

The Development of Member -Based Co-operative Structures in Tanzania

By

Suleman A. Chambo

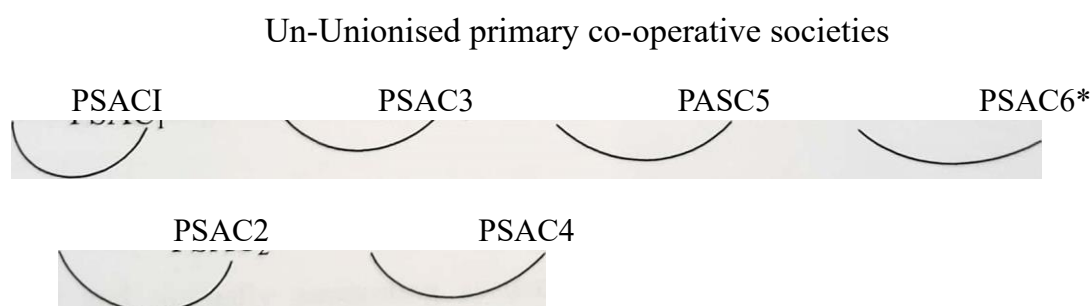
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1.0 A NATIONAL CO-OPERATIVE STRUCTURING IS THE INSTITUTIONALIZATION AND THE ORGANISATIONAL BUILD UP OF THE CO-OPERATIVE ENTERPRISE SYSTEM FROM THE GRASSROOT TO THE NATIONAL LEVELS

This institutional building is carried out on a bottom-up process as required by the members. It is guided by the universally accepted co-operative principles that cooperatives should co-operate nationally and internationally as they fight for a common cause in the improvement of members' condition of living.

At the micro-level, there is also every need for grassroots co-operatives to build up vertical organisations in order to strengthen their competitive position in the market. As small size organisations, primary co-operative societies can continue to remain small and manageable by the members, and yet survive in a competitive market, if they are affiliated to a union as the later can eliminate the diseconomies of scale usually faced by small size organisations. Figures 1 and 2 below will illustrate the argument.

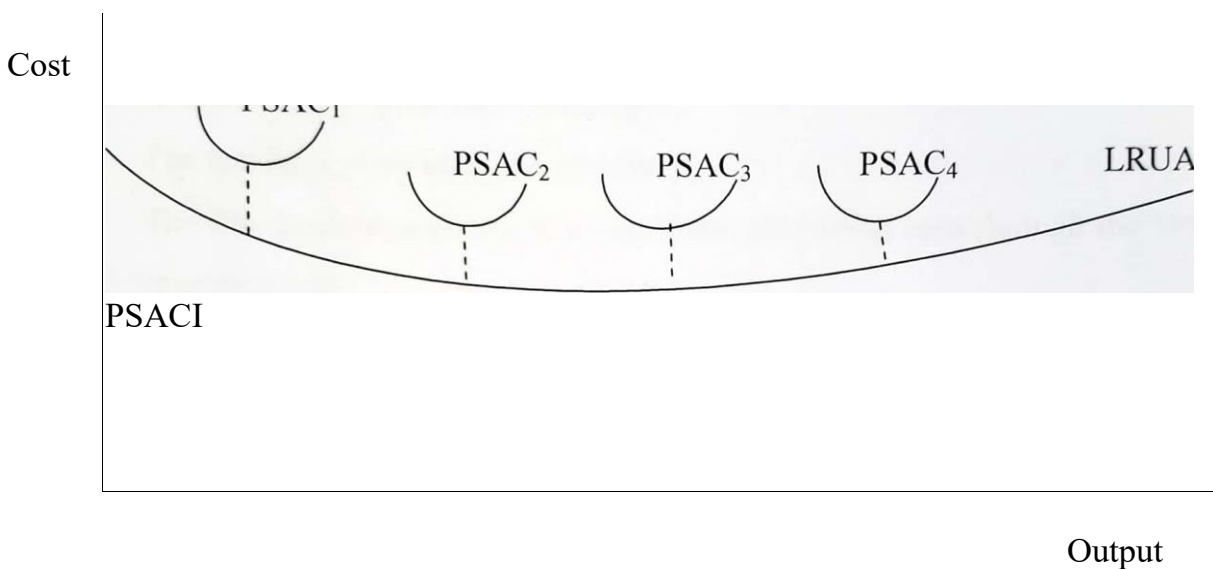
Figure 1: The Union effect on small size primary societies



* PSAC — Primary Society Average Cost Output

- a) Each of the primary societies has its own cost curves with an ability to locate its lowest cost. But all of them are operating independently.
- b) Primary society No. 4 is more efficient compared to the others as it has the lowest lowest average costs. Society No. 6 has the highest — lowest average costs.
- c) Each of the primary society's risks being competed off the market as they are fighting alone.

Figure 2 Unionised primary co-operative societies



LRUAC - Long-Run
A Union Average Cost

PSAC — Primary Society Average Cost

When they form a union, primary society average costs will tend to move lower towards that of their union, and in the long run, small size primary societies are able to take advantages of large-scale economies of their union.

The above illustrations show that while the co-operative movement needs to exist as a unified and mutually supporting system of organisations for macro-level decision making, at the grassroot, small size organisations can also exist in a competitive market place.

The basic values of co-operation-equity, equality and mutual self-help give the development of national co-operative structuring a unique character. The basic principles for the construction of national co-operative structures follow democratic principles where all the members have a final say to build vertical structures. The decision and power to create vertical organisations is guided by felt need and the principle of economic viability.¹

As far as competition is concerned, co-operators should have the ability to change their organisational structures when they are overtaken by time and technology. There will always be structures which will need to be shelved and develop new ones to meet new demands of the members.

In this paper, an attempt is made to analyse the development of member-based cooperative structures in Tanzania by looking at:

- The typology of co-operative structuring
- The Tanzanian experience in co-operative structuring seen through the 1991 Cooperative Act
- The basic conditions towards the development of member-based co-operative structures in Tanzania

2.0 TYPOLOGY OF CO-OPERATIVE STRUCTURING

Though we have argued on following democratic principles, member participation and economic viability as pre-conditions for the development of member-based co-operative structures, objective conditions of co-operative development have always differed. The development of co-operative of co-

¹ Fiirstenburg, F. (1985).

operative structures in different countries have tested three models: the evolutionary, the bureaucratic and the project managers.²

2.1 Evolutionary model

Under the evolutionary model, the structuring of the co-operative system is purely guided by the wishes of the members. Individual members will form primary societies, but out of felt needs and facing new challenges, they continue to form high co-operative structures such as unions, apexes and federations.

In this model, members have full responsibilities over the structures they build, it develops harmonious relationships among the members, and there is more awareness by the members to meet the challenges of the market. In the evolutionary model, democratic culture is well mixed with business culture and self-reliance.

One criticism of this model is its slow development. It can however be argued that this slowness is also a strong point because co-operators need time to discover by themselves why they need such structures and should not be pushed by time or otherwise.

2.2 Bureaucratic model

In this model, the government takes the lead in the development of vertical co-operative structures through top-down methods. The promotion of co-operatives is pre-determined by the government through incentives such as cheap credit, cheap farm inputs and preferential treatment when it comes to loan applications.

The vertical structures such as unions and apex organisations become purchasing agents of the government and they also perform as instruments³ of government intervention into the co-operative movement. The unions, apex organisations and federations lose their responsibilities to pursue members' economic interests to fulfill the needs of the state.

Consequently, the vertical co-operative organisations that are formed out of this model are usually too large in proportion to the abilities of the ordinary members of affiliated co-operatives.⁴ Special characteristics of the bureaucratic-based co-operative structures include that:

² Seetharaman and Mohan

³ Munkners, H.H.

⁴ ibid

- Unions, apex organisations and federations can exist without grassroots membership.
- There is a numerical illusion of the growth of co-operatives as paper records would show high co-operative growth by numbers only.
- Their operations help a few members who have access to the benefits while all the other members do not participate in the decision-making process.
- As instruments of the state, any conflict between the government of its institutions and the co-operatives, the government will always win.

In this model, co-operatives are captured in a dependence trap where a permanent problem is the incapacitation to develop strong co-operative leadership. Instead, to fill this leadership gap, co-operative officers from the co-operative department will always be seconded to take over managerial positions and participate in bush-fire fighting missions.

On the side of the general public and membership, co-operatives developed out of the bureaucratic model will always be viewed with general suspicion as part of the coercive organs of the state.

2.3 The Project Model

This model postulates that the formation of grassroots co-operatives and their vertical organisations should be taken as a specific project under a special programme guided by action-research and education.

A combination of promotional resources of the government and those of the members are used to determine the conditions and motivations under which co-operatives can build their vertical structures. A co-operative promotion programme is worked out through member participation and all requirements of the programme such as credit, equipment, manpower and environmental and sociological factors of all concerned members are included. The model uses techniques of modern management and systems design with the cultural and traditional background of the target members.

The project model has the following advantages:

- Its impact is directed to the target members, hence over time it is possible to measure and evaluate the co-operative effect to the members.

- It exploits the opportunities offered by vertical organisations and the ordinary members are exposed to the experience of such vertical organisations so that they can exert more pressure on them.
- Members are in a position to anticipate the risks involved in a competitive market environment and be able to build the necessary defensive/survival measures in advance.
- The model builds in, provisions for monitoring control and evaluation of performance.
- It creates enlightened membership at the grassroots level.
- It develops the required management capacity of members to be able to resolve managerial problems through training and extension programmes.

This model however, runs the risk of super-imposition by expert co-operative promotional officers in general, it the bureaucratic models.

3.0 EVOLUTIONARY STRUCTURES

Before independences and after, up to 1970 Tanzania mainland co-operatives established their national structures through the evolutionary approach.⁵ The results of this approach were quite re-markable where with minimum government intervention the co-operative movement followed a multi-tier structures⁶ where the Kilimanjaro coffee societies formed a two-tier structure with the Kilimanjaro native Co-operative Union forming the highest structure and in the Lake Victoria areas, the co-operative movement there, formed a three-tier structure - primary secondary unions and Victoria Federation of Cooperative Unions.

It should be remembered that though Tanzania mainland had not formed any national apex organisations, the evolutionary approach produced some of the member-based structures unprecedented anywhere in sub-Saharan Africa.⁷ The Victoria Federation of Co-operatives was the biggest single co-operative o Africa south of the Sahara and Tanzania mainland was placed third in the world in the degree co-operative development after Denmark and Israel.

3.2 Bureaucratic Structures

The concept of nationally organised co-operative structures was initiated by the government after independence in 1961. The independence government has seen the importance of co-operatives in

⁵ Mwangamila, A.G. (1990).

⁶ Munkner, H.H.

⁷ Livingstone, J. (1996).

national development and encouraged the formation of the Co-operative Union of Tanzania as the chief spokesman of all co-operatives on economic and political issues nationally.

In 1962, the Co-operative bank of Tanganyika was formed to render financial services to co-operatives in the country.

In 1963 and 1964 respectively, the training infrastructure of the Co-operative College and the co-operative Education Centre were also established partly through the efforts of the government.

Today, 1992, the only national organisations that remain are the educational institutions all other government led national structures and regional member-based co-operative structures have been continuously eroded through bureaucratic approaches of handling co-operative organisations.

The bureaucratic approaches imposed on co-operatives especially between 1966 to 1990 had a lot of bearings on the problems of cooperatives in Tanzania. Co-operative structures have always been imposed from above without grassroot member participation. Co-operatives were and have been instruments of government policy especially on rural development. Democracy and economic viability had lost their importance in the eyes of the co-operators.

The structures created were meant to be intermediary marketing agents of state marketing boards and therefore the unions and the single apex organisation were constrained by strict government regulations on prices and state imposed leadership, as a result nationally organised collaboration through member-based structures is non-existent.

The capital structure of state led co-operatives is disproportionately biased on the state where by 1989, the membership capital participation in Co-operative Unions was well below two percent.⁸ In such circumstances, building reserves from earnings of individual co-operatives is strictly nometrically viable member-based structures, high overhead costs and over control of prices and profit margins on co-operative business.

So, for over thirty years of co-operative development, we are faced with three main challenges:

- i) A Co-operative movement with members who have lost confidence and trust on co-operatives.
- ii) A co-operative movement which needs to transform itself so that the structures are

⁸ Meghji et al. (1989).

member based right from below.

- iii) Balancing relationship between the government and the co-operative movement so that more and more, the co-operative movement becomes autonomous gradually.

4.0 STRUCTURES UNDER THE 1991 CO-OPERATIVE ACT

The 1991 Co-operative Act gives more room for the formation of multi-tier structure in the co-operative movement by instituting a four-tier arrangement. It also allows the formation of two to three tier systems where a four-tier structure is not economically viable.

The Act also allows the formation of specialised co-operatives and their vertical organisations up to the national apex levels. The flexibility offered by the law, is very indicative that there is a great possibility for the formation of member-based co-operative structures as follows:

4.1 Specialised Co-operatives Structures

Both in agriculture and other activities such as savings and credit, consumer co-operatives and industrial co-operatives, co-operatives can be formed from primary societies, secondary unions and nationally specialized apex organizations. In agriculture, the specialized structures could go by single commodities or groups of commodities depending on the wishes of the members. Other activities also can follow the same logic that we can have primary societies, unions and apex organisations in the specialized areas of such as savings and credit, industrial and consumer co-operatives.

But in the course of forming national vertical organisations, all areas of activity may form four tiers, three, or two depending on the nature of the activity and the wishes of the members.

National specialized structures have several advantages for member-based co-operatives:-

- Member felt needs and common bond are concretised nationally.
- Members will have the opportunity to discuss in detail about their trade right from the primary level to the apex level.
- Specialized structures will build the appropriate specialized management capacity. to deal with critical member problems in their area of specialization.
- In the agricultural area, commodity-based co-operatives will build the capacity for participation in international trade.

4.2 Federation

This is a national structure above the specialised apex organizations. There is need to unit all co-operative efforts through combined collaboration at the national levels. This will unite all co-operators in the country into one united lobby and the federation will have the following functions:

- a) Acting as lobby group into the defence of co-operators in front of the state.
- b) Defend the universally accepted co-operative principles.
- (c) Represent co-operators internationally.

4.3 National support infrastructure

There are national institutions which maintain the co-operative movement as a system. These institutions are commonly formed by co-operatives from below or by the vertical organisations.

4.3.1 Financial infrastructure

Co-operatives sustain themselves in competitive markets without instituting their own financial infrastructure through a cooperative banking system and insurance. These institutions do not exist at the movement though the Act allows formation of such institutions but they will have priority in serving co-operatives.

4.3.2 National Co-operative Transport

Transport is capital intensive. Transport costs are extremely high to an extent that many co-operative organisations may not be able to sustain it single-handedly. There may be a need for co-operative unions to form a specialised apex body to make transport services available at cost to co-operatives.

4.3.3 Co-operative education, research and consultancy

Co-operative education and training are the lifeblood of a member-based co-operative movement. We cannot have member-based co-operatives with ignorant membership. The co-operative college and the Co-operative Education Centre have existed all along since they were established in the early sixties. They have a reasonable autonomy in giving advice through research, consultancy and training, to assist in building member-based co-operatives. They will need more financial support from co-operatives themselves so that they also become member-based eventually.

5.0 TOWARDS THE DEVELOPMENT OF MEMBER-BASED CO-OPERATIVE STRUCTURES IN TANZANIA

It is important that the development of national co-operative structures follow the internationally accepted principles. A flexible co-operative which allows a multi-tier cooperative structure such as the 1991 Co-operative Act should be given the test of time.

But a flexible Act alone, cannot set up member-based co-operative structures, rather it sets the framework for member-driven co-operative organisations. Special efforts and actions should be taken by the co-operators themselves so that the co-operative structures formed are truly their own.

The co-operators should see to it that the co-operative structures they create are there to promote their felt needs than vice versa or vertical organisations are their true representatives elected through unbiased procedures. Also, the co-operators cannot claim ownership of co-operatives if they do not participate in the internal capitalisation of their co-operatives. capital participation is a powerful means of control and influence on vertical organisations and will guard their cooperatives from possible hijacking by the government or by the employed management. Apart observing the above cardinal principles, as precondition for the development of member-based co-operative structure, the following actions and awareness should be taken into consideration.

i) The principle of gradualism

Co-operatives should take time to build their vertical organisations gradually. They should take time to think on whether the co-operative organisations they build correspond to the requirements of the members and primary societies. The members should not be pushed to accept a given structure rather through education, they should discovery by themselves what kind of vertical structures they need and why.

ii) Freedom to Form vertical organisations and transparency

Although the co-operative Act of 1991 sets a four-tier structure, primary, secondary, apex and federation, the members will have the final say in how many tiers should their co-operatives be built.

If they have chosen a two-tier structure or a three-tier structure, they should be allowed to do so. This is so because it is the obligation of the co-operative structure towards member promotion and not vice versa. In such structures therefore there must not be any information barriers especially on the side of members. Information about advantages of vertical organisations should be available to the members and instituted feedback mechanism so that members are well informed about any major decisions made by their delegates at a union or

iii) Education, research and Consultancy

Education and advice for members and their elected representatives should be given with an aim that they take full control of their vertical organisations. This has a bearing on two major aspects:

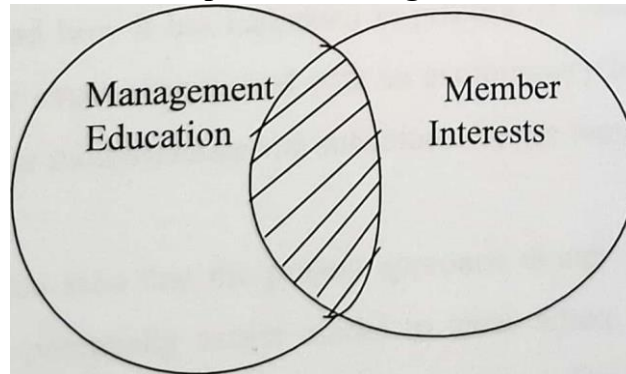
- i) The necessary business management skills should be available to the management so that co-operatives compete effectively in the market.
- ii) There is need to situate management training in the domain of the members of co-

operative societies.

Own

Our management education should cater for the promotion of members interests so that we have co-operatives which are ran efficiently and also the managers seeing themselves as entrepreneurs in the interest of the members as figure below shows:

Content of Co-operative Management Education



Co-operative Management training should involve change of attitudes in the trainers and managers so that the education, research and consultancy process is geared to the promotion of member's interests such as improvement of their livelihood, assist them in opening new domains of co-operative activity and creating awareness for making full use of government promotional programmes that benefit the members.

iv) Member participation

The government, through the co-operative Development department has a promotional and education role. But as co-operative promoters they should see their work as temporal so that their inputs are geared for the creation of member administered co-operatives. In this way, the department should create benchmarks for evaluating member-based co-operatives to prepare for their departure from the co-operative domain.

v) The logic of the primary society

Vertical co-operative structures are meaningless if we do not have strong primary societies. The co-operative movement at the moment need to address itself to the question as to whether we have primary societies should be given time to think and discover not. The choice should be theirs.

6.0 CONCLUSION

In this paper we have discussed about the typology of structuring the co-operative system on theory and how it has happened in practice in Tanzania. We have seen how though co-operative structuring started

with an evolutionary bottom-up process; the process was hijacked after independence and substituted by the bureaucratic approach.

We have also seen that the project approach though not widely applied in Tanzania it could be a potentially useful model in areas where co-operatives are relatively new, especially the traditionally food growing areas. The Co-operative Act No. 15 of 1991 offers the opportunities for developing member-based co-operative structures but an active role of the members themselves in capital participation, democratic practice and the consolidation conditions for the structuring a member-based co-operative system in Tanzania.