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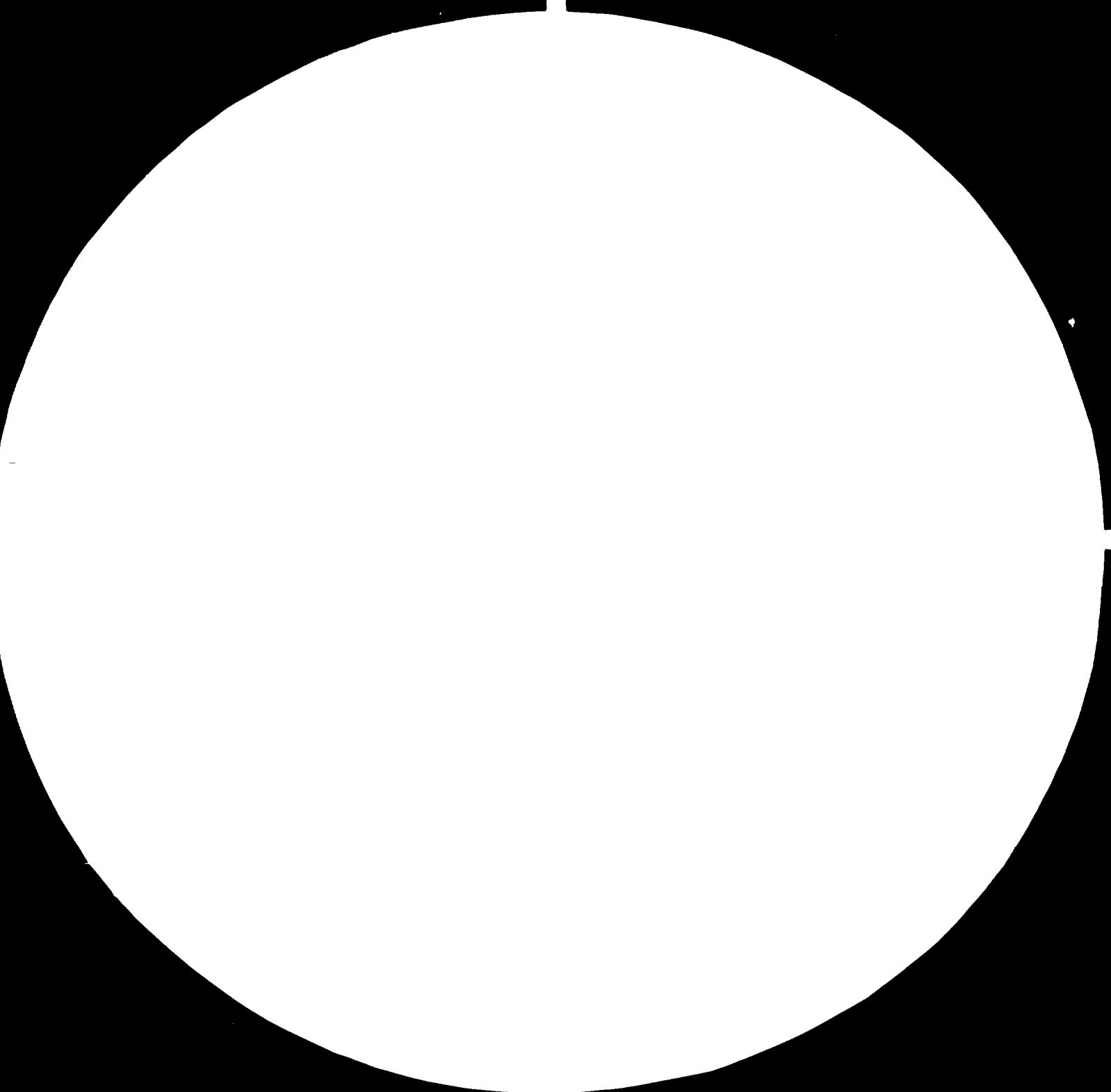
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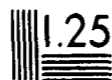
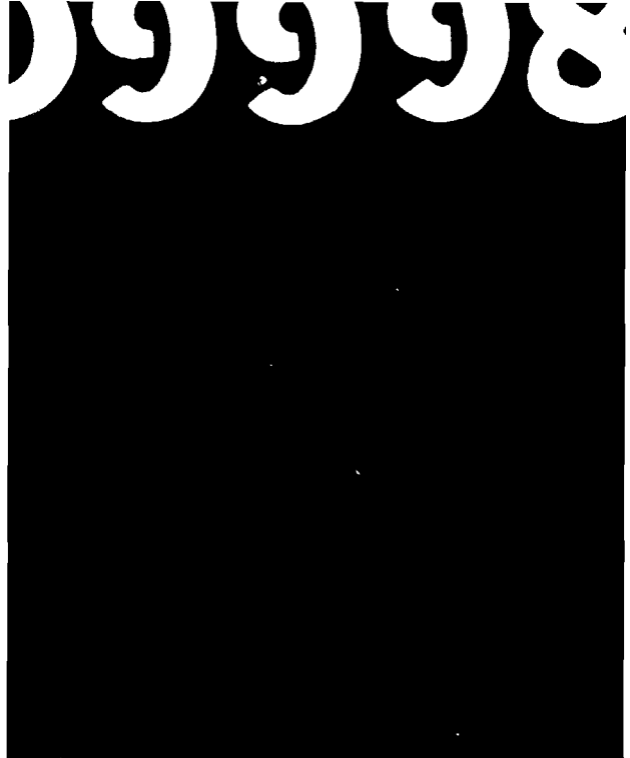
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THE SETTING
FOR
INDUSTRIAL CO-OPERATIVES
IN TANZANIA

United Nations Industrial Development Organisation
Small Industries Development Organisation

Dar es Salaam July 1980

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31 July, 1980
English

INDUSTRIAL CO-OPERATIVES
US/URT/77/024/11-01/31.3
UNITED REPUBLIC OF TANZANIA

Technical Report: The Setting for
Industrial Co-operatives in Tanzania

Prepared for the Government of Tanzania
by the United Nations
Industrial Development Organization
executing agency for the
United Nations Development Programme

Based on the work of D.M. Scott, adviser
on the promotion of industrial co-operatives

United Nations Industrial Development Organization
Vienna

This report has not been cleared with the United Nations Industrial Development Organization which does not, therefore, necessarily share the views presented.

Technical Report: The Setting for
Industrial Cooperatives in Tanzania

ABSTRACT

Title of Project: The Promotion of Industrial Cooperatives.
Number of Project: US/URT/77/024/11-01/31.3
Purpose of Project: To investigate the feasibility of creating a new unit within the Small Industries Development Organization whose overall purpose would be to provide assistance to manufacturing co-operatives. The immediate objective will be to give guidance on overall industrial co-operative policy.
Start of Project: 4 May, 1980.
Duration of Project: 12 months.
Date of Report: 31 July, 1980.

This report is the first of 3 planned technical reports and deals with the setting or background to the promotion of industrial co-operatives in Tanzania. The next report will deal with the problems of industrial co-operatives together with an analysis of possible solutions and the third report will deal with the development of proposals for implementation.

This report briefly reviews the history of the co-operative movement up to 1975 and deals at greater length with developments thereafter including the legislative measures which actually or potentially radically affect it. A profile of registered industrial co-operatives, which grew from 2 in 1962 to 162 in 1980, is then drawn and attention is drawn to their high rate of growth which reduced significantly from 1978 onwards. Reference is made to a paper prepared by the adviser on industrial co-operatives in Tanzania for presentation to an internal symposium and to a reply prepared in answer to a series of questions on industrial co-operatives raised by the International Co-operative Alliance.

The report makes the preliminary conclusion that in spite of the changes in the movement that have taken place, the climate is favourable for the proposed project and that SIDO is the most appropriate institution in which to field it.

Technical Report: The Setting for
Industrial Co-operatives in Tanzania

<u>CONTENTS:</u>	<u>PAGE:</u>
INTRODUCTION	4
I. THE CO-OPERATIVE MOVEMENT IN TANZANIA UP TO 1975	5
II. THE CO-OPERATIVE MOVEMENT IN TANZANIA FROM 1975 ONWARDS	7
Initial Legislation	7
Changes in the Co-operative Movement	8
Further Legislation	9
Washirika, the Union of Co-operative Societies	9
Composition of the Present Co- operative Societies	12
III. INDUSTRIAL CO-OPERATIVES	12
Growth	12
Regional Distribution	13
Types of Society	14
Main Features and Problems	14
IV. FINDINGS AND PRELIMINARY CONCLUSIONS	15
CONCLUDING REMARKS	21
<u>APPENDICES:</u>	
A. Growth of Industrial Co-operatives in Tanzania by Region and Type.	22
B. Questionnaire on Industrial Co- operatives.	23 - 27
C. Replies to Enquiry on Industrial Co- operatives from ICA.	28 - 30
D. Paper on the Promotion of Industrial Co-operatives in Tanzania.	31 - 39

Technical Report: The Setting for
Industrial Co-operatives in Tanzania

INTRODUCTION

Following the establishment of the Small Industries Development Organization (SIDO) in December, 1973 to implement Government policy of promoting small industries throughout Tanzania, UNIDO provided assistance to SIDO through two senior advisers assigned in 1974. The first was concerned with assisting SIDO in preparing a strategy for the implementation of their mandate. The second was concerned with the establishment of industrial estates which are now planned for each of the 20 regions on the mainland.

In support of the Government's expressed wish to promote industrial co-operatives within the small industry sector as a means of achieving greater self-reliance and to help meet socio-economic objectives, a new project proposal was put forward by UNIDO in March 1978. It was proposed to assign 4 international experts over 2 years to set up a special unit within SIDO to promote industrial co-operatives and provide extension services on a pilot basis.

For a number of reasons, the proposed project did not become operational. One of the main reasons was that the funding agency, the Overseas Development Administration in London, felt that not enough was known about the co-operative movement in Tanzania which was in the process of being radically re-organised.

Accordingly, a modified project was evolved on a much more limited scale. In this case it was decided to assign one adviser only for one year to appraise the situation and determine the feasibility of a larger project concerned with implementation.

This report is the first of 3 planned technical reports by the adviser and deals with the setting or background to the promotion of industrial co-operatives in Tanzania.

I. THE CO-OPERATIVE MOVEMENT IN TANZANIA
UP TO 1975

The history of the co-operative movement in Tanzania goes back nearly 50 years. The first Co-operative Societies Ordinance was enacted in 1932 and a full time Registrar was appointed in 1936.

The early societies were primary marketing co-operative societies concerned with coffee, cotton and tobacco which were formed to bring an end to the activities of middlemen. The colonial government also encouraged the marketing co-operatives as a good form of economic organization for the country and as a way of introducing a cash economy. In 1950 a full scale Co-operative Development Department was established to cope with the rapid growth of the movement and in performing the government role of sponsoring, supervising, advising, auditing and inspecting, educating and giving overall guidance to the movement. This feature of active involvement of the government was to be even more pronounced in the following years. By 1961, when Tanganyika achieved independence, the number of registered societies was 857.

Following independence, the co-operative movement expanded rapidly. In the first 5 years, the number of registered societies nearly doubled as a result of government policy to encourage the movement as a means of achieving greater self-reliance and to extend it to the other parts of the country. During this period there were other important developments such as the establishment of the Co-operative Union of Tanganyika (CUT) in 1961, the formation of the Co-operative Bank in 1962, the establishment of the Co-operative College and Co-operative Education Centre and the amendment of the Co-operative Societies Ordinance in 1963.

The rapid expansion led to many complaints and criticisms. A Presidential Special Committee of inquiry into the Co-operative Movement and Marketing Boards in 1966 reported a number of defects including un-informed membership, shortage of appropriate or specialist manpower, lack of democracy at union level and susceptibility to political interference. Recommendations were made to overcome these defects and the major steps taken were to strengthen co-operative education and manpower development programmes, to create the Unified Co-operative Service Commission in 1968 to be responsible for recruitment, discipline, terms of service and dismissal of co-operative employees and to enact the Co-operative Societies Act 1968 to supersede the previous Co-operative Ordinance.

Expansion and development of the movement continued at a high but reduced rate. By 1975 there were over 2,000 registered societies at the primary level of which over 1,300 were the traditional marketing societies which were now affiliated to 22 Co-operative Unions at the secondary level and these in turn were affiliated to CUT as the apex organisation. Other societies included Savings and Credit Societies together with a national Savings and Credit Union League (SCUCT) linking them together, Consumer Co-operatives, Transport Co-operatives, Agrarian Societies and Industrial Co-operatives. Total membership was around 900,000, marketing turnover was over T. shs. 800,000,000/= p.a. and wholesale and retail turnover was about T. shs. 700,000,000/= p.a.

Besides being agents for the Crop Authorities and Marketing Boards in the collection of agricultural produce, some of the Co-operative Unions carried out processing such as cotton ginning, oil extraction, maize and rice milling, etc., a few ran seed farms for their members, most of them had a transport operation both for collection and distribution and all of them operated^a wholesale distribution service for foodstuffs and other consumer requirements. In addition, the Unions

also procured loans on behalf of their members for farm inputs and distributed such inputs.

1975 could be regarded as the peak level of the co-operative movement in Tanzania in terms of most conventional co-operative movements in other developing countries. Considerable changes took place from this year onwards, however, which were to totally affect the movement.

II. THE CO-OPERATIVE MOVEMENT IN TANZANIA FROM 1975 ONWARDS

Initial Legislation

The first piece of legislation which was to transform the co-operative movement was The Villages and Ujamaa Villages (Registration, Designation and Administration) Act, 1975. This followed the villagisation policy of Tanzania whereby the rural population were required to live in designated villages throughout the country to eventually achieve the status of ujamaa villages defined as "rural, economic and social communities where people live together and work together for the good of all". It was originally started in 1963 but primarily implemented over 1974 and 1975. The villagisation programme has now been virtually completed and some 8,100 villages have been registered.

The 1975 Villages and Ujamaa Villages Act specifically prohibits the establishment of a registered co-operative society within a village save with the consent of the Minister in writing. Furthermore the provisions of the 1968 Co-operative Societies Act do not apply to a village. The village itself is required to perform its functions "as if the village were a multi-purpose co-operative society". The Act stipulates, inter alia, that all persons over 18 years of age are automatically members of a registered village and that if there is a branch of the Party within the village, the Chairman and Secretary of that branch are automatically appointed as Chairman and Secretary respectively of that village council.

*"Freedom and Socialism" by Julius K. Nyerere,
OUP 1968 (page 348).

This Act was followed by the Urban Wards (Administration) Act, 1976 which makes similar provisions to the earlier act but with two main differences. First, each ward (a division within a district) is "deemed to be a multi-purpose co-operative society" even though the provisions of the 1968 Co-operative Societies Act do not apply. Second, the Minister is empowered to allow the operation of a registered co-operative society or any category of registered co-operative societies within a ward and also he is empowered to "modify" the provisions of the 1968 Co-operative Societies Act. The 1976 Urban Wards Act has never been implemented; neither has it been repealed.

Changes in the Co-operative Movement

This legislation presaged a number of changes. All primary co-operatives operating at the village level were dissolved by decree in 1976 and their assets taken over by the village councils. This mainly affected the 1,300 marketing societies. In May of that year, the 22 co-operative marketing unions were also dissolved but quickly turned themselves into limited companies and distributed their shares to the previous members of the marketing primaries. Their activities covering the collection, grading, transport and storage of produce, however, were taken over by the relevant crop authorities. The Co-operative Bank had already been dissolved in 1973 and merged with the National Bank of Commerce in 1974.

The Co-operative Development Department and its Commissioner became the Ujamaa and Co-operative Development Department directly responsible to the Prime Minister's office (the Department was previously within the Ministry of Agriculture and Co-operatives).

The last remaining co-operative Union ceased to exist when the Savings and Credit Union League became a department within Washirika (see below) in January 1980.

Further Legislation

Further legislation affecting the co-operative movement or relevant to the adviser's work was enacted in 1979. The Co-operative Union of Tanganyika was dissolved and its place taken by Washirika, the Union of Co-operative Societies. The Unified Co-operative Service Commission was dissolved and the Unified Co-operative Service Act, 1968 repealed. The Villages (Revenue) Act, 1979 enabled villages to raise revenues from fees, charges and tariffs for any licence or permit issued by them and to take, inter alia, "all receipts derived from any trade, industry, works, service or undertaking carried on by or belonging to the village".

Washirika, the Union of Co-operative Societies

The dissolution of the Co-operative Union of Tanganyika and the simultaneous creation of Washirika, the Union of Co-operative Societies, under the Jumuiya ya Muungano wa Vyama vya Ushirika (Establishment) Act, 1979 was a profound change. The Rules set out in the Schedule to the Act make it quite clear that Washirika is set up as an affiliate of the ruling party, Chama cha Mapinduzi (CCM). It is one of five affiliates, the others being concerned with the Women's League, the Parents Association, the Workers Union and the Youth League. The Secretary-General, who is the chief executive of Washirika, together with his two Deputies (one for Zanzibar) is appointed by the Chairman of CCM. All the remaining executives of Washirika at national, regional and district level are appointed either by the Chairman of CCM or by the Central Committee of CCM. The Rules go further. They stipulate that all secretaries of co-operative organizations, where they exist, shall also be appointed either by the Chairman of CCM or by the Central Committee of CCM. In addition, all leaders of co-operative organizations (i.e. Chairmen) shall be vetted by CCM before being confirmed in office.

-: 10 :-

According to the Act, Washirika is composed of registered villages, ujamaa villages, "co-operative societies registered or registable under the Co-operative Societies Act, 1968 and co-operative societies or other similar bodies registered or recognized in accordance with the laws of Zanzibar".

The basis of the national Washirika representational organisation is the District Annual Assembly (there are 111 Districts on the mainland and 10 in Zanzibar). Each of these assemblies consists basically of:-

The Area Commissioner (who is also the District CCM Secretary)

- * The Secretary (appointed by CCM)
- * The District Ujamaa and Co-operative official
- * The District Agricultural official
- * All Members of Parliament resident in the District (usually between 1 and 3)

One representative from each registered village

One representative from each ujamaa village

One representative from each co-operative society

Each Assembly elects for 3 years a Chairman of the Assembly and 10 other people from among themselves to serve on the District Implementation Committee which also includes those asterisked above. The Assembly also elects for 3 year terms 2 persons to represent them at Regional level, one person to represent them at the District meetings of each of the other 4 affiliates of CCM and 3 persons to represent them at the District CCM Annual conference. The District Implementation Committee meets every 3 months.

A similar pattern exists at the Regional level (there are 20 Regions on the mainland and 5 in Zanzibar) except that in addition to the 2 representatives from each District, all District Chairmen and Secretaries also attend the annual Regional Council Meetings. The Regional Council elects for a 3 year term one person to represent them at both the National Council and the National Annual Conference of CCM;

otherwise similar elections to those at District level are carried out except that 6 persons are elected to serve on the Regional Implementation Committee. This Committee has a similar constitution to that at District level and meets every 4 months.

At the national level, the controlling body of Washirika is the National Council which meets annually. The National Council consists basically of:-

The Secretary-General of Washirika

The Chief Executive Secretary of CCM

The single representatives elected by the Regional Councils who also represent Washirika at the National Annual Conference of CCM

The Chairmen from each Regional Council

The Secretaries from each Regional Council

15 additional persons from Zanzibar elected by the above

The National Council elects for 3 years a Chairman of the Council and 20 other people (10 from the mainland and 10 from Zanzibar) from among themselves and they, together with the Secretary-General, form the National Implementation Committee which is the executive arm of the Council. The Council also elects for 3 year terms one person to represent them at the National meetings of each of the other 4 affiliates of CCM and 7 Trustees. The Chairman and Secretary-General are members of the National Executive Committee of CCM.

The National Council has wide powers in formulating policy and planning and controlling the activities of Washirika. It is also responsible for implementing all directives given to it by CCM. It has power to terminate membership or remove leaders for misbehaviour, misconduct or indiscipline but this power does not extend to those appointed by CCM. All annual financial reports of Washirika must be approved by CCM.

Washirika under its Secretary-General employs some 200 persons and has opened 20 regional offices on the mainland and 2 in Zanzibar. Each regional office employs a secretary, an education and publicity officer, an insurance officer and a stationery clerk. Washirika's functions include the provision of insurance cover, legal consultancy and printing facilities, stationery and office equipment.

Composition of the Present Co-operative Societies

Despite these drastic changes, the number of co-operative societies continued to grow after 1975 although by 1980 there were still only about half the number that existed five years earlier. Apart from the 8,100 or so registered villages, the number and type of registered co-operative societies in May 1980 were:-

Consumer societies	509
Savings and Credit Societies	353
Industrial societies	162
Service societies (transport, repair, etc.)	53
Agrarian and Fishing societies	40
Housing societies	20
Handicraft societies	6
	<hr/>
	1,143
	<hr/>

These societies are all in urban areas.

III. INDUSTRIAL CO-OPERATIVES

Growth

The first industrial co-operatives were registered in 1962. Their pattern of growth since then has been both remarkable and interesting. Appendix A analyses this growth by region and type. In terms of number of societies, the following pattern is revealed:-

-: 13 :-

	<u>Net No. of societies registered or becoming defunct</u>	<u>Cumulative No. of Societies</u>
1962	2	2
1963	-	2
1964	5	7
1965	2	9
1966	-3	6
1967	1	7
1968	1	8
1969	-	8
1970	2	10
1971	-	10
1972	2	12
1973	10	22
1974	31	53
1975	15	68
1976	34	102
1977	34	136
1978	11	147
1979	14	161
1980	1	162

It is clear that the major growth began in 1973 and reached a peak in 1976/77. Thereafter, the rate of increase dropped significantly.

Regional Distribution

In terms of regional distribution, as would be expected this follows the traditional industrial areas of Tanzania. Two-thirds of the industrial co-operatives are in 5 of the 20 regions namely:-

Dar es Salaam	50
Tanga	24
Morogoro	12
Ruvuma	12
Mbeya	11
	<hr/>
Other 15 regions	109
	53
	<hr/>
	162
	<hr/>

Types of Society

In terms of type of society, there is at this stage a heavy emphasis on traditional industrial co-operatives as the following list shows:-

Tailoring	47
Building and construction	40
Carpentry	29
Metalworking and Repair	14
Mining and Quarrying	8
Soapmaking	7
Bakeries	5
Brickmaking	3
Shoemaking	3
Printers	1
Mattress making	1
Charcoal making	1
Miscellaneous (multi-purpose)	3
	<hr/>
	162
	<hr/>

Closer examination of Appendix A however shows that the areas of greatest potential growth such as Metalworking show a steadier and more satisfactory pattern of growth.

Main Features and Problems

At this stage, the main features and problems of industrial co-operatives are only sketchily known. A proper analysis of problems and possible solutions will follow from the detailed survey planned to be carried out during the next phase of the assignment. The questionnaire developed for use during this survey is shown at Appendix B.

A number of preliminary visits to industrial co-operatives were of course carried out to develop the questionnaire and to obtain an appreciation of the factors affecting them. These visits also include one or two partnerships and village industrial activities. The number of small industry partnerships is well above the number of industrial co-operatives. Many of these partnerships, which are usually run on co-operative lines, would become co-operatives if the restriction in the current law requiring any co-operative to comprise 10 or more members were to be lifted and if there were distinct advantages in so doing.

An enquiry on industrial co-operatives from the International Co-operative Alliance was forwarded on to SIDO by Washirika in June. The answers to this enquiry were compiled by the adviser and his counterpart and the text is shown at Appendix C. As will be seen, these covered the number and type of industrial co-operatives, federations, source of finance, problems, outside assistance and Government assistance.

During the first month of his assignment, the adviser was requested to prepare a short paper on the Promotion of Industrial Co-operatives in Tanzania by the Director-General of SIDO. The paper was to have been presented at a symposium on the development of co-operatives in Tanzania to be held by the Party in June but this was postponed and to date has not been held. The text of this paper is contained at Appendix D. It is based on the adviser's own knowledge and research at that time. Nevertheless, it is pertinent and relevant to the adviser's assignment and is fully endorsed by SIDO.

IV FINDINGS AND PRELIMINARY CONCLUSIONS

It will be clear from the previous section of this report that the co-operative movement as a whole in Tanzania has been subjected to a massive and revolutionary change. This change could be regarded as a bold experiment which may or may not succeed. Certain internationally-accepted co-operative principles, however, have been ignored insofar as the villages are concerned and in representational terms. At the village level, voluntary membership and co-operative democratic organisation are missing. Whole villages cannot be regarded as conventional co-operative societies and, indeed, they are not so regarded in the current legislation even though they are required to perform their functions "as if" they were multi-purpose co-operative societies. At the national level, it is difficult to conceive of Washirika as representing the co-operative movement of Tanzania and its legislation does not even claim to do so.

At the urban level, these changes have scarcely affected co-operative societies, apart from those dissolved, except in representational terms. The existence of the 1976 Urban Wards Act, however, represents a constant threat to their autonomous survival until it is repealed or amended.

Despite this background, it is perhaps remarkable that the relatively few industrial co-operatives visited at this stage have exhibited a considerable keenness and desire to develop and prosper. The dramatic growth in number of societies over the 5 years up to 1977 and the subsequent significant drop in new societies suggests, however, a certain lack of confidence by prospective industrial co-operatives. Moreover, a considerable expansion in numbers of industrial co-operatives might have taken place if the industrial partnership enterprises, which exceed industrial co-operatives numerically and most of which are run on co-operative lines, had considered it advantageous to register as co-operatives.

The Government have laid considerable stress on industrial development in general and on small industry development in particular as a major contribution to economic progress throughout the country. Furthermore it considers that the co-operative form of organization is the most appropriate form as a means of achieving social aspirations and meeting social objectives particularly at grass root levels. This view is clearly reflected in both the 1975 Villages and Ujamaa Villages Act and the 1976 Urban Wards Act. It has been stressed repeatedly to the adviser, however, that in relation to industrial co-operatives the Government remains flexible in outlook and is prepared to consider any steps necessary to enable them to grow and prosper.

Industrialization at the village level, even on a small scale, is a very remote possibility at this stage of development in Tanzania. The size of village at present ranges between 250 and 600 households. Apart from small handicraft production,

service operations such as maize-milling or jobbing repairs and other activities classified by SIDO as "non-factory", the size of a village market cannot normally justify any form of manufacturing industry. If a number of villages, at least say 10, were to promote joint enterprises and thereby widen the market, then the possibility becomes less remote - but this has not happened yet.

Nevertheless, some industrial activities are being carried out successfully at village level. One notable example seen is a carpentry enterprise of 9 partners with 3 probationers which not only markets its products throughout Tanzania but has also succeeded in exporting its speciality, beehives, to Uganda and Ghana. It is significant, however, that the enterprise was initiated in the same year as the 1975 Act and, even though it was started with 17 partners and is run on ultra-co-operative lines, has remained a partnership. However it has enjoyed complete autonomy and, presumably in recognition of its contribution to general village prosperity, has not been subject to any interference from the village council.

At the urban level, industrial co-operatives are succeeding or struggling, as are all forms of small industry, for they get no special advantage over partnerships or other forms of private enterprise. Indeed, it could be argued that the co-operatives face greater problems both internally in terms of, for example, quick decision-making, and externally in terms of supervision and control.

As already noted, the new legislation has scarcely affected industrial co-operatives since the 1976 Urban Wards Act has never been implemented. Also, possibly due to the fact that industrial co-operatives form less than 2% of registered villages and co-operatives, Washirika is almost totally discounted by them. For that matter, none of the existing co-operative legislation or legislation which affects co-operatives deals specifically with industrial co-operatives - it was drawn up almost entirely on the basis of agricultural, consumer and savings and credit activities.

Most of the industrial co-operatives seen during the course of developing the questionnaire face severe problems in common with all small industries in Tanzania. These range from problems of raw material and consumable supplies, lack of suitable equipment, inadequate buildings and facilities, lack of transport, lack of finance, limited markets, etc. to problems of inadequate technical and basic management training. In the absence of any relevant organization to represent their problems, particularly of supplies and finance, at the appropriate levels (e.g. the state supply organizations and the banks), several are now in the process of forming an association in Dar es Salaam in conjunction with small industry partnerships and other forms of private enterprise. All small industries with problems, including industrial co-operatives, now tend to turn for help, however, to the Small Industries Development Organization (SIDO) since it is the only organization staffed, equipped and ready to help. In many cases, moreover, it was SIDO who originally gave them practical assistance at their promotional stage in terms of feasibility studies, initial financing and supply of plant and equipment, supply of initial raw material, assisting in obtaining working capital and general technical and management advice.

The preponderance of villages to co-operative societies and the very nature of this vast experiment suggests that there is a pre-occupation by the administering, monitoring and controlling organizations in the problems of village development both now and for many years to come (this may explain why the extension of the ujamaa concept to urban areas has been shelved for the time being even if the enabling legislation still exists). In addition, industrial co-operatives within these societies have problems and needs unique to themselves which few conventional Government organizations set up to assist co-operative movements are equipped to solve. Indeed, industrial co-operatives in general are still a relatively new form of organization

within the co-operative world and are developing in form and numbers at an increasing rate. The question is, therefore, how can industrial co-operatives in Tanzania be assisted to develop most effectively and play their part in the industrial development of the country?

Ideally, and in line with the sixth co-operative principle of co-operation between co-operatives, industrial co-operatives should be encouraged to form their own Union to act as an apex organization both to represent their interests at appropriate levels and to provide required common services and functions which can be more economically provided centrally. Such a development should, however, be a natural and spontaneous one and not imposed from outside. This is a development which could, however, take many years to achieve.

In the meantime, the focal point for the effective development of industrial co-operatives can only be SIDO. This is not to suggest that SIDO should undertake the role of an industrial apex organization. However, many of the services which would be provided by an apex organization are already being provided by SIDO. Moreover, if industrial co-operatives are to be given preference in the promotion of new small industries, as is frequently pronounced at various levels, SIDO may find itself increasingly concerned with this form of organization.

So far and in a relatively short period, SIDO has achieved a considerable reputation in the country in the promotion of small industries of all forms. There has been less emphasis, however, on the continuing development of existing small industries mainly due to the limited availability of staff. With only two professional staff members in each region, the organization has been fully stretched in the promotional aspect and the planning and implementation of regional industrial estates, which clearly took precedence at the early stages of small industry growth. Furthermore,

it has no particular expertise on the unique problems of industrial co-operatives although it is required to give preference to such forms of enterprise. Again, apart from possible pre-occupation with village development, the Ujamaa and Co-operative Development Department is seriously under-staffed at the present time.

The further promotion and development of industrial co-operatives in Tanzania would therefore be greatly assisted by the setting up of a special unit within SIDO devoted to this aspect of small industry. The main activities of such a unit would be to monitor the progress of existing industrial co-operatives and analyse their particular problems, suggest and help bring about the means of overcoming such problems, render advice to prospective and on-going co-operatives on managerial and technical matters and carry out relevant research and development work. It would draw on the expertise already existing in SIDO concerning, for example, feasibility studies and supplies of machinery and raw materials. It would also keep under review important developments taking place in other parts of the world such as the highly successful Mondragon co-operatives in Spain.

This report therefore concludes that the project proposal for the setting up of a unit concerned with industrial co-operatives within SIDO prepared in 1978 was right in concept despite the profound changes that have since taken place. However, the developments which have taken place will have to be taken into account in drawing up a revised project document. Furthermore, more account should be taken of activities already established within SIDO for small industry generally. It is therefore probable that the project could be considerably simplified.

CONCLUDING REMARKS

This report has dealt at some length with the setting or background to the promotion of industrial co-operatives because it is important to understand how the situation can affect future development. It should also be clear, however, that the intention of much of the legislation is directed towards achieving a devolution of Government activity right down to the village level to achieve a national cohesiveness which would not otherwise be there; it is not intended to be anti-co-operative in nature.

With regard to industrial co-operatives, the climate for their expansion and development is extremely favourable. The Government has made it clear that it wishes them to be successful and to play their part in the broad development of industry throughout every region in the country. What is suggested but not defined in the report is the separate development of industrial co-operatives which can still maintain their overall links with the movement.

GROWTH OF INDUSTRIAL COOPERATIVES IN TANZANIA BY REGION

Based on date of registration and two years operation

Region	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Arusha			1									
Dar es Salaam	1						1		1		3-1	5
Dodoma												
Iringa												1
Kagera												
Kigoma												
Kilimanjaro			1	-1	-1							
Lindi				1								
Mara									1			
Mbeya												2
Morogoro	1		1			1						
Mtwara			1		1							2
Mwanza												
Pwani				1								
Rukwa												
Ruvuma												
Shinyanga												
Singida												
Tabora			1		1							
Tanga												
TOTAL:	2	.	5	1	3	1	1	-	2	-	2	10
Tailoring.	2		1		-1						1	1
Building and construction.			4		-2				2		-1	2
Carpentry.				1			1					1
Metalworking & repair.											1	
Mining and quarrying.						1					1	1
Soapmaking.												1
Bakeries.												1
Brickmaking.												1
Shoemaking.												1
Printers.												1
Mattress Making.												
Charcoal Making.				1								
Rubber Industry.												1
Miscellaneous.												

APPENDIX I

COOPERATIVES IN TANZANIA BY REGION AND TYPE (Compiled in July, 1980)

Registration and two years operation only of societies defunct in 1980

1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	Total
										1		2
	1		3-1	5	10	4-1	11-3	12	4-1	4		50
					1		2		-1			2
				1		3		1	2			7
							1		-1			-
						1	1					-
						1	1					2
	1				1			2	1			5
				2	4	-2	4-2	1	2-1	2	1	11
				2	1		5	3		1		12
				2	2		1	1				5
					1		1	1	2			6
					1				1			3
						3	1	2				6
							3	4	4	1		12
				1	2	1	1	1-1	-1	2	-1	4
					3		1			1		5
					2			1		1		4
					10		6	6		1	1	24
-	2	-	2	10	31	15	34	34	11	14	1	162
			1	1	8	7	15	8	5-1	1		47
	2		-1	2	9	5-1	12	8-1	2-2	3		40
				1	6	3	3	5	4	5	1-1	29
			1		2	1	2-1	3	4-1	3		14
			1	1	5	-1	1-3	2		1		8
				1		1	2	2			1	7
				1			2	3	-1			5
					1	1	-1	1		1		3
				1				2				3
							1					1
								1				1
												1
				1		-1						2
												-
				1		-1		1	1	1		3

QUESTIONNAIRE ON INDUSTRIAL CO-OPERATIVES

Region..... District.....
 Division..... Ward.....
 Name of Society.....
 Main Products

Primary Market.....
 Date initiated.....Date registered.....
 How Society was initiated.....

Direct advantages of registration to Society.....

Has the Society received any special help, donations, gifts, etc.

No. of members at start.....Now.....**Anticipated**.....
 No. of workers.....No. of probationers.....
 Entry fee for members.....Cost of shares.....
 No. of shares issued.....No. paid up.....Present value.....
 Type of Society.....
 Constitution or by-laws available.....
 Origin of constitution.....

Subsequent Amendments to constitution, if any.....

Actual Society Objectives.....

Is Society affiliated to any Federation or Association.....

If so, which and for what purpose.....

Society Organization.....

Management structure.....

Capital Invested

- Equity Fees
- Shares
- Loans
- Gifts (cash or kind)

Source of Loans
 Loans Outstanding
 Does Society maintain financial accounts
 Last Audit by

Existing Assets as at Liabilities

- | | |
|-----------------------|-------------|
| - Buildings | - Loans |
| - Plant and Machinery | - Creditors |
| - Stock (M., WIP, FG) | - |
| - Cash/Reserves | - |
| - Debtors | - |

Annual Financial Results (by main activities or products if possible).

- Year:
- Turnover:
- Profits:

Use of Profits:

QUESTIONNAIRE ON INDUSTRIAL CO-OPERATIVES

Raw materials used.....

Source (local, national, imported).....

Alternatives available.....

By-products

Supply problems.....

.....

.....

Action taken or possible to overcome supply problems

.....

Production Facilities.....

.....

Source of Equipment.....

Production Capacity.....

Normal Output.....

Estimate of Capacity Utilization.....

Production system (to order/to stock).....

Development Plans.....

.....

Production problems.....

.....

Action taken or possible to overcome production problems...

.....

.....

Pay system/level of earnings/differentials.....

.....

.....

Basic Training Received.....

.....

Special Training Received.....

.....

Training Required.....

.....

.....

.....

INDUSTRIAL CO-OPERATIVE SURVEY
SUMMARY SHEET

Society..... Date.....

Problems:

Material supplies.....

.....
Production Facilities.....

.....
Technical Knowledge.....

.....
Marketing.....

.....
Financial.....

.....
Other problems.....

Possible solutions suggested by the Societies/Ourselves*

Supplies.....

.....
Facilities.....

.....
Marketing.....

.....
Finance.....

.....
Industrial Training.....

.....
Management Training.....

.....
Advice (design, technical, organization, systems, marketing,
financial, etc.).....

.....
Other assistance.....

APPENDIX C

INDUSTRIAL CO-OPERATIVES IN TANZANIA

Number and Type of Industrial Co-operatives

(Defunct societies are assumed to have operated for two years only).

<u>Type</u>	<u>1970</u>	<u>1978</u>	<u>1980</u>
Tailoring	2	46	47
Building and Construction	4	37	40
Carpentry	2	24	29
Metalworking and Repair	-	11	14
Mining and Quarrying	1	7	8
Soapmaking	-	6	7
Bakeries	-	5	5
Brickmaking	-	2	3
Shoemaking	-	3	3
Printers	-	1	1
Mattress making	-	1	1
Charcoal making	1	1	1
Miscellaneous (multi-purpose)	-	3	3
	<u>10</u>	<u>147</u>	<u>162</u>
No. of members (based on 15 per society).	150	2205	2430

Societies excluded cover consumer societies, savings and credit societies, service societies such as transport, agricultural societies, housing societies and handicraft societies - which in all now total approximately 980.

Financial information

There is no complete financial information available.

Federations

All registered co-operative societies are members of WASHIRIKA, the Union of Co-operative Societies.

There is no special federation or union of industrial co-operatives. Some industrial co-operatives in Dar es Salaam are in the process of forming a proposed association of small industries in conjunction with private and partnership industries. The only marketing and supply services provided for small industries generally (and not exclusively for industrial co-operatives) are from the Small Industries Development Organization (SIDO).

"Artisanal" Co-operatives

There are no such co-operatives undertaking marketing and supply on behalf of their members.

Labour Contracting Co-operatives

There are such societies catering mainly for port labour, cleaning labour and the provision of watchmen. They have not been included in the list of industrial co-operatives.

Source of Finance

Member capital in the form of entrance fees and shares is usually far short of total capital requirements.

Most industrial co-operatives obtain loans from public sources usually with the assistance of SIDO. Public finance is from four sources:-

Tanzania Investment Bank (TIB) - for equipment and working capital.

Tanzania Housing Bank (THB) - for buildings.

Tanzania Rural Development Bank (TRDB) - for equipment (rural areas).

National Bank of Commerce (NBC) - for short term loans.

SIDO also provides financial assistance in kind through obtaining plant and equipment for small industries generally. Industrial units including co-operatives are normally required to pay 10% of the total value in advance, are given one year's grace and then repay the remainder over 5 years interest free but including a 5% handling charge by SIDO.

In addition, small industries including co-operatives have benefitted from gifts of plant and machinery from both national and international organizations. These include the Regional Development Funds, the Canadian Universities Students Organizations, the Swedish International Development Agency and the Royal Government of Netherlands.

Industrial co-operatives have not been strong enough to form their own bank to help with the provision of finance.

There was a Co-operative Bank formed in 1962 but this was dissolved in 1973 and merged with the NBC in 1974.

Industrial Co-operative problems

In general, all industrial co-operatives face the same problem as their counterpart private and partnership small industries. The most severe usually concern procurement of raw materials partly because of the small quantities required, partly because of national shortages particularly of imported materials, but mainly because of lack of adequate funds to finance economic orders. The banks are generally hesitant to advance sufficient funds for working capital to small industries partly because of a lack of equity but mainly because the costs of processing and controlling small loans are no less than they are for large loans.

Production problems usually centre on lack of adequate equipment and lack of technical or management training.

At this stage, marketing problems are not considered severe. This is mainly because Tanzania represents a seller's market following severe import restrictions of consumer goods. Marketing could represent a much more serious problem as the supply of goods improves.

At present it is not known whether any industrial co-operatives have succeeded in breaking into the export market. It is known, however, that some partnerships (many of which may later convert into co-operatives) have done so; one particular example is a carpentry partnership which specialises in the manufacture of beehives and which has obtained orders from Uganda and Ghana.

Outside Assistance

No industrial co-operatives have been helped by co-operatives in industrial countries or by UN agencies such as the ILO and UNIDO. However, UNIDO is currently carrying out a survey to determine whether a project to assist in the promotion and development of industrial co-operatives would be feasible.

Government Assistance

No special assistance beyond the normal assistance given by the Ujamaa and Cooperative Development Department to all co-operatives is given to industrial co-operatives. The Government is aware however that problems exist and are awaiting the outcome of the current UNIDO survey.

THE PROMOTION OF INDUSTRIAL COOPERATIVES
IN TANZANIA

1. In this paper we shall examine the special characteristics of industrial co-operatives in relation to other co-operative activities, the reasons for current interest in industrial co-operatives and the need for industrial co-operatives in Tanzania. We shall then discuss the form of industrial co-operative best suited to Tanzania at this stage of development, the problems being faced by existing co-operatives and the constraints to the promotion of new industrial co-operatives. The paper concludes by outlining a possible strategy to be adopted for the promotion of industrial cooperatives and stressing the need for further study, discussion and decisions in this area.

2. The history of the international co-operative movement and the development of co-operative principles is, no doubt, familiar to this assembly. It will be recalled that whilst its roots date back to the Industrial Revolution, the primary concern of its originators was to collectively organise the supply of basic consumer requirements for its members at the lowest possible prices - even today this remains the major concern. The organisation of producer co-operatives was a later development and these were primarily concerned with agricultural marketing and agricultural or rural credit. Industrial co-operatives, with a few notable exceptions, were a very much later development. Many of these were conceived as ancillary activities within large consumer co-operatives or initiated by such co-operatives to supply consumer needs. Few of this type of industrial co-operative have been successful for a number of reasons which we shall outline.

3. Industrial co-operatives may be broadly classified into two main types:
 - (a) Co-operatives which employ workers and whose membership bears no relation to the work-force.
 - (b) Worker co-operatives, i.e. where the workers themselves are the members. These are referred to in the Co-operative Societies Act, 1968 as "workers' joint enterprise" societies.
4. In Tanzania, almost all industrial co-operatives are of the second type. They are unique compared to all other types of cooperative society in that only workers are members and any profits are shared in proportion to work contribution.
5. The first type of industrial co-operative which employs workers faces a number of problems which have to be overcome, such as:-
 - Lack of interest or incentive of the workers themselves;
 - possible conflict of interests between members in establishing the objectives and policy of the enterprises;
 - possible conflict between lay direction and professional management or technologists particularly in the areas of enterprise development, forward planning and day-to-day executive decisions;
 - the need to be competitive in order to survive and to develop and retain an adequate market.

It could be said that such co-operatives face all the problems of both public and private enterprises with the added complication of a co-operative organisation.
6. Worker co-operatives, on the other hand, should be highly motivated to develop their own enterprise and make it a success since, particularly if each member has a high personal stake, it represents the members' own future livelihood. Any possible personal conflicts

will thus be outweighed by the needs of the enterprise itself - efficiency, productivity and satisfied customers will be everybody's business.

7. The common feature of all industrial co-operatives is that initial funding requirements are usually considerably higher than is the case with other primary co-operatives. Subsequent capital generation has to be sufficient at least to service loans and to provide for progressive replacement and development of plant. These requirements of course will be considerably lower in the small-scale industrial sector and, in terms of output, Tanzanian experience has already shown that investment in this sector is 5 times more efficient than investment in the large-scale sector.
8. Considerable interest has been shown in recent years in industrial co-operatives in general and worker co-operatives in particular. In the more developed countries, this interest has developed as one possible answer to industrial strife and potential factory closures. In the less developed countries, this interest is related to the desire for broad-based industrial development and large-scale job creation in the interests of national self-reliance.
9. In SIDC we have identified, scheduled and to a great extent located to districts and villages 3,338 small industries to be set up over the third 5 year plan for Tanzania. This represents an increase of 77% over the existing number of small industry units and a 74% increase of employment in this area. This is within the context of an increased contribution by industry as a whole of 9.3% to GDP. A considerable emphasis is therefore being given to the small-scale sector where both existing and planned units employ an average of 11 persons each.

10. Within the framework of National policy and aspirations, it is clear that these units should be established wherever possible as industrial co-operatives. The question is - how, and in what form?

11. Of the two basic types of ^{industrial} \angle co-operative already discussed it is also clear that, from the point of view of both size and effectiveness, worker co-operatives are to be preferred. Indeed, there are already many good examples of such units operating successfully in the country. As already noted, worker co-operatives are likely to be better motivated and have fewer conflicts to distract them. Accordingly newly - promoted worker co-operatives could be expected to become fully self-supporting in a shorter period of time. Additionally, the need for supervision should be considerably reduced.

What are the problems and constraints to promoting worker co-operatives on a wide scale in Tanzania?

12. Recent surveys of existing industrial co-operatives in the country have highlighted many basic problems. Here are some of them:-

(a) Lack of member enthusiasm:

- In one survey, only 30% of the units were member-initiated, The majority were initiated by various official bodies;
- Many new units experienced a major reduction in the number of members which was bad for morale. It is better to start small and grow so that initial enthusiasm is not lost,

- some units have been used as outlets for people who have failed elsewhere. The chances of success of an industrial co-operative as a last resort are extremely small;
 - lack of economic success does not attract ambitious people to join co-operatives.
-
- (b) Official encouragement to initiate industrial co-operatives has not always been supported by proper feasibility studies.
 - (c) There is a general lack of operational and management skills. Not only is adequate training required but also there is a need to ensure competitive remuneration.
 - (d) In some cases there is a lack of specific product demand. This indicates insufficient knowledge of the market or of marketing skills.
 - (e) Difficulty in obtaining manufactured raw materials, e.g. cloth.
 - (f) Insufficient working capital, e.g. to finance adequate raw material stocks
 - (g) Lack of basic equipment and proper tools.
 - (h) Lack of basic facilities such as adequate buildings.
 - (i) Lack of orders particularly when market geared to one basic customer, e.g. school desks for Ministry of Education
 - (j) Inadequate records and accounts. In one survey, 90% of the units had insufficient records to gauge economic performance. Few units have trained bookkeepers. Official audits are sometimes years behind. Some co-operatives employ private firms to audit and to produce financial budgets. There have been cases of embezzlement of funds.

D.6

(k) There is little capital generation, if any; one co-operative stated that profits were used as loans for members in need.

13. Apart from problems facing existing industrial co-operatives there are legal constraints to the promotion of new ones:-

- In the first place, the 1968 Co-operatives Societies Act is primarily concerned with traditional consumer, agricultural and credit primary and secondary societies. Little consideration is given to industrial co-operatives of any type. Furthermore, it excludes the possibility of registering societies with less than 10 members. Where the average size of industrial unit is 11 persons, this eliminates nearly half the units as potential worker co-operatives.
- Next, the 1975 Villages and Ujamaa Villages Act specifically prohibits the establishment of a registered co-operative society within a village save with the consent of the Minister in writing. Furthermore the provisions of the 1968 Co-operative Societies Act do not apply to a village. The village itself is **required** to perform its functions "as if" it were a multi-purpose co-operative society.
- Finally, the 1976 Urban Wards Act makes similar provisions to the 1975 Village Act but with one or two significant differences. First, each ward is "deemed to be" a multi purpose co-operative society even though the provisions of the 1968 Co-operative Societies Act do not apply. Second, the Minister is empowered to allow the operation of a registered co-operative **society or any category of registered co-operative societies** within a ward and also he is empowered to "modify" the provisions of the 1968 Co-operative Societies Act.

So where does all this lead us?

14. Clearly the law in relation to industrial co-operatives is confusing, contradictory and ambiguous. In due course it should be revised so that it clearly reflects National policy and enables effective industrial co-operatives to be established. In the meantime, however, it is necessary to make temporary provisions so that the pace of industrialisation is not slowed down or even stopped.

15. What strategies could we adopt to solve this problems? For the reasons already given, we are doubtful of the chances of success of an industrial co-operative set up with employed workers either by a village or an urban ward. We believe that the workers should have both a strong commitment and a high incentive to make the enterprise a success and that a worker-co-operative is the most effective form of organisation to achieve this. The village or urban ward should also benefit from the success of the enterprise. Given these factors, it should be possible to encourage villages and urban wards to support the setting up of worker co-operatives which would eventually contribute a small percentage of their net profits to the local authority, say 10%. The village or ward would thus benefit not only financially in the long-term but also from the added prosperity within the village or ward and the availability of locally-manufactured products which would not otherwise have been there.

D.8

16. But it will be clear from the problems outlined that both in promoting new industrial co-operatives and in supporting existing industrial co-operatives there needs to be an organisation capable of providing the technical and managerial expertise needed to establish and subsequently assist industrial co-operatives. Ideally such an organisation should be a co-operative one and, indeed, the idea of a Union of Industrial Co-operatives acting as an apex organisation to support all industrial co-operatives was discussed at the workshop on industrial co-operatives organised by the Ministry of Industries in 1978. However no such organisation yet exists and it appears that we still lack any relevant co-operative organisation which can provide the necessary technical and managerial services. We are therefore very open to ideas and suggestions as to how these services could be provided.
17. Of course SIDC itself is committed to promoting and providing service to all small industries in the country. Its resources are however limited and the stress has been on promotion rather than continuing support of established small industries. This is a task which will grow in relation to the growth of industry itself.
18. The promotion and support of industrial co-operatives presents all the problems existing for small industries generally plus the special problems associated with co-operative organisations. Much work requires to be done. Enabling legislation or temporary Ministerial directives need to be drafted. Supplementary rules applying to industrial co-operatives need to be developed. Model By-Laws which can be fully understood at the primary level need to be agreed. Above all, a general ^{understanding} of the situation and agreement at all levels needs to be reached.

19. The promotion of small-scale industry in Tanzania and the exploitation of local resources is of vital importance in decentralising the economy, realising the potential of the country and meeting the basic needs of the people. We believe that industrial co-operatives can be the most effective means of **achieving** the planned expansion in this sector.



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