



## Policy Brief

# Building Strong Primary Cooperatives Societies in Tanzania

### Introduction

In Tanzania, the history of cooperatives can be recalled from the 1920s. The same was mainly agricultural based for the supply of raw materials to the industrialised world. Agricultural-based cooperatives continued in existence even after independence until the 1980s when other forms of cooperatives, including consumers, transport, credits, and savings, emerged. By 1976 the government had abolished cooperatives in Tanzania but re-introduced them in 1984 in line with the 1982 Cooperative Societies Act No. 14. Even though the government and other actors have tried to revive the subsector through various regulatory environment reforms like the establishment of the cooperative policies and acts, cooperatives are yet to full-recover to their prior 1976 performance.

Lack of market access, inadequate inputs supply and financial services affect the productivity of smallholder entrepreneurs. Cooperative societies aim at alleviating these problems through collective marketing, supply of inputs and finances. However, poor performance of the cooperative in governance, management, and operations discourage potential members from

joining them. Efforts are needed to improve the performance of cooperatives by encouraging them to improve their governance structure by establishing more committees, holding more member meetings, and training the boards on cooperative governance and management to improve their performance.

Likewise, cooperatives should improve management performance by employing staff who have knowledge, skills, and experience in cooperatives. Again, it is crucial to employ technical staff to enhance the technical capability of cooperative members. Furthermore, cooperatives need to increase their core activities by supporting production, diversification of economic activities, and engaging in training members on cooperative governance, management, and operations to improve their understanding of members' rights/benefits, roles, and responsibilities. This policy brief seeks to share the study's findings to assess and highlight how different cooperatives, governance, management, and operations impact their performance in five selected value chains in Tanzania, namely coffee, cotton, cashew nuts, dairy, and fisheries.

### Statement of the Problem

Poor market access, inadequate input supply and unavailability of financial services in Tanzania have been identified as major limiting factors delaying productivity of crops, livestock, and fisheries sub sectors. Several initiatives have been done by the government and other development actors to revive the cooperative sub-sector like development of the Cooperative Development Policy in 2002, and then the Cooperative Societies Act in 2013 (URT, 2013) that led to establishment of the Tanzania Cooperative Development Commission (TCDC). It has been noted that for smallholder producers to improve productivity joining cooperatives would be the best option. However, majority of the cooperatives in Tanzania are confronted with several capacity challenges such as governance, management, and operations and are yet to attain the efficient levels prior 1976 (Rwekaza and Mhihi, 2016; Sambuo and Msaki, 2019). It is against this background, the Agricultural Non-State Actors Forum (ANSAF) and TCDC commissioned a study to assess and document different cooperative models in Tanzania. The same was done in five selected value chain as examples, namely Kilimanjaro (coffee and dairy), Lindi (cashew nuts), Simiyu (cotton), and Dar es Salaam (fisheries).

### **An Overview of Current Performance of Cooperatives in Tanzania: Experience from Selected Value Chains Coffee and Dairy (Kilimanjaro), Cotton (Simiyu), Cashew Nuts (Lindi), and Fisheries (Dar es Salaam)**

**Governance:** Generally, the study findings indicate that even though the governance structure of the cooperatives in the specified value chains looks to be similar, variations in performance were noted amongst cooperatives due to different reasons. The most cited reasons that were found to be critical in influencing cooperative performance in terms of governance are the commitment of board members, the experience and knowledge of board members, commitment, and cohesion of members for instance in voluntarily participating in the decisive meetings (AGM), and payment of required statutory contributions. Others were transparency, effective communication, and effective oversight of members through active participation in different cooperative activities.

**Management:** Besides, the level of performance in attribution to management differentiated was mainly differentiated by education level for some cooperatives staff and board members, commitment of leaders, experience of managers in managing cooperative business, transparency, risk management and risk appetite. Likewise, transparency, trust, and cohesion between members and management was amongst the key success/failure factors of the cooperatives involved in the study (Anania and Rwekaza, 2016; Wanyama, Pollet and Develtere, 2008; Zeuli and Cropp, 2004 and Banaszak and Beckman, 2006).

**Operations:** Most of the cooperatives visited indicated to be undertaking primary function of agricultural, fisheries, and dairy cooperatives which are mainly facilitating availability of inputs, aggregation/collection, transportation, and marketing of the produce of their members. Besides, relatively fewer agricultural cooperatives (coffee, cotton, and cashew nuts) indicated to be heavily engaged in supporting production of the respective commodities, for instance in supporting their members to receive appropriate extension support. This in turn indicated that production and productivity which is also critical to growth of the cooperatives and its members is relatively low. Likewise, few cooperatives have diversified set of activities which increase their revenues. Coffee and dairy value chains indicated to be engaged in other income generating activities/investments such as the inputs shop, hardware shop, agency banking, selling blocks, investment in shares in companies such as Vodacom, car parking and commercial buildings.



## Implication of Current Performance of Cooperatives in Tanzania

**Governance:** Cooperatives abiding to the principles of governance have good cooperative governance have improved performance in terms of large number of members, large volumes of crop/produce aggregated and sold as well as more trust, transparency, and cohesion among the members. In the value chains visited it was noted that the poor performing AMCOS have managed to hold only one/few or no annual meeting per year. One dairy cooperative has not held any meeting in the last six years, and number of members has gone down by 37%. Having more meetings than regular ones widen scope of democratic practice, where members are more involved or regularly involved, something which improves performance of the AMCOS in terms of member cohesiveness, trust, and transparency.

**Management:** The management is responsible for day-to-day activities of the cooperative, having a well-educated management improves the performance of the AMCOS. This study revealed that cooperatives which have less educated secretaries cum managers, less committed staff, and leaders, have been not able to perform well and others have either received small revenue or closed their services to their members. Furthermore, such cooperatives have problems with record keeping and poor documentation. The study noted that most of the AMCOS got poor performance certificates from the auditors due to poor record keeping and or documentation.

**Operations:** All the cooperatives visited carried out their core activities according to their value chains. However, the performance of the operations varied based on the capability and commitment of the board and employees (management). Cooperatives who participated in production activities in addition to aggregation and input supply had increased volumes of produce collected compared to those who did not address production by advising their members to adhere to the best production practices. On the other hand cooperatives in coffee, dairy, and fisheries value chains with diversified source of income indicated to be performing better than those without the same. Those investments helped the cooperatives to manage their operations better because the same contributed to improved funds to finance their core business including crops/products aggregation and provision of inputs. Likewise, due to diversified income members and the community in general benefits through provision of different socio-economic services which leads to improved number of members for instance after observing benefits received by members from the respective cooperatives.

## Key Challenges Facing Cooperatives in Terms of Governance, Management and Operations

The following are some of the challenges facing cooperatives in governance, management, and operations, which subsequently affect their growth identified in undertaking this study

- Limited cooperation amongst board members and members
- Low education and understanding amongst cooperatives members:
- Delayed and insufficient inputs
- Defective/flawed weighing scales causing variations in weigh scale readings for example in the cashew nuts value chain.
- Higher weigh scales calibration costs.
- Non-payments of membership contributions
- Political/government interference
- Lack of integrity amongst members and leaders

- Over dependency on leaders
- Lack of professional staff
- Lack of crucial business tools like business plans and strategic plans
- Limited storage capacity and other working equipment
- Poor financial health to sustain different cooperative operations
- Poor and incomplete record-keeping practices
- Limited participation of youth and women in the cooperative movement.
- Lacking fishery collective marketing strategy
- Presence of multiple licensing in the fishery subsector.

### **Policy Recommendations**

The policy recommendations require review and/or enforce the existing cooperative policy to address the following actions.

#### **Governance:**

- TCDC should encourage the cooperatives to form other committees to support the board by taking up various functions of the cooperative.
- Cooperatives should be advised to hold more member meetings than relying of AGMs only.
- TCDC along with other actors should encourage cooperative's board including chairperson and vice-chairperson to be trained on cooperative governance and management.
- TCDC, ANSAF and other actors should embark on provision of cooperative education to foster more voluntary participation in decision meetings like AGM and contribution of their respective statutory contributions, and inclusion of youth and women.
- TCDC, ANSAF and actors should bank on building cooperative's governance capacity which include effective management and succession planning.
- TCDC and other actors should support cooperatives to develop robust recruitment criteria/system which, include employment terms of reference highlighting necessary and relevant skills for the cooperatives effective performance.
- To ensure commitment amongst leaders/management, TCDC and other actors should support cooperatives in developing robust performance appraisal system, as such punishment and reward should base in such system.

#### **Management**

- TCDC and other actors should design and deliver comprehensive cooperative education to ensure members active participation, integrity commitment and championing cohesiveness among members of the governing boards to enhance increased cooperative performance.
- TCDC and ANSAF should encourage cooperatives to employ staff with cooperative education and technical knowledge on the products produced by the value chain (i.e., agriculture, livestock, fisheries).
- TCDC should work with the cooperatives to improve complete record keeping practices.
- Cooperative leaders should be more committed to ensure effective performance of their respective cooperatives to easily attract new members, including leaders.
- To ensure commitment amongst leaders/management, cooperatives should be supported in developing robust performance appraisal system, as such punishment and reward should base in such system.

## Operations

- Cooperatives should expand their core activities by engaging in providing advisory services to their members to improve productivity of their produce.
- TCDC should and other actors should provide training on cooperative governance, management, and operations to members to improve their understanding on their rights/benefits and responsibilities.
- Cooperatives should diversify their sources of income by engaging in other economic activities unrelated to their core business to increase revenue collection and cooperative sustainability.
- The government should ensure timely supply of inputs to the cooperatives for effective onward distribution to members to enhance production and productivity.
- TCDC, ANSAF and other actors should devise a comprehensive intervention to the cooperative on practical business management skills.
- TCDC, ANSAF and other actors should support cooperatives in developing and operationalising specific business instruments, precisely the strategic and business plans for their cooperatives and enterprises owned by the cooperatives.
- On the political/government interference in some cooperative operations, TCDC need to inform political leaders on the need to consult the registrar/ and or assistant cooperative registrars in their respective area before issuing statements or directives which contradicts cooperative principles.
- Supportive regulatory framework should be in place to support cooperatives involved in different forms of income generating activities which are unrelated to their core business.
- Cooperatives should have vital business tools like strategic plan and business plans to ensure effective performance.
- WMA should improve oversight to ensure accurate and effective crop weight measurement.





## Value Chain Specific Recommendations

The following are recommendation specific for improvement of performance of the five value chains involved in this study, namely coffee, cotton, cashew nuts, dairy, and fisheries.

### (i) Coffee Value Chain

- For the reported relatively high cost of coffee inputs. The Cooperative department and government should seek the ways for farmers to get inputs with reduced price and/or if possible, to provide subsidy to coffee producers to encourage more farmers engage in coffee production.
- To improve the coffee market, the government should provide support to AMCOS/Union to access the direct export market, instead of ending up with local markets as it is now (Through Auction). The local market is not favoring the farmers as the price for coffee is not competitive, it is as if the buyers communicate and set the price (low) before the auction is conducted.



### (ii) Cotton Value Chain

- To improve both organic cotton production and productivity, the cotton board should waive its directive of restricting intercropping for the organic cotton growers. It is a best practice for the organic growers to intercrop cotton with sunflower and legumes as trap crops, instead of using chemicals.
- Cotton cooperatives should be sensitized to attract more members. For example, even though Meatu Organic Cotton AMCOS serves about 1,600 organic cotton producers, 260 (16%) only are the members to the AMCOS. More members will improve capital base of the cooperative, bargaining power and overall performance of the cooperatives.



### (iii) Cashew Nuts Value Chain

- The government should improve oversight on aspects relating to weights and measure to minimise cheating during crops aggregation and selling for the cashew nut value chain.
- TCDC should coordinate the cooperatives and WMA to resolve issues related to weight and measure facing the cooperative members, for example on calibration facing the cashew nuts subsector.



### (iv) Dairy Value Chain

- TCDC and other actors should build the capacity of the dairy cooperatives in terms of production and productivity, and cost effectiveness in the dairy business.



### (v) Fisheries Value Chain

- The government should consider merging some licenses within the fisheries sub-sector and consider revision of expiry time revision of the licenses to be cover a specific period from the date of issue.
- TCDC, ANSAF and other actors should consider different management and operational arrangement to ensure fishery cooperatives growth and performance. Currently, collective action is missing to a larger extent. The same is attributed to the nature of the fishery subsector lack of assured market or failure to identity niche to serve. Apart from having cooperatives, members still work on their own while enjoying a very limited benefits from the cooperatives in which they are members.



### Why Act Now

Continuing to have many cooperatives with poor or weak performance will discourage smallholder producers join the same cooperatives. Instead, they remain operating in isolation and bearing large production and marketing costs is not conducive to agricultural modernization and development. Reducing the cost of operations by increasing the efficiency of marketing through collective marketing and advisory services, is a national development imperative. Without this, the foundations of the nation's economy will remain weak.



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