for cooperatives stakeholders at all levels.

The cooperatives organisation should adhere to the stipulated institutional arrangements of members, primary societies, unions and federation. The cooperatives should adhere to the administration structures that promote cohesion among its members (SHP men, women and youth) including holding regular meetings and providing feedback to its members.

Furthermore, despite that there are many cooperatives models, it is proposed that Tanzania needs its own home-grown model. A good model that abides to the seven principles of the International Cooperative Alliance that are customized to specific location and produce. A good example that is working fairly well is the Tanga Dairy Cooperative Union model. This model works on the arrangement that there is an industry/factory that buys the produce from its members (SHP) (an assured market for the produce), makes payments promptly for the milk purchased and process the raw milk to other products of higher value, that is, value addition.

A good example of model that works best is found in India. This model is known as Amul Dairy Cooperative Union which is briefly described below:

Amul dairy cooperative was established in 1946. It has 3.6 million milk producer members. It provides benefits to its members including; subsidized inputs, services like feed, Artificial Insemination (AI), veterinary services medical and pension. No side selling is entertained. It has boards and management. Key organizational issues are observed; Voices of farmers are taken seriously. It has efficient governance and management system, ensures checks and balance that lead to member satisfaction, member retention and member loyalty. Inclusion of women in management was a key to success and sustainability of the cooperative. The Amul model of dairy development is a three tiered structure with the dairy cooperative societies at the village level, federated under a milk union at the district level and federation of member unions at the state level (<https://www.amul.com/m/about-us> cited on 16th August, 2020).

Hence a good model requires the following parameters;

- ✓ member controlled and managed;
- ✓ efficient governance and management system,
- ✓ economic power;
- ✓ commercially viable business orientation
- ✓ free from government interference on cooperative business operations
- ✓ a social-economic and income growth service to its members
- ✓ strong member social inclusion of men, women and youth

In ensuring that cooperatives continue to provide the services to the members, government interventions should be limited to guidance, promotion, regulator, inspection and supervision with minimum directives if any at all. This model can be adapted for other commodities.

7.0 Recommendations

7.1 Policy Environment

The last Cooperative policy was formulated in 2002. The cooperatives policies in Tanzania should be assessed against the International Cooperative Alliance (ICA) principles. The policy statement should promote an inclusive approach and ensure that the small holder's needs and interests are addressed. It is noted that the government is currently reviewing the cooperatives policy. However, it seems that the process is very restricted, involving government alone. In order to prepare and have a comprehensive and an effective policy it is recommended that the process is transparent and wider stakeholders are consulted in particular public, private sector, civil society organizations and small holder's producer men, women and youth.

ANSAF should use its networks and advocacy skills to contact Presidents Office Regional Administration and Local Government (PORALG) and TCDC to seek to be engaged and participate in the review. ANSAF should plan to organise stakeholder workshops to review the Cooperative Policy and provide inputs utilizing findings of this study.

ANSAF should use its policy advocacy expertise to prepare popular versions of the Cooperative Policy and disseminate it to its networks and JUWAVITA members for wider knowledge.

7.2 Role of the Government

The vital role of cooperatives remains as relevant as ever today. However, the study identified many challenges for the cooperatives. The major relevant challenges related to government institutions included: Lack of cooperative education and training, capacity in human resources and skills and government interference in the cooperatives business. This is mainly due to cooperative officers who provide inadequate information to the senior government officials leading to decisions being made by officials that are not supportive to the cooperative spirit.

It is recommended that the government through its institutions should oversee the management and operations of cooperatives societies to ensure compliance to the fundamental principles of cooperatives. In collaboration with leaders of the cooperatives, the government should remain with the responsibilities of providing backstopping, guidance, promotion, regulation, supervision, and creating enabling environment for industrialization.

7.3 Commodity Boards

Commodity boards have the central role of coordinating all activities along the commodity value chain to ensure it functions efficiently. As such Boards have roles from the first point of a commodity inception up to its final consumption and traceability after sales. Commodity Boards should work closely with cooperatives to create market linkages.

7.4 Organization of Cooperatives

The cooperative institutional arrangements should be member based and they should be empowering the voices and decisions of its members. The statutory structural gatherings such as AGM and Board meetings should be organized and held consistent with its constitution. The cooperatives administrative structures should be lean and cost effective for the organization

ensuring that it serves its members adequately. The set up should be free from external forces especially frequent government directives and adhere to the International Cooperative Alliance principles.

7.5 Education and Training to Members

The study findings show clearly that knowledge on the cooperative movement is very low and at mixed levels among all stakeholders' including small holder producers, leaders of cooperatives, cooperative officers, government leaders and politicians. Overall cooperatives have a negative image across all levels of communities. This situation was led by its abolition in 1976, its practices and performance after it was re-introduced. A former Permanent Secretary of Ministry of Agriculture (also a cooperative officer) put it clearly that: *"We shall never return and reach the status of the cooperatives as they existed before 1976. Mainly because in 1984 they were not returned to their normal operational status but were started afresh losing all the assets and operational integrity and experience"*. (Mohammed Muya personal communication).

There is need to embark on a major education and training program to build a cadre of people who understand the concept and spirit of cooperatives. It is recommended to initiate a tailor-made training course on cooperatives. The education and training should be informed by a needs assessment exercise on cooperatives contents. There were interests expressed by MoCU, TCDC and TFC to champion on such a training. ANSAF could partner with MoCU, TCDC and TFC to agree on a curriculum and advocate for such training for selected members of the community especially leaders and JUWAVITA members. ANSAF could draw lessons from the coffee industry and stakeholders who have developed a coffee extension manual that address cooperatives as one of its modules.

7.6 Commercially Viable Business Orientation

The study findings clearly show that cooperatives have adopted government costly administrative and management structure. They have very large pool of administrative staff and operative without being conscious of the costs for doing business. It is recommended that cooperatives are reformed and start functioning in a business fashion. The activities should be commercially viable, and staff possess business development skills orientation. It will require retooling of staff under the cooperatives. This will ensure that cooperatives operations are profitable business and that are focused to increased incomes of its members. Such orientation will also ensure it attracts youth who are anxious to engage in economic and commercial business that makes profit.

7.7 Cooperative Model

There are many models for cooperatives. The study recommends adopting a home-grown model. The model should be customized to suit specific location and commodity but adapt the seven principles of the International Cooperative Alliance. The major parameters of the model include; member initiated, controlled and managed; efficient governance and management system, economic power; commercially viable business orientation and be linked to a processing plant and it must provide services to its members (inputs, extension, veterinary services and prompt payments). This example emulates the Tanga Dairy Cooperative Union (TDCU). In this

scenario, TDCU in partnership with a foreign cooperative Rabobank in the Netherlands, established a milk processing plant. This model is not perfect but has most of the elements of a good cooperative model and it is adequately serving its members. Another ideal model exists in India, known as the Amul dairy cooperative union.

7.8 Remove Stumbling Blocks

It is noted from the study and previous studies, there are number of stumbling blocks hindering the operations of the cooperatives. These factors are both within the cooperatives and some are external. It is recommended that as part of the cooperatives reforms all blockages be removed. The commissioner and registrar in particular in collaboration with cooperatives should prepare an action plan with a timeline identifying the constraints and outline its mitigation measures. This should be done along the time of the cooperative policy review. This action plan be revised and updated every three years to determine progress on the cooperative movement.

7.9 Encourage Women to take up Leadership Positions

The first step should be to mobilize women to join cooperatives. One of the findings from the study was that women were identified as efficient and effective leaders for the cooperatives. Such cooperatives did not report fraud, embezzlement and mismanagement. For example, for coffee and dairy sub sectors, it was reported that most of the successful primary cooperative societies have women in the leadership. It is recommended that in order to take advantage of women members. More women be encouraged and motivated joining cooperatives and be elected to the leadership positions.

7.10 ANSAF Partnership

ANSAF in partnership with relevant institutions to champion tailor made cooperative training to JUWAVITA, Regional /district and ward level leaders. Using the lobbying and advocacy expertise in ANSAF, it is recommended to conduct a training needs assessment of its networks and JUWAVITA members, prepare a cooperative training programme. ANSAF should disseminate and popularize this training ensuring that a good and correct cooperative mind set is installed in the Tanzanian public.

7.11 Policy Brief on Cooperatives

Drawing from the cooperative study findings validation workshop, it was observed that key points from this study need to be summarised and disseminated to a wider audience and stakeholders. It was recommended that the final report be posted on the ANSAF website. In addition a policy brief be prepared by ANSAF in partnership with government, TCDC, TFC, Cooperatives and Civil Society Organizations. This be disseminated to relevant government institutions for action.

8.0 Suggested Areas for further Research

The following are issues that need further investigation to compliment this particular analysis:

- a) Assessment of the efficiency and effectiveness of government interventions in the cooperative sector since its reintroduction in 1984.
- b) Analysis of the SHPs (women and youth) engagement in cooperatives; why are they not joining cooperatives, what role can youth and women play in the development of the cooperatives?
- c) An assessment of potential complementary investments and services that Cooperatives can undertake for their members.
- d) Conduct a training needs assessment of ANSAF networks and JUWAVITA members with regard to cooperatives

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Appendices

Appendix 1: Guide Discussion Questions

Guide discussion issues with Key Informants (KIs) and Focus Group Discussions (FGDs)

1. Assistant Registrar / (Regional Coop Officer)

- Policies as regards to cooperatives; what and their coverage?
- Which institutions in the region fall under the jurisdiction of your office in the region;
- What is the historical perspective of Coops in the region;
- What have been the ups and downs of the cooperatives over time;
- What are the institutions and institutional arrangements supporting cooperatives activities;
- What guidelines that govern the operations of the cooperatives;
- How do you assess the performance of cooperatives over the past ten years;
- What has been the milestones of the cooperatives in the recent past towards serving SHPs;
- What has been the shortfalls/ challenges of the cooperatives in the recent past in its bid to better serve their SHPs clientele;
- What are your suggestions to overcome the shortfalls/challenges?

2. Commodity Boards:

Focus commodities were cashew nuts, cotton, coffee, dairy and fisheries.

- Functions of the Board in the commodity value chain;
- What is the hierarchy of the Board within the commodity regulatory institutions/ apparatus?
- What policy/policies govern the conduct of cooperatives?
- What have been your (Board) strategies in improving the performance of the commodity industry/value chain, especially in ensuring that farmers (SHPs) get a fair share/price for their produce?
- What has been the milestones of the Board over the recent past?
- What has been the challenges/pitfalls of the Board in its undertaking?
- Give suggestions on how to mitigate the challenges in order to improve the performance of the commodity cooperative and value chain in general.

3. Commodity Cooperative Union

Focus cooperative unions were MAMCU, Nyanza, KNCU and TDCU.

- Some history of the Cooperative Union;
- How does the Union stand today?
- What are its constituent's composition, i.e. AMCOs?
- How is it governed;
- What policies and guidelines dictate its conduct?
- What has been its milestones/successes in the past ten years?
- What has been the pitfalls and challenges towards serving its members (SHPs)?
- What are your or the Union, suggestions/ strategies to overcome the challenges to improve its performance?

4. Tanzania Federation of Cooperatives

- What TFC role and functions?
- How is it organized, members and institutional arrangement?
- What is the link with unions and primary societies?

5. Tanzania Cooperatives Development Commission (TCDC)

- What is its institutional arrangement (Registrar/Assist Registrar)?
- What is the history of cooperatives?
- Is there a cooperatives policy?
- How is Commission organized?
- What are the functions of cooperatives at lower levels?
- Why do cooperatives have a bad image?
- What are challenges and its mitigation?

6. Member of Presidential Committee on Revival of Cooperatives

- What did it prepare?
- What is the status of cooperatives policy and implementation today?
- What is the implementation status of TFC and TCDC?
- What are views on transfer of the Commission to PORALG?

Appendix 2: List of People Consulted

Location	Institution	Persons	Position
Dar es Salaam	ANSAF	1. Ms. Irene Mvena 2. Mr. Honest Mseri	Livestock Policy Coordinator Head of Operations
	ILRI	1. Dr Amos Omore	ILRI Country Representative
	Tanzania Federation of Cooperatives	1. Mr. Emmanuel Danda	Education and Publicity Manager
	Tanzania Dairy Board	1. Ms Winifrida Mbuba 2. Ms. Justa Kashumba	Act. Chief Accountant Dairy services & production officer
Mtwara	PO-RALG Regional Office	1. Mr. Lilanga Mohamed 2. Mr. Kamilu Ndaga	Asst Registrar of Mtwara DC Coop officer
	Cashew nut Board of Tanzania	1. Mr. Ahadiel Mmbughu	Head of procurement section
	MAMCU	1. Ms Hadija Ndile 2. Ms. Biadia Matipa	Chief accountant P. Secretary
	Tandahimba DC	1. Eng. Issa Naumanga	DAICO Tandahimba
	TAF0 & JUWAVITA	1. Mr. Faraj Njapuka 2. Mr. Kennedy Chipande 3. Mr. Lukanda I. Abdallah 4. Ms. Hadija Malibiche 5. Ms. Timpale Magehema 6. Mr. Karim Mnedi	Chairman TAF0 Exec. Secretary TAF0 Treasurer TAF0 TAKUWA Coord. WAKORU Chair ANSAF/JUWAVITA
Mwanza	PORALG Regional	1. Mr. Innocent Kea 2. Mr. Saguda Yohana 3. Mr. Aron Mrema	Agric. Officer Coop. Officer & acting Asst. Registrar Assistant Registrar
	Nyanza Coop Union	1. Mr. Sospeter Ndoli 2. Mr. Benedict Mhoja	Human resources Off. Industrial Manager
	Tanzania Cotton Board	1. Mr. Gabriel P.T.Mwalo	Finance & Admin
	FUO	1. Mr. Juvenary Matagili 2. Majura Manyama 3. Demay John 4. Shadriack Massatu	Chair Programme manager Exec. Secretary ICT Manager

	EMEDO	1. Editrudith Lukanga	Executive Director
Moshi	PORALG Regional	1. Mr. Simon Msoka 2. Mr. John Henjewe	Asst. RAS Econ cluster Asst. Registrar
	KNCU	1. Ms. Agnes Ivan	Info & Public relations Officer
	Tanzania Coffee Board	1. Mr. Kajiru S. Kisenge 2. Mr. Mosses Simwinga 3. Mr. Frank Nyarusi 4. Mr. Godfrey France	Coffee dev.& Operations (DCDO) Human Res Manager Quality Control Manager Agric. Officer
	Moshi Coop University	1. Prof. N. Donge 2. Prof Robert Msanga	Emeritus specialists in management & cooperatives
	Café Africa	1. Ms. Leticia Nshange 2. Mr. Isaack E. Mirai 3. Emmanuel L. Mahululu	Finance & Administration Asst. Pgm officer M & E officer
Tanga	PORALG Regional	1. Ms. Jacqueline Senzige 2. Mr. Zakaria Masao 3. Mr. Hassan Kalombo 4. Mr. Bagaya Mbwana 5. Mr. Constantine Lukanyima	Asst. Registrar of Coops Regional Coops off. Regional Fisheries Off. District Fisheries Officer, Tanga city Area Fisheries officer, Dip sea area
	TDCU	1. Ms. Immaculata D. Mwandabile 2. Ms. Getrude L. Mwakipesile 3. Mr. Athmani Mahadhi	Accountant HPI coordinator for women Commissioner TCDC and Secretary TDCU
	Tanga Fresh	1. Mr. Alnoor Hussein	Director and founder member of Tanga Fresh Company
		1. Mr. Mohammed Muya	Member of the Presidential Committee on cooperatives and retired PS ministry Agriculture; chair of Tanga Fresh Board

Appendix 3: Summary Notes, Comments and Issues on the Cooperative Study Findings Raised at the Validation Workshop

1. Opening Remarks

Opening of the event was officiated by ANSAF ED, Mr. Audax Rukonge who on his remarks, extended gratitude to the government officials and civil society organizations from; TCDC, PO-RLAG, MOA, Tanzania Coffee Board, Cashew Board of Tanzania and JUWAVITA members who made to the workshop. He shared his experience on the evolution of Cooperatives, and how significant it is to the livelihoods of SHPs. Moreover, he pointed out on why it was important to conduct this study, that it meant to inform the respective government institution on the challenge's cooperatives are facing and to provide recommendations to resolve the stumbling blocks towards its development. He stressed on the need to have cooperative sector independent but also have equally competitive power in market for its produce. The need to strengthen the capacity of cooperative in the market is vital, only when cooperative is business oriented that when they will realize the profits and actual development of the cooperatives. He concluded emphasizing the need to review cooperatives act, and that issues from this meeting should inform the review of the Cooperative Act.

Thereafter, Mr Mukara Mugini, Agriculture specialist from President's Office, Regional Administrative and Local Government (PO-RALG) presented his opening remarks. He noted the major achievements of cooperative sector to date as follows;

- Cooperatives are important and unavoidable, it's among the declaration of 1967 Arusha declaration
- TCDC have revived more than 75 cooperatives for processing cotton, dairy etc. These new cooperatives have increased the total number of cooperatives from 133 to 208 in the country.
- Cooperatives should be responsible in provision of services to members, including the roles of cooperatives unifying members to address the challenges faced by farmers.
- SACCOS have provided loans to cooperatives approximately 1.5 trillion in 2019.
- More than 90,000 youth are being employed in the cooperatives sector,
- Modernization and industrialization are key factors to meet the international market standards.
- Transformation of the cooperatives should start from bottom-up, members, managements and the commission, TCDC.
- Government is here to provide necessary support to all the value chain actors, including enforcing the rules and regulation to protect the interest of members of the cooperatives.

Later Mr Abdillahi Mutabazi, representative from the TCDC, also highlighted the achievements of the commission in overseeing the cooperative sector. Some of the key points he emphasized included;

- TCDC have been providing training to Cooperatives; LGAs, but also through MOCU. He pointed that TCDC is converting the challenges to opportunities. MOCU has the responsibility to provide skilled staff to cooperatives, to train personnel, educate the cooperatives senior officials as well as members.
- Management of Warehouse Receipt System (WRS); TCDC is closely monitoring and injecting better mechanism in the WRS to resolve the persist challenges regarding payments of the claims to farmers. Close eye is directed to cashew and cocoa value chain, which has the poorest WRS leading to great loses of members claim, thus affecting the performance of the cooperatives.
- TCDC envision business-oriented cooperatives, in support of this, have framework in place to provide training to current cooperative officers, to equip them with skills on best way to manage the coops as profitable business entities

2. Plenary Discussion

Based on the presentation made of the study findings and recommendation, overall participants welcomed the initiative on conducting a study on the cooperatives and agreed with the research findings. In addition, the workshop participants raised specific comments and suggestions as follows;

- a. Some of the Government political leaders have interest in the cooperative business, hence refuse using the WRS system.
- b. The stated challenge 'senior leaders lack knowledge on cooperatives should be rephrased as this may not be understood. The study should rather indicate why are the government leaders are misinformed and the role/performance of advisers on issues of the cooperative sector
- c. Livestock sector is lagging behind in the cooperatives, there is persistent poor organization from livestock keeper mostly in conducting livestock markets, bulk sales and price fluctuations. The study needs to recommend establishment of cooperatives in livestock sector to elucidate the current challenges.
- d. Strong emphasis should be on how people can be motivated to join cooperatives. The study should provide ideas on best approach to engage youth in the cooperative sector.
- e. The study has stated that Dairy Cooperatives especially TDCU being one of the successful models. Henceforth, the study should clearly explain how best this model can be adapted for other value chains and what were the key features observed in the TDCU that can be diffused to other cooperatives.
- f. How can autonomy be achieved? From who? To what extent – because it's not entirely possible to be fully autonomous – intrusion persists.
- g. The study should show how the 7 principles will help the current models transform.
- h. Education provision in cooperative is mainly channeled to few beneficiaries, mostly at the management. This hasn't been captured in the study. It is recommended that the study should capture the training needs of the cooperatives and at which level should the training be directed.

- i. How should the study be structured and delivered to the cooperative's different levels?

Other challenges facing cooperatives identified were as follows;

- i. Based on the Cooperative Act of 2002, the power entitled to the registrar are exaggerated. There is the need to review the Act, to reduce the powers of the registrar.
- ii. Stakeholders in Cooperative development need to advocate for the establishment of common policy that will provide guidance to the operation of the crop boards
- iii. Cooperatives officers lack equipment and enabling environment to perform, strategies to ensure provision of necessary facilities to capacitate the cooperative officers should be established, including budget allocation for cooperative development at the LGAs.
- iv. No incentives to officers within the cooperatives system – those recognized by the President for appointments to government positions relating to Cooperative are not from the sector itself, this demoralized the spirit of the members
- v. Production and marketing, there many arms in the market (TRA, TCDC, CROP Boards), however, few are intervening to boost the production. Example government interference has been observed in case of KNCU, as more than 6 government investigation committees have been deployed to visit KNCU for audits from January to June 2020.
- vi. Misuse of local cooperative personnel at the LGAs; they are mostly being assigned to other unrelated cooperatives activities, example collecting taxes of trade fairs etc.
- vii. Low investment towards industrialization of cooperative products
- viii. Low capacities of fisheries cooperatives to conduct fishing activities in deep sea
- ix. Weak cooperation among agriculture and financial cooperatives
- x. Limited women participation in the cooperatives are they mainly involved in production side.

3. Key Notes from Government Officials

Based on the discussion, responsible government officials addressed the challenges and committed to take action to improve the sector, below are the summary responses from TCDC and PO-RALG;

Statements from PO-RALG- Mr. Mukara Mugini

- a. The study has stated that there is government interference instead of intervention, this should be clarified in terms of what interference has been observed and indicating evidence of the claim.
- b. Autonomy, the report has recommended self-autonomous of the Cooperatives, hence to what extent should the cooperatives be autonomous, relevant data should be shown to justify.
- c. Dairy cooperatives have been successful, show evidence, what TDCU is doing different from others.
- d. What kind of management is ideal, and how should it differ from one value chain to another?

- e. Leaders lack cooperatives knowledge, restructure the statement. Suggested wording: Experts advising the government leaders lack skills on cooperatives.
- f. Leaders don't want WRS, is it general perspective or subjective? This need to be explored more.

Statement from TCDC

Representative from TCDC, Mr. Athuman Mutabazi responded to the challenges raised by stakeholder. He stated the following;

- The commission has been following the 7 ICA principles and commit to maintain and monitor its diffusion to the cooperative units in the country.
- TCDC and MLF are working together to form fisheries unions which will respond to the market challenges current present in the fishing industry.
- TCDC are working with crop boards in conducting thoroughly checks and screening of cooperative leaders to improve the management of coops.
- Public and private sector actors should jointly advocate for budget allocation for the cooperative sector from the LGAs to national level.
- Many challenges are present because of limited resources available to support the development of the sector.

4. Way Forward

From the discussion and response of TCDC and responsible ministries and crop boards, the following were agreed as way forward;

For the Government and responsible institutions;

- TCDC should promote short training courses to cooperative officers and management on business-oriented cooperatives.
- Government should conduct an evaluation of the interventions made in the cooperative sector on the efficiency of the new injected interventions and suggest ways to modify the current interventions.
- Government interventions should aim at increasing the SHPs income.
- Increase budget allocation and disbursement for the cooperative's development at national, regional and district level.
- Selection of management especially leaders of the coops should be transparent to avoid leadership bureaucracy
- Government should reduce invasion or interference of the cooperatives activities to increase independency of the cooperatives.
- Government should promote establishment of cooperatives on the shore areas such as Lake Tanganyika, Lake Victoria and Lake Nyasa these will bring positive impact to the fishery sector
- Cooperative education should go along with eliminating poor cultural beliefs, creating enabling environment to promote youth engagement in the cooperatives sector.

Suggestions for ANSAF through JUWAVITA platform. It was suggested to carry out the following;

- Development of policy brief for advocacy for JUWAVITA, including sharing and upload the study on the website for public awareness
- Advocate for review of the Cooperative Act.

5. Conclusion

The workshop was officially closed by the ANSAF's Executive Director - Mr. Audax Rukonge. In his closing remarks, the Director thanked all participants for their invaluable time, contributions and participation to the event which made it a success. He emphasized on the need to build capacity of cooperate personnel's, as they contribute to the performance of the cooperatives. He recommended that the International Cooperative week should have a series of engagement with stakeholders this will help unveil the bottlenecks of development of the sector. Finally, he committed to share the report to key government institution for inputs and action.

ANSAF Director proposed that a team comprising of key representatives from Government (ASLM), Civil Society Organizations, Tanzania Cooperative Development Commission and Cooperatives with support from a consultant be formed and a workshop be organized to agree on the main issues to include in the policy brief. This would then be submitted to the Government.

Appendix 4: List of Participants of the Cooperative Study Research Finding Validation Workshop

Date: 24th August 2020

Place: Kisenga Hall LAPF Building, Dar es Salaam

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