

# **THE ROLE CO-OPERATIVES PLAY IN POVERTY REDUCTION IN TANZANIA**

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## ABBREVIATIONS

ADB	African Development Bank
AMCOS	Agricultural Marketing Co-operative Societies
CC	Co-operative College
CSA	Co-operative Societies Act
GDP	Gross Domestic Product
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
KCB	Kilimanjaro Co-operative Bank
KCU	Kagera Co-operative Union
KDCU	Karagwe District Co-operative Union
KNCU	Kilimanjaro Native Co-operative Union
RFSCB	Rural Financial Services Community Based
SACCOS	Savings and Credit Co-operative Societies
SCCULT	Savings and Credit Co-operative Union League of Tanzania
SHERFS	Southern Highlands Economic and Rural Financial Services
TFC	Tanzania Federation of Co-operatives
TICU	Tanzania Industrial Co-operative Union
UCU	Usambara Co-operative Union
WB	World Bank
WETCU	Western Tobacco Growers Co-operative Union

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I wish in particular to thank Mr. James Kanu who has been instrumental in initially contacting me and maintaining communications, which eventually lead to my being invited to the panel. Mr. Geoffrey Ngomuo and Dr. FM Shao facilitated communications, which were sometimes difficult. Mr. John Langmore tirelessly gave me details on the panel presentation without which I could not have presented this paper. Nimali S. Ariyawansa was active in keeping me posted with developments through difficult E-Mail communications.

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However, the contents of the paper are my own responsibility and should not in any way be taken to be representing the policies of the Tanzanian Government or anyone else.

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## 1. Background

### 1.1 Why this paper

This paper has been prepared as contribution to the panel discussion on the role of cooperatives in poverty reduction on the occasion of observing the International Day for the Eradication of Poverty. The paper is based on my experience with cooperatives and cooperative development in Tanzania. As is typical of many postcolonial African countries, cooperatives have formed a major part of the development strategies aimed at the majority of rural communities. It is understood that cooperatives provide a model for pooling resources of people of limited means to achieve commonly identified development needs of the respective people. In the case of Tanzania Cooperatives have constituted part of the core variables in the political philosophy and development policies which have guided the development of the country. This has had very substantial impact on the growth and development of the cooperative movement with important implications on the potential contribution of cooperatives to poverty reduction. The paper attempts to give a synoptic overview of the role of cooperatives in the country's efforts to attack poverty. The paper does not give detailed analysis of the achievements of cooperatives, as this would require deeper research, which could not be attempted prior to the panel discussions. Some tentative suggestions for the future development of cooperatives are made.

### 1.2 Tanzania Country Information

Tanzania is the second largest country after The Democratic Republic of Congo, in East and Central Africa. It covers an area of 945,000 square kilometers. Based on 1998 estimates the population was then 29.9 million people, with annual growth of 3.0 percent. Bank of Tanzania estimates the population at 31.9 million by December 1999 [9]. More than 120 ethnic groups comprise the population; 80 per cent of which lives in the rural areas dependent on small-scale farming. The GDP estimate at market prices is US\$ 8,376 million(1998), with growth rate of 5 per cent per annum. GDP per capita stands at US\$ 279. Agriculture dominates the economy, accounting for 55 per cent of GDP and 80 per cent of recorded total foreign exchange earnings while providing employment for 70 per cent of the labour force. The inflation rate stands at 6.7 per cent .

### 1.3 Defining Poverty

Discussion about the role of cooperatives in poverty reduction should start with a brief discussion of poverty. Poverty is a complex concept which dose not fit into a neat definition. It entails a complex interconnection of descriptors surrounding the livelihood status of people in communities. According to the World Summit for Social Development held in Copenhagen in 1995

*“Poverty has various manifestations including lack of income and productive resources sufficient to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments; and social discrimination and exclusion. It is also characterized by lack of participation in decision making and in civil, social and cultural life ...”* quoted in [1].

Poverty is multidimensional but specific to a location and a social group. However the striking common features in the experience of poverty is that poor peoples lives are characterized by **powerlessness** and **voicelessness** which constrain the peoples choice and

define the relationship and influence they are able to make with institutions in their environment [2].

#### **1.4 The Status of Poverty in Tanzania**

Tanzania's Poverty Reduction Strategy Paper (PRSP) defines poverty to include "income" and "non- income" human development attributes [4]. Income Poverty is described to be:-

- Largely a rural phenomenon
- A factor of subsistence agriculture where the poor are concentrated
- Also widespread and increasing in urban communities
- Afflicting more intensely the youth, the elderly and persons in large households
- Having different impacts between men and women; while female-headed households are not necessarily poorer than male-headed households, women are generally perceived to be poorer than men.

Non Income Poverty is a function of access to livelihood enhancing factors including education, survival of infants, nutrition, clean and safe drinking water, social wellbeing and vulnerability to diseases.

According to The World Bank 1997 Social Sector Review, Tanzania is the third poorest country. A third of Tanzanians live in households classified hard core poor and a further fifth of Tanzanians live in households classified as poor on the basis of their income. The depth and severity of poverty is greatest in the rural areas as around 85 per cent of the poor and hard core poor live in the rural areas. Since most of the rural poor are primarily engaged in agriculture, this paper focuses on the role of cooperatives in agricultural production and marketing and their contribution to poverty reduction in this regard.

#### **1.5 Cooperatives and Poverty Reduction in Tanzania**

##### **1.5.1 Inspirational lessons from past achievements of cooperatives**

Cooperatives and in this case we are specifically limiting ourselves to agricultural marketing cooperatives have emerged as a critical rural development institution in Tanzania. They have been the kingpins of development interventions aiming to alleviate poverty of the small holder farmers spread out in the rural areas of Tanzania. The colonial governments promoted the formation of agricultural marketing cooperatives particularly for cash crops mainly coffee, cotton and tobacco. The Nationalist post colonial government saw cooperatives as an important vehicle which could be harnessed to spread the benefits of development to a wide section of the Tanzanian population. This was to be done by combining the energies of the farming community and the workers to feed, clothe house, and educate themselves and their children and generally better their economic and social lives. In order to achieve economic independence cooperatives were expected to play a more dominant role in business as a means of reducing foreign domination [3].

Carlsson [4] has observed that "...because of the circumstances under which the cooperatives were formed, i.e., as a reaction of Africans and peasants against the unfair marketing practices of mainly non- African traders, they became convenient cover organs for political activities. The effects of the cooperatives were largely that they:

- a) enabled the farmers to receive higher prices
- b) provided a means of channeling power and influence to the larger farmers, allowing an emerging wealthy section of Africans farmers to exercise leadership in cooperatives and to challenge thereby the authority of traditional African Chiefs: and

- c) offered a way of involving African producers in general, and ambitious and educated Tanzanians in particular, in cash crop production, creating an avenue for upward mobility and political advancement“

In a very real sense the cooperatives of that time were contributing substantially to poverty reduction. This apparent success was the basis under which cooperatives were adopted as a central part of the Government Rural Development Policies. Ever since that time until recently, government has taken the lead in the management of cooperatives via the legal provisions and in the conduct of its changing development policies over the years. The Cooperatives have become officialised institutions in which the targeted members have assumed a passive role.

Focus has tended to remain at the formation of organizational structures rather than member empowerment at the primary co-operative level. This has entrenched empowerment of the leadership away from the grass root membership.

The heavy government involvement and manipulation, has systematically eroded and diminished the poverty reduction potential of cooperatives. Promotion of genuine member participation and member control in cooperatives is the major means that will resurrect the cooperative capacity to contribute to poverty reduction

### **1.5.2 Impact of economic policy changes on cooperative development**

In line with the centralized planning policies of the last thirty years AMCOS enjoyed a monopoly of the marketing of agricultural produce, which was additionally dominated by parastatal crop-marketing institutions. In due course it was realized that the poverty reduction potential of the cooperatives was compromised by the arrangement that did not guarantee high returns to the farmer due to the added marketing margins expropriated by the marketing infrastructure.

The situation has fundamentally changed since government policies have taken a new turn. From 1986 to date continuous comprehensive economic and structural adjustment programs supported by major donors including the IMF and the World Bank are being implemented. The agricultural marketing structure has been liberalized as well as the financial sector of the economy. The monopoly status of cooperatives has been officially withdrawn allowing other private traders to participate in the marketing of agricultural produce along side the AMCOS. This has opened up opportunities for small holder farmers to dispose of their produce to the buyer offering the best price in the market.

In tandem with these changes, The Cooperative Societies Act Number 15 of 1991 was passed by the Tanzania Parliament and duly endorsed by the President to become the new cooperative legislation repealing previous laws. The 1991 legislation reestablished the principle of voluntary association in cooperatives. The removal of monopoly status and the greater freedom for the members of cooperatives has set into motion large-scale re-organization among cooperatives and support institutions. This repositioning is more critical for the cooperative organizational structures, which need to address new member needs rather than their predominant orientation towards provision of services along the marketing chain of the crops. The primary cooperatives have to prove their relevance to the members particularly in enhancing member's poverty reduction potentials. Great ingenuity for innovation is called for to restructure the cooperatives to provide services that extend the capacity of individual members to earn more for their labour thereby contributing to poverty reduction among the members.

### **1.5.3 The status of cooperative development following the reforms**

The Co-operative movement has been reforming following the enactment of the Co-operative Societies Act no.15 in 1991. This new legislation provides a departure from previous legislation by providing for an autonomy status for co-operatives which had hitherto been government supported and controlled institutions. As a concrete demonstration of its intentions to de-link itself from controlling co-operatives, Government promulgated The Co-operative Development Policy of 1997. Along with this policy statement, Government further passed amendments to the 1991 CSA to allow even greater freedom and autonomy to co-operatives. The Co-operative Development Policy subscribes to and advocates the upholding of the International Co-operative Values and Principles as adopted by the International Co-operative Alliance.

Highlights of co-operative development since the enactment of the 1991 CSA are as follows: -

(a) Concerning the mainstream agricultural marketing co-operatives: -

Single commodity co-operative marketing co-operatives have been permitted by the new law to integrate from primary, union, to apex levels for all the major cash crops viz. Coffee, cotton, tobacco, and cashewnuts. To allow for economic rationalisation the law further allows the cancellation or amalgamation of particularly primary co-operatives and division of particularly co-operative unions, where the members view this as expedient.

Following the implementation of these provisions; the number of primary agricultural marketing societies had decreased to 4,316 by 1994 from 8,978 in 1990; the number of co-operative unions had increased from 27 to 45 unions in the same period; a total of 4 Apex organizations have been registered.

(b) Concerning other non- agricultural co-operatives: -

Similarly the other types of co-operatives e.g., Savings and Credit Co-operative Societies SACCOS, industrial co-operatives are permitted by law to integrate. So far the Savings and Credit Co-operative Union League of Tanzania SCCULT and the Tanzania Industrial Co-operative Union TICU have been registered as affiliations of Savings and Credit Primary Societies and Industrial Co-operative Societies respectively.

In some regions namely Kilimanjaro Region, a co-operative bank has been formed and registered under the 1991 CSA. The primary co-operative societies both agricultural and savings and credit societies and the unions are members of the Kilimanjaro Co-operative Bank KCB that has been operational since 1996.

(c) At the overall national level:-

The Tanzania Federation of Co-operatives TFC has been registered as the body to which the 4 Crop based Apexes; SCCULT; and TICU are affiliated.

In total there were, by December 1999, 5,205 co-operative societies with a total membership of 600,000 people. The outreach of the services provided by these co-operatives is far greater than this. If membership is pegged on household heads and an average household to have 6 persons, then the outreach could well be 3,600,000 people. The break down of the co-operative by type of activity is as follows :-

Table 1. Status of Registered Co-operatives as at December 1999

<i>Type of co-operatives</i>	<i>Total</i>	<i>Active</i>	<i>Dormant</i>
Federation of Co-operatives	1	1	
Specialised Coop Apex Organisations	4	3	1
Co-operative Unions	45	32	13
Agricultural Marketing Co-operative Societies [AMCOS]	2,640	2,240	400
SACCOS	921	606	315
Livestock	108	73	35
Industrial	295	180	115
Consumer	698	88	610
Fisheries	70	46	24
Transport	12	6	6
Service	284	146	138
Mining	7	5	2
Housing	45	15	30
Banks	2	1	1
Agricultural processing	5	1	4
Others	69	26	43
Total	5,205	3,471	1,734

*Source:* COASCO status report on statistics of co-operative societies as at 31<sup>st</sup> December 1999, compiled in June 2000 and MAC report July 2000.

The Crop Based Co-operative Unions; their Apexes; SCCULT; and TICU are weak and in most cases dormant organisations .

### 1.5.3 The Co-operative Development Support institutions

**The Ministry of Co-operatives and Marketing** has responsibility for overseeing effective implementation of government Co-operative Development Policy as is elaborated in section 3 bellow. The Department of Co-operative Development which is headed by the incumbent Registrar Of Co-operative Societies advises the Minister in this regard and takes charge of day to day supervision of government support to co-operatives .Under the local government reforms, the district councils have to take responsibility for the co-operative development in their areas of jurisdiction .The Central Government maintains a skeletal support staff on inspection and audit functions .Other co-operative promotional staff are retrenched or reassigned other responsibilities .The staff strength of the Co-operative Development Department is 426 ; out of these 389 are stationed in the districts throughout the country .

**The Local Governments** are engaged in the reform process . They have as yet limited capacity to forge effective co-operative support Programmes .District Co-operative Offices are short of both human and other resources to give effective support to the current co-operatives let alone promotion and support of new co-operatives .

Other Co-operative support Institutions include :-

**The Co-operative College** which started as the training section of the Department of Co-operative Development . It has developed into one of the reputed autonomous institutions of higher learning in Tanzania .Its experienced faculty have undertaken commissioned research for the Government and contributed to co-operative development policy in particular but generally to rural development .It is the main referral centre for training relating to co-operatives and other community based organisations . Remarkably the CC has conducted research on industrial co-operatives and carried out consultancy services on agro - industrial development for some of the major co-operative unions . The CC operates a network of Regional Training Centres called Wings in 16 regions of Tanzania Mainland . The CC staff comprises 344 professionals covering a wide range of specialisation .

**The Cooperative Audit and Supervision Corporation** is a parastatal organization with responsibility for carrying out final audit for cooperatives in Tanzania. Its former monopoly status in the auditing of cooperatives has been withdrawn following the new CSA of 1991. Cooperatives are free to appoint auditors of their own choice all be it with the permission of the Registrar of Cooperatives. COASCO has accumulated experience in the cooperative audit, which still places it on top of the league of cooperative enterprise auditors. COASCO has 85 auditing staff and operates 14 regional offices in the country.

From the perspective of its chequered history, extensive politicisation, and its acknowledged poor performance the co-operative movement has not been an attractive one for donor investment, particularly under the Structural Adjustment Regimes. Following the ineffectiveness of pre 1984 Nordic Co-operative Support Projects, donors have cautiously approached any requests for support made by the Government or indeed the Co-operative Movement per se. Only support on exploratory grounds appear to have been given to facilitate the charting out of new ways of co-operative enterprising. This is the spirit of support given by the WB to facilitate the Co-operative Reform Programme between 1991 and 1994. More significantly has been the support for identifying mechanisms and strategies for promoting co-operative financial capacity building through Savings and Credit co-operative societies. This was and continues to be aimed at establishing micro finance institutions to make critical production credit more accessible to micro, small and medium scale enterprises. Examples of such support include the WB Rural and Micro Finance Institutions Project; The IFAD-SHERFS project; The Japanese Government RFSCB project and the ADB Amina Programme.

## **2.0 The role cooperatives play in poverty reduction**

Given the history of dominant government lead cooperative development in Tanzania and the recent fundamental policy changes, only a tentative synoptic description of the role cooperatives play in poverty reduction in Tanzania will be attempted bellow. Constraints of time and limited availability of data means that only broad trends will be highlighted for some parts of the cooperative movement.

### **2.1 Wide-ranging cooperative initiatives for reduction of poverty**

The profile of registered Cooperatives in Table 1 indicates the wide range of angles from which cooperatives are applied to reduce poverty. The AMCOS are predominant but they are not the only forms of cooperatives to which the Tanzanian communities have resorted to reduce poverty. However the number of dormant cooperatives indicates the difficulty of successfully organizing the cooperative enterprise. The challenge is more acute in the mainstream AMCOS since the ineffectiveness of cooperatives has very negative impact on the economy as a whole. It is reported in the Poverty Reduction Strategy Paper that the

failure of cooperatives contributes significantly to the deepening poverty status of the rural communities.

## 2.2 The role of AMCOS in poverty reduction

- Marketing services for small holder farmers

It is well known that the small holder farmers who comprise the majority of the rural poor need effective production support and marketing services to facilitate production and sales of their produce. Produce sales comprise the major source of income for the rural poor. It therefore constitutes a major means for poverty reduction for the majority of the rural poor. The AMCOS have been the main channel for providing these services over the last six decades.

Data on the sales of key cash crops handled by cooperatives are difficult to get due to the flux of the ongoing changes. However the available crop production data from the Bank of Tanzania for the last five seasons give an indication of the service that the cooperatives are providing in this regard.

Table 1. Production of Cash crops ('000tons)

<i>Crop</i>	<i>1995/96</i>	<i>1996/97</i>	<i>1997/98</i>	<i>1998/99</i>	<i>1999/00</i>
Coffee	52.0	42.4	38.0	46.6	47.9
Cotton	84.2	84.5	69.9	39.0	35.0
Cashewnuts	82.0	63.0	93.2	103.3	121.2
Tobacco	28.0	35.4	52.0	38.0	31.8

*Source: Bank of Tanzania: Economic Bulletin; Vol. xxx No.2 June 2000*

Under the challenge of competition cooperatives have lost part of their former market share. However they remain the major channels through which most rural poor still sell their produce. The KNCU, which is the oldest Cooperative Union lost about 20 per cent of its coffee, purchases to private coffee traders during by 1996/97-crop season [10]. However it still retains 70 per cent of the market during the current crop season. Private Tobacco traders procure tobacco directly from the primary cooperatives in the Western Tanzania tobacco growing zone; unlike the past practice where the WETCU used to buy the tobacco from the primary cooperatives. The primary cooperatives provide the tobacco production and marketing services to their members producers in Western Tanzania. WETCU now plays the role of negotiator of tobacco prices on behalf of the primary cooperatives. To do this WETCU participates in the Tobacco Council price negotiations.

- Providing a voice to the poor in the policy making structures

Government has given Cooperatives a place in the Policy making machinery. The Apex organizations are represented on the Crop Industry Councils which have been established to bring in all stakeholders in the policy making process. Given the weak status of the Cooperatives and particularly the Apex Cooperatives, this representation is yet to be effectively utilized to bring up the voice of the rural poor whom the cooperative structures are indeed to represent .

Similarly representatives from the co-operative movement are included on the Boards of the statutory Marketing boards. The weakness of the cooperative movement has meant that these representations have remained elitist in orientation.

- Innovations to improve member incomes and benefits

Cooperative Unions have attempted to innovate mechanisms for linking coffee producers to the consumers to realize better prices for the producer. These innovations are indicative of the poverty reduction motives of cooperative enterprise. Under the Fair Trade arrangements Kagera Cooperative Union KCU; Karagwe District Cooperative Union KDCU; Kilimanjaro Native Cooperative Union KNCU' Usambara Cooperative Union UCU and one primary cooperative The Wino Agricultural Marketing Cooperative Society. Have been able to facilitate the export of coffee from their members to Alternative Trading Organizations in Europe, USA and Japan. The amount of coffee sold via this channel is small but it represents an opportunity for facilitating increased incomes to the producer. The premium coffee proceeds realized have been mainly invested in the social welfare of the producers.

- Social Welfare facilitation

AMCOS have contributed to community welfare by acting as tax collectors for the local government authorities in their area of operation. This has been at considerable cost to the societies. In addition the premises and facilities of the AMCOS have provided convenient venue for many civil development activities such as literacy education campaigns.

### **2.3 Employment Creation Potential of Cooperatives**

The employment potential of co-operatives has been little acknowledged in the long history of the Tanzanian Co-operative Movement. Obscured by the dominant poor performance the co-operatives have never the less contributed significantly in employment creation .The large number of agricultural co-operatives, the savings and credit co-operatives and other types of co-operatives have provided employment to many people across the country. The Co-operative Support Institutions, whose existence is mainly on account of co-operatives, have equally employed many people. These include: -

The Department of Co-operative Development, which even after the Civil Service Reform instigated massive staff retrenchment, still employed 426 people by December 1999.

The Co-operative College, which still employs 344 persons after retrenching more than 150 persons so far.

The Co-operative Audit and Supervision Corporation, which employs 85 audit staff excluding the non-auditing support staff.

The Co-operative Unions, which also operate big agro industrial activities, are employers of many people.

On the other hand co-operatives can facilitate self-employment through member owned and operated industrial enterprises. These are registered as either industrial co-operatives or other service co-operatives .It is currently estimated that there are 274 Industrial Co-operatives employing about 7,672 people. The Registrar of Co-operatives Reports indicate that there are 400 workers co-operatives of which 231 are industrial, 81 mining, 59 service, and 18 fishery co-operatives. With the deepening effect of the retrenchment processes, these types of co-operatives may provide employment for many more people.

## **2.4 Facilitation of Financial Services**

Financing rural farmers has been further diminished by the financial sector reforms. Banking services are focused on the high valued end of the market in urban centers due financial viability considerations. The role of Savings and Credit Cooperative Societies SACCOS in providing financial services particularly in the rural areas is now more imperative than before. The Report on the Survey of Rural Savings and Credit Cooperative Societies in Tanzania [6], revealed that the SACCOS are the most significant forms of participation in financial markets available to the rural Tanzanians. The survey indicates that by December 1999 there were 395 Rural SACCOS with a total of 83,000 members. These members had US\$1.7million in shares; US\$0.118 million in deposits and US\$2.2 million as loans to members. The outreach is obviously still very small and limited in its impact on poverty reduction. The point however is that the service being provided is in great demand among the rural poor. Provision and facilitation of banking services to the rural poor will contribute poverty reduction among the rural communities

## **2.5 Education support to children of the poor**

Coffee Co-operatives in Kagera and Kilimanjaro are reputed for the support they have provided for education to the poor in their regions. In particular KCU has struggled to provide this support from the premium earnings of its Fair Trade operations against many odds.

## **2.6 Enhancing women participation**

In the male dominated coffee co-operatives in Kilimanjaro, the promotion of SACCOS has opened up avenues for greater women participation. The liberalization of co-operative formation makes it possible for women to elevate their economic groups to co-operatives in their own right.

# **3. The Challenge of Developing Cooperatives Which Reduce Poverty**

## **3.1 Lessons from failed cooperative development policies of the past**

The discussion of the role of cooperatives in poverty reduction in Tanzania underlines the cardinality of participation of the poor in the design and implementation of interventions aimed at reducing their poverty. Participation has long been recognized as the cornerstone of genuine development. However institutionalizing participatory working culture has been a complex task posing fundamental challenges particularly for government bureaucracies.

The brief review of cooperative development in Tanzania during the last six decades suggests that little seems to have taken place among the rural communities where the cooperatives were intended to contribute to better living standards. This is supported by the observed worsening conditions of poverty as revealed by the Poverty Reduction Strategy Paper. The potential for cooperatives to contribute to poverty reduction is however well recognized. In the Poverty Reduction Strategy Paper the deteriorating conditions of cooperatives are identified by the rural poor as contributing to the deepening of the rural poverty status. Under these conditions the Government has taken steps for promoting the evolution of an autonomous member controlled cooperative movement with the capacity to reduce poverty among its members as described bellow.

### **3.2 Rebuilding the cooperative movement to enhance its poverty reduction potential**

In 2000 the President appointed a Task Force composed of seasoned cooperative professional and politicians to critically appraise the current status of the cooperative movement and propose strategies for building or re-building truly member based cooperatives, responsive to members needs under the current market driven economic environment. This underlines the Government policy which still considers cooperatives as critical institutions in the economic development of the people.

The Government has committed itself to the implementation of the Taskforce Recommended Strategies. The Task Force Report elaborates the current government policy and objectives relating to Cooperative development . In the preface to the report cum action plan, His Excellency the President of The United Republic of Tanzania underscores the government objectives as being “...to support cooperatives to become institutions which truly enable the people to achieve their own development needs“. Some of the Objectives stipulated in the Action Plan recommended by the Task Force include the following:-

- Building Strong Member controlled Cooperatives
- Promoting Good Leadership in the cooperatives
- Promoting Strong and effective Cooperative Development Support Institutions
- Improving Cooperative Education and Training (see Task Force Report under 5.1; 5.3; 5.5; and 5.6)

To achieve these government policy objectives the Report underlines the “**need for Reconstructing primary cooperatives “ as the point of departure.**

The Ministry of Cooperatives and Marketing was newly formed towards the end of 2000 with mandate to ensure implementation of the government policies relating to cooperative development as elaborated by the Task Force and accepted by Government.

The new Ministry is in the process of establishing itself. The process is more complex due to the other ongoing reforms including the Civil Service Reforms, the Local Government Reforms and the overall reorientation to market driven economic practices. The challenge is for the Ministry to evolve a Government Cooperative Development Support infrastructure, which puts the cooperative society members at the center stage. This will ensure that the Government does not fall into the trap of officialising the cooperatives as before. The Government will be well advised to heed Deepa Narayan’s[2] advice on strategies for reforming the cooperatives to enable them to play the poverty reduction role for which they are formed.

THREE Questions to consider in designing poverty reduction interventions:

1. How can we build on what works, design institutions, and change institutional character so that they support poor peoples own initiatives to lift themselves out of poverty?
2. How can poor peoples connectivity with institutions be increased so that they are heard and represented in programs and policy making at the local, national and global level?
3. How can the knowledge, resources and power at the local, national and global levels be used to support poor people's own efforts?

Strategic considerations to include:

- Changing Mindsets for the support institutions
- Investing in the poor peoples Assets whereby five kinds of assets in the context of powerlessness are identified to be: (1) BODY a healthy body is a critical asset; (2) ORGANISATIONAL ABILITY- strong networks and membership based organizations extending beyond the family and immediate community are essential to help poor people to gain access to other assets and resources; (3) INFORMATION; (4) EDUCATION; (5) IDEAS AND ENTREPRENEURSHIP
- Changing Governance

Source: Deepa Narayan [2]

One explanation for the widening scope of poverty among communities is the flux of changes due to rapid developments in technology which makes traditional reliance on experience as a source of knowledge inadequate and often irrelevant. Poor people are unable to respond effectively to the demands of rapid and radical changes.

It is possible to attack poverty by generating new knowledge as basis of new experience, by more information and training, by better use of available resources and by organized self help in autonomous institutions at the local level and by improved socio economic political administrative conditions. It is necessary to bring new knowledge from the outside by external promoters, technicians or development entrepreneurs i.e. people who are conversant with the challenges of the new times and who are able and willing to share their knowledge with the local poor, who for their part depend on new approaches, new technologies and new skills to break the vicious circle of poverty in which they are caught. What is needed are methods of anticipation of the future development "Learning from the Future". This is only possible if the change agents share their knowledge with local people in order to develop new locally adjusted knowledge on how to cope with the problems of production, income generation, social organization and survival in a changing environment.[1]

#### 4. Recommendations

To move in the right direction, the Government should prepare a transparent strategy for rebuilding the co-operative movement involving other interested parties like NGOs and other sympathizers of co-operative enterprise. This will ensure that the Government avoids the tendency to dominate the co-operatives as in the past.

The heart of the Strategy should be a pro-poor participatory co-operative development education program drawn on the positive lessons of the wide range of participatory approach based pilot projects like MEMCOOP in Kilimanjaro and Arusha Regions. This will initiate a

fundamental change of attitudes and approaches of particularly the government policy makers and front line extension officers of the Co-operative support institutions and other sectors in the economy. As Deepa Narayan has quipped to succeed will entail changes of the mindset and governance practices.

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