

# CHAPTER ONE

## INTRODUCTION

### 1.0.0 Introductory Remarks

The importance of microcredit to low income people in rural and urban areas in developing countries such as Tanzania cannot be overstated. Access to credit allows poor people to obtain capital for investment, manage their enterprises and expand their business more profitably. However, reaching these low income earners and identifying the best investment opportunities in urban and rural economies is not easy. In Tanzania, the government has attempted to create credit organisations for low income people, but most of these interventions have had only limited success and operated in urban areas for only a few years before they collapsed. In the 1960s the Tanzanian government used the co-operative movement as a vehicle for the distribution of credit to small farmers in rural areas but with limited success. The task of building an efficient financial institution for low income earners has been difficult because of various impediments inherited from the former socialist (Ujamaa) policy. According to Egger (1986 in Likwelile 1996) such credit organisations often reach only a small proportion of the poor population. Moreover, because they grant credit at low rates of interest, require no mortgage and are susceptible to theft and dishonesty, these organisations are seldom sustainable.

Savings and Credit Co-operative Societies (SACCOS) have demonstrated considerable success throughout industrialised and developing countries in increasing small and medium enterprises' access to credit in rural and urban areas. In Tanzania, a number of

different microcredit institutions have emerged since the mid 1990s that address the credit needs of low income people. We can see that SACCOS is one organisation that has particular advantages in overcoming some of the difficulties encountered in Tanzania's financial institutions to provide credit services to low income earners.

In this study an attempt is made to investigate the role of member participation and empowerment in co-operative organisations, particularly Savings and Credit Co-operative Societies (SACCOS) in Tanzania. The member participation and empowerment approach of SACCOS is focused on building financial stability and poverty alleviation for the members of the SACCOS and also for the wider community. The role of the state is to cultivate the environment and practices which give support to social and economic activities. This study addresses the viability of the co-operative organisations in the central area of low income earner development policy in rural and urban areas in Tanzania. However, owing to various unforeseen problems centering on policy planning and implementation, the outcomes did not match the aim. The situation of poor people worsened despite all national efforts and those of international organisations such as the World Bank and USAID. The orientation of the work is forward looking and the aim is to make the co-operative organisations sustainable in poverty alleviation.

The legacy of the 'one party under socialism' policy, which saw Tanzania cocooned in a state of underdevelopment, has been widespread as is shown by studies on poverty in Tanzania (GoT, 2000b). The severity of poverty in Tanzania is reflected in the country's social indicators, which include a high mortality rate, household food insecurity,

environmental degradation, widespread illiteracy, low education coverage, a high fertility rate, high HIV/AIDS prevalence and declining income levels (GoT, 2000b).

The centrepiece of the policy agenda for national development for what is now the third phase of government since independence is poverty alleviation. In 1995, in collaboration with the World Bank, the government produced a policy document entitled the “Poverty Reduction Strategy Paper (PRSP)”. This document defines the policy planning process for the National Poverty Eradication Strategy and the objectives for poverty eradication efforts through 2010 (GoT, 2000b, p.18). The document states that the major role of the state is to provide a conducive environment for the implementation of poverty alleviation programs, the success of which is dependent on “a strong partnership with co-operatives, donors, and the private sectors”. The document acknowledges that any long-term strategy to alleviate poverty must be linked closely to improvements in the quality and quantity of social and economic elements in the community. The program links directly with the National Strategy for Growth and Reduction of Poverty (NSGRP) adopted in June 2005 (GoT, 2005).

One of the key strategies which is highly recommended in the policy is the promotion of participation by the beneficiaries in all aspects of the programs. This is based on the assumption that an increase in the coverage of credit services from financial institutions to low income people leads to higher incomes which will be used to improve agricultural production, small scale industries, and small scale business in rural and urban areas (Otero & Rhyne, 1994, p.108). In order to address problems which have a direct link to

poverty, the government introduced the Financial Sector Deepening Trust in 2005 (Bank of Tanzania, 2005b). One notable policy direction that became enshrined in the policy framework for poverty alleviation is the participation of Savings and Credit Co-operative Societies (SACCOS) in all programs aimed at alleviating poverty, with emphasis on the provision of credit services to low income people in rural and urban areas: employed, self-employed and farmers (GoT, MKUKUTA, 2004).

This study carried out in 2005 adopted a qualitative research approach. According to Lincoln and Guba (1995, p.227), the purpose of qualitative research is to “accumulate sufficient knowledge to lead to understanding”. Kitchin and Tate (2000) have argued that this methodology aims at contributing to knowledge of and directs attention towards human social phenomena. Using what they describe as “emergent analysis”, meaning that data collection and analysis are simultaneous and ongoing activities, helps the researcher to understand the issues under investigation. The relevant historical background is presented in the next section of this chapter. This is followed by an explanation of the research problem. Then the objectives of the study and the hypotheses to be analysed are outlined. Finally, the rationale for the study, along with a plan for the rest of the dissertation, is presented.

### **1.1.0 Background to the Study**

#### **1.1.1 Geography**

Tanzania is one of the poorest countries in the world, ranking 162<sup>nd</sup> out of 177 countries on the UNDP Human Development Index (UNDP, 2004, in BoT, 2004). It is situated in

East Africa just below the Equator. Tanzania borders Kenya and Uganda in the north, the Indian Ocean in the east and Lake Tanganyika in the west. To the south it borders Zambia, Malawi and Mozambique. Figure 1 presents a map of Africa showing where Tanzania is situated among other African countries, while Figure 2 shows the map of Tanzania with its major cities. Tanzania consists of the union of two countries previously known as Tanganyika (mainland) and Zanzibar (the Island), united in 1964 after gaining independence from the United Kingdom in 1961 for the mainland and 1963 for the Island. The two areas are administered through the union government but there are a few aspects that are managed by state governments and Co-operatives is one such area.

Savings and Credit Co-operative Societies (SACCOS) are a democratic, unique member self-help type of co-operative. They are owned, governed and managed by their members who share a common bond. A true SACCOS has three major principles: user owner, user control and user benefits. In Tanzania the average membership in a SACCOS is 209 persons. The general structural form of a SACCOS is a board of directors and a small number of committees. Usually, there is a loan and credit committee, an executive committee and a supervisory committee. The members of these committees work voluntarily and usually do not get paid for their responsibilities, as most SACCOS cannot afford to hire staff. A prevalent problem is that the members responsible seldom have any formal education, which makes financial and general management weak. SACCOS have many advantages, one of which is that savings are mobilised locally and returned to members in the form of loans. Better interest rates on savings and loans encourage

members to save, which is essential for economic empowerment in which they educate their members. In this thesis, the discussion is based on the SACCOS in Tanzania.

**Figure 1: Political map of Africa showing Tanzania and other African countries**

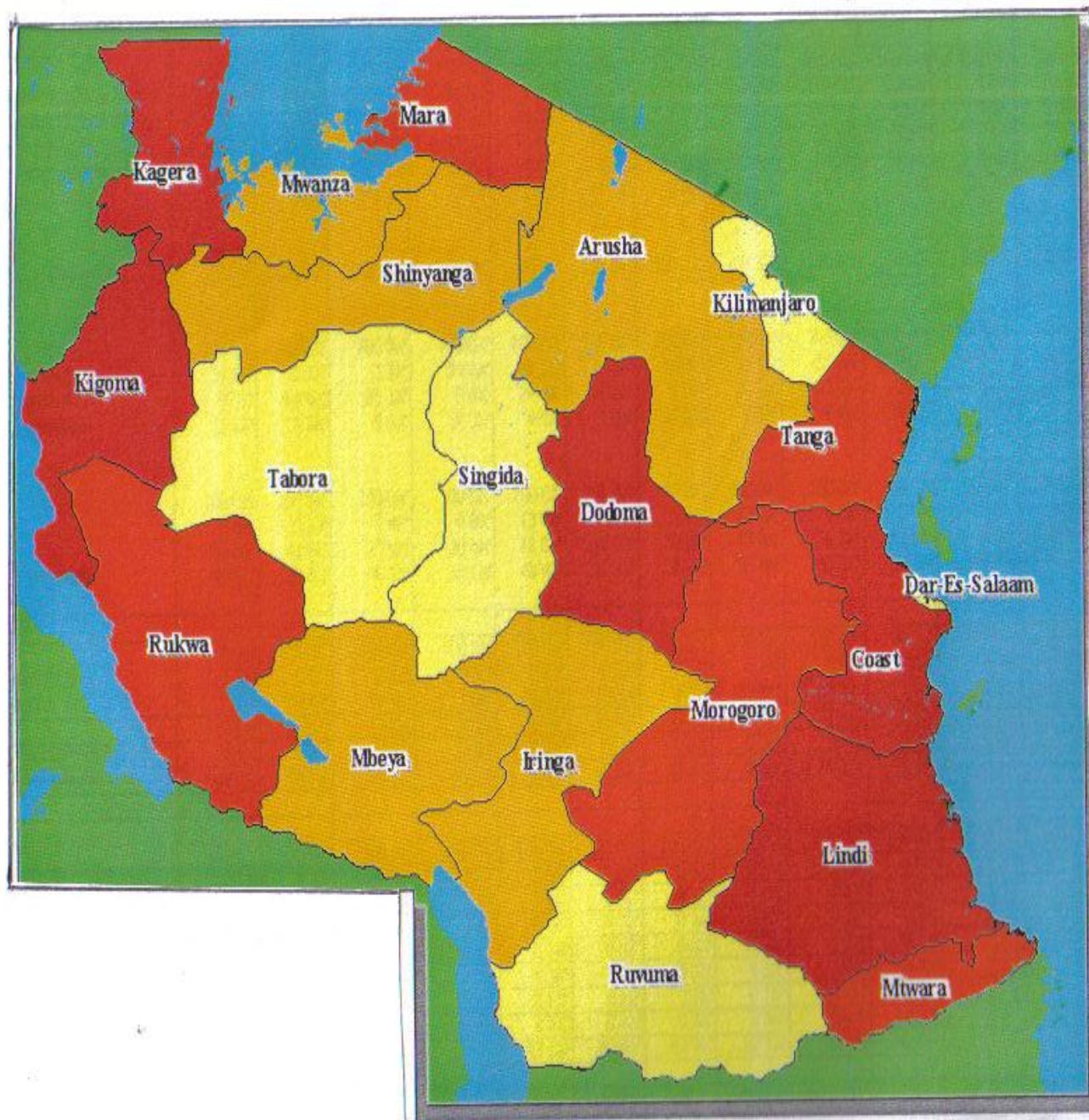


Source: newafrica.com, 2001 (accessed 10 July 2001), Map of Africa

Available: <http://www.newafrica.com/maps>



**Figure 2: Map of Tanzania and its Regions**



Source: Shand, M. 1996, (accessed 10 July 2001) Digital National Atlas of Tanzania

Available: [http://mshand.geog.gla.ac.uk/ATLAS%20F20%20TANZANIA Atlas.htm](http://mshand.geog.gla.ac.uk/ATLAS%20F20%20TANZANIA%20Atlas.htm)

### **1.1.2 Demographics**

Tanzania had a population of about 34,443,603 inhabitants at the 2002 Census plus some 287,000 refugees living in camps (UNHCR, 1/2/2007). The population consists of 98 percent Africans, while the remainder are people of Arab, European and Asian descent. The Africans belong to more than 120 different ethnic groups commonly referred to as tribes. There is no one major tribe which can claim to be stronger than the others. Arguably, as a result of the policy of socialism (Ujamaa) which prevailed from 1967 to the late 1980s, Tanzania is now enjoying peace and harmony; there is no ethnic violence like that suffered by many other African countries. For some time Tanzania has been known as an island of peace in Africa. Swahili is the national language spoken by all ethnic groups and English is the official language and medium of instruction for all government institutions and state enterprise.

More than 80 percent of Tanzania's population live in the rural areas. The country is heavily dependent on agricultural produce. Tanzania followed a socialist (Ujamaa) economic system until the mid 80s under which the government controlled all major means of production, financial institutions, industries and large farms, and managed all service industries such as education, health, transport and communications. Currently the government is encouraging private industrial development and privatisation in other sectors. Recently there has been a move towards mining and natural gas exploration which is growing rapidly and this might bring changes to the Tanzanian economy in future. Since 1990 Tanzania has sustained a pluralistic system of government with its first multi-party government in office from 1995.



### **1.1.3 Economy**

Tanzania remains one of the poorest countries in the world. Gross National Income (GNI) per capita rose from US \$260 in 2000 to \$370 in 2006. Life expectancy at birth rose from 49 years to 52 over the same period but 7 percent of adults are affected by HIV/AIDS (World Bank, 2008). Continuing poverty is linked to a high rate of population growth close to 3 percent per annum which means that growth rates of 6 and 7 percent post 2001 had less impact than they otherwise should. Another broad problem for Tanzania stems from exceptionally low education rates: until recent years fewer than 60 percent of children completed primary school. This means that many or even most adults who are potential members of co-operative societies are likely to be illiterate. Certainly, the research found that most members of co-operative societies do not appear to understand that interest rates for loans cannot continue to be set independently of the costs of borrowing money. Completed secondary education is uncommon with only 6 percent of the population even enrolling in secondary school up to 2005 (World Bank Data Base).

Although recent years have seen some improvements, Tanzania is in continuing economic crisis. Its economy, which mainly depends on the agricultural sector, was long characterised by low per capita incomes, low production, slow export growth, weak balance of payments, shortage of foreign exchange and inadequate recurrent funds for the operation and maintenance of services (Koda, 1995 p.198). According to Koda, in the 1960s and early 1970s Tanzania's annual economic growth rate ranged between five and seven percent, but from 1973 to 1978 the economy began to decline rapidly with GDP growth averaging only one and a half percent a year over the period. Between 1980 and

1984 the economy had a growth rate of only 0.72 percent per annum (Luvanga, 1996). In 1991 the GDP per capita was only US \$100 (World Bank, 1991 in Luvanga, 1996). Attempts to grapple with the economic crisis led Tanzania to world lending institutions such as the International Monetary Fund (IMF) and, hence, adoption of measures such as a Structural Adjustment Program (SAP) in 1986 (Koda, 1995). While these measures had certain positive effects, Bagachwa (1995) claims they also led to an increase in donor support and to heavy borrowing, thus exacerbating the burden of debt on the poor. Bagachwa (1995, p.12) argued that the Tanzanian economic crisis and the SAP policies which have been introduced by the government had negative effects on employment and adversely affected the poor.

Pre-independence, during the colonial era, the major aim of the colonial government was to promote agricultural exports and extraction of surplus from the agricultural sector through co-operatives. In order to achieve this goal, the British government (the colonial master of Tanganyika) established the first co-operative legislation in 1932, manifesting formally the colonial policy on co-operatives. The co-operatives were formed to meet very specific objectives of the colonial government and their development had to take place under the protective eye of the colonial state, and steered clear of political involvement. The colonial government imposed the co-operatives on the local communities and they were supported by the peasants only as long as they could deliver the benefits and services expected of them. Colonial rule maintained good management of these co-operatives, and did not want to expand the movement beyond manageable proportions. However, the peasants easily accepted the British imposed system because

of their motive to uproot the Asian traders, as there was increasing dissatisfaction with the marketing and crop processing monopoly held by these Asian traders. The British government supported the spread of marketing co-operatives in cash crop growing areas in the 1950s. This gave the co-operatives a marketing monopoly and compelled many peasants in rural areas to join the co-operatives because it was the only way to market their goods. The success of co-operatives during the colonial period was attributed mainly to strict observance of economic viability criteria in forming the co-operatives.

Post-Independence, the aim of co-operatives was the socio-economic advancement of the rural individual members, the local community, and the nation. The co-operatives were regarded as organisations that could contribute to economic, social and political national advancement. The co-operatives were envisaged by the government as people's organisations, capable of mobilising local resources for local development (as in The First Five-Year Development Plan, 1964-1969). In implementation, this period was characterised by a continuation of the policy of encouraging the formation of single purpose marketing co-operatives. The difference from the colonial period was that the expansion of co-operatives was now uncontrolled, and co-operative organisations were set up everywhere in the country regardless of whether a viable basis for their operations could be found or not. Encouraged by the economic success of the co-operatives during the colonial period, the newly independent government was convinced that co-operatives were in line with their efforts to build an African type of socialism. The government leaders and politicians proposed co-operative formation all over the country. However,

the rationale was no longer primarily economic nor financial but political, and little consideration was given to their feasibility and contribution to the economy.

### **1.2.0 The Problem Being Investigated, Focus and Objectives of the Study**

This study aims to investigate the extent to which co-operatives facilitate the participation of their beneficiaries and how they build and sustain partnerships with other stakeholders in providing credit services in Tanzania. The changes to co-operatives as a result of policies developed under economic liberalisation have brought extensive changes in the development process, especially in co-operatives which used to be tightly controlled by the government. Since the enactment of the 1991 Co-operative Society Act, the number of co-operative societies in Tanzania has decreased from 8,978 in 1990 to 4,316 in 1994 and the number of Co-operative Unions has increased from 27 to 45 unions. In 2004 over 1,609 SACCOS were believed to operate in Tanzania (Savings and Credit Co-operative Union League of Tanzania - SCCULT, 2006). The majority of these co-operatives are relatively new and struggling to establish themselves. While the government recognises the role of co-operatives in various development sectors, there is no clear government policy on how to collaborate with co-operatives.

This situation has led to most co-operative development efforts being piecemeal, haphazard, and in many cases reflecting a short term, reactionist approach to development under the control of government. There are various issues: first, the government has neither any policy in place on how to collaborate with co-operatives nor a regulatory framework for the co-operative sector in Tanzania. Second, there is no evidence showing that the government has made any effort to facilitate the concept of

member participation and empowerment. Third, there is little literature or information on how co-operatives in Tanzania engage their members in the decision-making processes. Participation, which according to Feeney (1998, p.15) implies “influence on development decisions”, is a relatively new concept in Tanzania and its interpretation and contextualisation may vary.

The study focuses on three SACCOS, namely: (i) Kilimani Savings and Credit Co-operative Society established by farmers in rural communities, (ii) National Social Security Fund Employees SACCOS (NSSF-Employees SACCOS), formed by National Social Security Fund (NSSF) employees, and (iii) Lumumba Savings and Credit Co-operative Society, formed by self-employed and employed people. While the study investigates how SACCOS participate in the provision of savings and credit services in Tanzania, its focus is to critically examine and understand how each of the SACCOS involved their members in participating in decision-making on matters related to savings and, credit services and how they develop and sustain partnerships with other stakeholders, formal and informal financial institutions, and the government.

The main objectives of the study are to:

- Critically examine the extent to which SACCOS facilitate the participation of their members as beneficiaries in the identification, implementation, monitoring and evaluation of savings and credit services to people with low incomes in rural and urban areas in Tanzania.



- Critically examine how SACCOS develop and nurture partnerships with other stakeholders (financial institutions) in provision of savings and credit services to low income people.
- Examine the management strategies employed in delivering SACCOS savings and credit services and the extent to which this management style promotes or hinders member participation and partnership building.
- Determine the challenges that SACCOS encounter in the process of facilitating member participation in savings credit services.
- Assess the impact of beneficiary participation on SACCOS credit services.
- Make recommendations to the government and the SACCOS sector on how participation can be enhanced in the promotion of credit services in Tanzania.

### **1.3.0 Significance of the Study**

The study is significant in a number of ways. First, it provides an original in-depth analysis of major development processes in savings and credit services for low income people in Tanzania with reference to SACCOS as self-help financial institutions contributing to poverty alleviation. While previous studies focused on understanding institutional needs, this study goes beyond these to document the dynamics of the relationships between participation and partnerships, particularly how the two concepts, which are relatively new in development discourse in Tanzania, impact on SACCOS and poverty alleviation.

The findings of this study are also likely to be significant in the sense that they may serve as a foundation for greater awareness and better understanding among various development organisations of their roles in complementing government policies. The results may be useful in facilitating the development of a more effective and coordinated approach to providing savings and credit services for low income groups in underserved rural and urban areas in Tanzania, thereby maximising the potential for greater impact of SACCOS on poverty alleviation.

In addition, the study's contribution to an awareness of the appropriateness and/or efficacy of the participatory development paradigm will not only be useful to policy makers, but will also open up a chapter in which different development players will be informed of what it means to empower beneficiaries through active participation in every stage of savings and credit services. Bearing in mind the scarcity of resources, the study will endeavour to provide frameworks that may be applied in maximising efforts by different players in strengthening savings and credit services in Tanzania. Lastly, but not least in importance, the results of the study will add to a pool of existing literature on co-operatives in general, but more specifically, the literature on the role of the SACCOS as a self-help financial institution in facilitating participatory development in savings and credit services which are currently scarce for low income earners both in rural and urban areas in Tanzania.

#### **1.4.0 Limitations of the Study**

The study is limited in a number of ways. First, it is limited in scope by focusing on three individual SACCOS that are actively involved in the provision of savings and credit services, particularly for low income members. The methodology employed in the study does have a significant limitation in the sense that it does not allow casting of the net wider in order to capture other aspects of the SACCOS practices that would allow for wider generalisations to be made. However, by the use of this case study methodology, it serves the purpose of understanding SACCOS practices in greater depth.

The study is also limited in the sense that it does not seek to prove or disprove the theoretical underpinnings of development. It is rather concerned with understanding the SACCOS practices in grassroots communities in their quest to provide various forms of savings and credit services. Nevertheless, the study contributes to the discussion of the alternative development theories advanced by Spear (1997) and Woost (1997).

#### **1.5.0 Organisation of the Study**

The remainder of the thesis is divided into seven chapters. Chapter Two examines and analyses theories of co-operative development and the roles co-operatives play in savings credit services and development in general. A global perspective on the evolution of co-operatives, their comparative advantages and weaknesses, and their role in facilitating participation and partnership building with other stakeholders at the microeconomic level is examined. Chapter Three is mainly concerned with a systematic presentation of the

processes undertaken to collect data, including the methods used and their rationale, but also with how the research plan translated into practice in the field.

Chapter Four highlights, analyses and critiques the co-operative movement, policy contexts and SACCOS in Tanzania in relation to co-operatives as self-help financial organisations and members' participation and empowerment in savings and credit services. A critique of the historical background of the co-operatives movement in Tanzania and policy reforms in the economic and political system is presented. The study also further analyses and critiques the challenges facing the co-operative system in relation to current government policies on co-operatives reform regarding Primary Co-operative Societies, the Co-operatives Union Federation (CUF), and the Savings and Credit Co-operative Union League of Tanzania (SCCULT) with particular emphasis on access, equity, quality, relevance, management, planning, freedom and applying international co-operative principles promoted by the International Co-operative Alliance. This chapter further examines the changing role of co-operatives in savings and credit services in Tanzania, with an overview of the evolution, nature and degree of their role in facilitating participation and partnership building in Tanzania.

Chapter Five presents and discusses the results based on the three cases and cross-examines the emerging issues from the cases. This chapter examines the results in light of how each SACCOS facilitates member participation and evaluating savings and credit services to the beneficiaries, and also presents an examination of results related to how the three SACCOS develop relationships with other stakeholders in credit services.

Chapter Six outlines the impact of management styles and their effects on member participation and empowerment building with the SACCOS and other financial institutions. Also, the chapter presents a comparative discussion of participation in the three cases and critically examines the challenges SACCOS encounter in the process of facilitating members' participation and empowerment building in providing savings and credit services. Chapter Seven is a reflection on the whole research process and provides a summary by critically examining the implications of the emerging results for policy and practice and the way forward. The thesis concludes by drawing close attention to areas that need change in order to improve the provision of savings and credit services in Tanzania for low income people in the workplace, the self-employed and farmers.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0.0 Introduction**

The emergence of new developmental paradigms over the past two decades (Freedman, 2000; Brohman, 1996; and Carmen, 1996) has sparked a debate that revolves around the notion of sustainable development, seen as development that is conceived as participatory, democratic, people-centred and environmentally friendly. As part of the process of sustainable development, the world has also witnessed an unprecedented rise in the number and influence of co-operative organisations (Book, 1992 in Davis, 1995). These co-operatives, especially in developing countries, are establishing themselves for the delivery of social and economic development, and also as advocates for policy change. The social services provided by some of these co-operatives in Tanzania include, for instance, assistance with education, agriculture and health. The economic services provided include agricultural inputs and machinery, savings and credit. However, debate continues to unfold regarding their claims, especially their effectiveness in facilitating development that is environmentally friendly, participatory and people-centred.

Since much of the literature links co-operatives with development issues, this chapter begins with a critical discussion on co-operatives, tracing some of the arguments about what a co-operative is, what it does, and its effects. The chapter concludes by presenting a review of the literature on Savings and Credit Co-operative Societies (SACCOS) and their relationship to poverty alleviation.

### 2.1.0 Co-operative Organisations

*“A co-operative is a user-owned and user-controlled business that distributes benefits on the basis of use. More specifically it is distinguished from other business by three concepts or principles. Firstly is the user-owner principle where persons who own and finance the co-operatives are those that use it. Secondly is the user-control principle where control of the co-operative is by those who use the co-operative. The third principle is the user-benefits principle where benefits are distributed to its users on the basis of their use. This means that the user-benefits principle is often stated as business at cost” (Putnam, 1993 p.167 in Banturaki, 2000).*

Despite the expanding profile of co-operatives as actors in development, the lack of consensus on how to define and classify them remains a perplexing problem. For the purposes of this study, the researcher will attempt to define what a co-operative is from a number of definitions that illuminate the central focus of the term. According to the International Co-operative Alliance (ICA), a co-operative can be defined as “a group of people who join together in a common undertaking in accord with the six principles that are as follows: first, membership is open and voluntary, secondly, there is democratic control, usually on the basis of one man, one vote, thirdly, interest on share capital is limited, fourthly, distribution of surplus proportionally according to the level of transactions, fifthly, co-operatives devote some part of their surpluses to education, and sixthly, co-operatives co-operate among themselves” (Putnam, 1993, in Banturaki, 2000).

An amended version of the text of the International Co-operative Alliance on co-operative identity regarding the question of co-operative purpose would therefore read as follows:

*“A co-operative is a voluntary, democratic, autonomous association of persons, whose purpose is to encourage members to grow in community and to act collectively both for the intrinsic value of being part of a living community and to overcome their problems of social and economic dependency and need by providing access to, and ownership of the means of subsistence and welfare. Co-operatives as they grow develop managerial strategies, structures and policies that enhance their ability to meet these co-operative purposes” (Davis, 1995).*

*Davis (1995, p.18) argued that, “these changes to the definition of co-operative identity enable a much sharper evaluation of the effectiveness of “co-operative management”. They imply three clear co-operative criteria upon which management performance can be judged in the co-operative context: firstly, the strengthening of unity, involvement and community within co-operative membership, secondly, the accumulation of collective and individual economic resources by members, and thirdly, the extent of democratic control exercised by members”.*

Munkner (1984, p.9 in Banturaki, 2000) defines a co-operative as “the pure organisational form which is any kind of group of persons linked together by social or economic interest who undertake a planned economic or social activity by using their own resources for solving their own problems”. Co-operatives, more or less in the traditional Rochdale (Western European) concept of a co-operative society, when found in the developing world, are described as pseudo or quasi classical forms which have the formal characteristics of a co-operative society. These characteristics include formal registration, bylaws and bureaucratic structure but they do not have, or have only to a very limited extent, the material characteristics such as organisational autonomy, self-help initiatives, membership participation and empowerment (Verhagen, 1987, p. 20, in Banturaki, 2000).

International Labour Organisation recommendations in 1966 noted that “a co-operative is an association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which members actively participate” (ILO,1966). In 1995, the International Co-operative Alliance (ICA), the apex organisation that represents co-operatives worldwide, defined a co-operative as:

*“An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise” (ILO, 1995a).*

*“This definition emphasises that co-operatives are independent of government and not owned by anyone other than the members. They are associations of persons, which can mean individual people but also “legal persons”, or organisations that may themselves have members. They are united voluntarily and people should be free to join or leave. They are designed to meet their own needs as defined by members. They are distinguished from shareholding firms by their democratic nature, with voting rights being assigned by person rather than by size of shareholding”(ICA, 1995a, p.67).*

This study critically examines the extent to which SACCOS facilitate member participation and empowerment in order to alleviate poverty in Tanzania.

### **2.1.1 Co-operative Contexts**

Co-operators and co-operative theorists have elaborated on the basic ideas and developed the ethical foundations of co-operation. The best known ideas relate to the overall visions of a co-operative commonwealth, the dreams of establishing co-operative communities, and the day-to-day practicalities of co-operative self-management. Visions of the co-operative way remain, but many such visions have shrunk and only address a part of the picture. Realism is the order of the day and there are fewer writers to promote the various roles of co-operatives in society at large, such as acting as schools of economic democracy, means of human resource mobilisation, and countervailing powers against naked capitalism in production and distribution.

Still Harris, et al. (1998) states that,

*“the idea of co-operation is something much more than merely an efficient economic way of doing things. It is economic, it is fair, it equalizes and prevents disparities from growing. But it is something even deeper than that, it is really a way of life and a way of life which is certainly not a capitalist way of life and which is not a hundred percent socialist, though it is much nearer socialist than capitalist. Anyhow, it is a way of life”.*

Harris, et al (1998, p.187) argues that co-operation can determine the extent to which economies of scale and scope are exploited and the degree to which complementarities are recognised, exploited and utilised. Despite the potential net gains, there remain

individuals and firms that are unable to coordinate their activities to take advantage of the gains, perhaps due to lack of social capital, and leadership and management problems.

As ICA (1998a) argued, essentially, co-operation represents the process of interaction between four factors: firstly, co-operatively committed members, leaders and their visions for the future, secondly, co-operative values inherited from the past and expressed in principles, programs, and educational materials, thirdly, practical co-operative applications and structures, and fourthly, the external environment in which co-operatives operate as defined by the government, the codes and structures of the society at large, the economic system, and the values of the community.

### **2.1.2 An Evolution of Co-operatives**

The historical background of co-operatives shows that most co-operative movements recognise a responsibility to, and a concern for, the whole community, especially for the economically and socially weaker part of the population in the world. That is why the co-operative movement was born and why it developed (Book, 1992 in Davis, 1995 p.55).

Ray Ison from the Australian Association of Co-operatives argues that,

*“Co-operation is the antithesis of conflict. In our struggle for global economic integration we set ultimate goals in creating employment without exploitation; distribution with a sense of responsibility to the consumer; production that allows the farmer a fair return on produce; and capital that does not demand an unreasonable return on investment. These principles must also serve as the cornerstone of our trade network”.*

The appreciation of the role of co-operatives as potential entities in social and economic development was minimal in the 1950s. Their evolution can be traced as far back as 1826, although they became more prominent towards the end of the nineteenth century, when many co-operatives were actively engaged in social and economic activities



(Birchall, 1995; 1997a; 1997b and 2003). The modern co-operative movement began in Europe, apparently because the Europeans were the first to feel the effect of the Industrial Revolution, and their experiences are now available to co-operative promoters around the world.

### **2.1.3 New Generation Co-operatives (NGCs)**

The introduction of New Generation Co-operatives was established as a solution to the problems of traditional co-operative principles in order to avoid negative responses from members of the co-operatives and also from outsiders who wanted to join. The idea was to make sure that all members of the co-operative should be close to their co-operative and they should know each other, therefore making it easy to discuss issues and assess the development of their co-operative.

*“New Generation Co-operatives (NGCs) have been introduced during the past decade in order to avoid some of the problems of traditional co-operatives relating to niche and special production” (Davis & Donaldson, 1998 p.49).*

### **2.1.4 Co-operatives’ Comparative Advantages**

The general consensus on the difficulty of defining co-operatives which was noted in section 2.1.0 is a strong testimony to how heterogeneous co-operatives are. This heterogeneity extends to their development work in terms of their value orientation, size, tradition and their partnerships with the state. Others are unique in their reach at national, regional, district and ward levels. For example small scale producers and farmers in every corner of the world are small in population numbers and power compared to other trading organisations. In order for these small groups to survive, they need to join together as co-operative members to create a stronger voice in the market. However, as

well as these advantages co-operatives have been respected as schools of democracy, as Hillbom (1998, p.61) has mentioned, saying “through co-operatives there are correlations between progress towards democracy, moves towards a market economy and economic growth.”

### **2.1.5 Co-operatives in the Midst of the Poor**

The UN has recognised the potential of co-operatives to service the needs of the poor and eradicate poverty in their communities. This has been promoted following unsuccessful attempts by UN agencies to reduce poverty in the Third World through costly programs in the 1960s and 1970s. Munkner (1984 in Banturaki, 2000, p.63) argued that:

*“there were good reasons for the co-operative system to be an important part of a new development strategy. Thus it involves the poor and weaker members, who have always been on the sidelines of the rural and urban mainstream community, in the participation of economic and social interactions in an integrated rural and urban development approach”.*

However, he argues that,

*“the co-operatives in the developing countries, at the very start of their establishment had acquired a weak structure imposed on them by the colonial co-operative policy. Therefore they could not become dynamic, potential and practical in servicing the members and the local beneficiaries”.*

He further pointed out that the failure of co-operative organisations which was being experienced in developing countries stemmed from the colonial co-operative model which invented new types of state sponsored and state controlled co-operative organisations. These gave no room for independence and autonomy for co-operatives in evolving new structures that could create potency for co-operative improvement and prosperity. Develtere et al (2007) looked at the organisational complexity of various types of co-operatives from the perspective of existing ways of helping the poor to jump

out of poverty. They questioned the extent to which the co-operative principles and structures are flexible enough to allow the poor to help themselves.

Enete (2007) argues that, in the developing countries, it is exceptional to have autonomous, self managed co-operatives operating with their poor members' own resources to achieve goals set by their members and democratically controlled by them, even though this is always supposed to be the aim. He notes that co-operatives promoted and controlled by the state in the socialist countries have been seen as instruments for the transformation of private property and means of production into co-operative property, this being an intermediate stage of transformation into state property. Develtere (2007) and Ellis (2000) abhor the continued practice of governments in developing countries forming co-operatives in a top-down manner according to state control policies.

On this exclusion of the poor, the United National Research Institute for Social Development (UNRISD) Report (1975, p.51 in Aal, 2007) came out with a major conclusion that "co-operatives in developing areas today bring little benefit to the masses of poorer inhabitants of those areas and cannot be regarded as agents of change and development for such groups". Based upon this conclusion, United National Research Institute for Social Development (UNRISD), United National Development Program (UNDP) and World Conference of Agrarian Reform and Rural Development (WCARRD) argued for a new approach advocating new rural and urban development strategies that imply "people's participation" through co-operative group projects, to help bring about the eradication of poverty among low income people in rural and urban areas.

However, Women's Initiative for Development and Environmental Protection (WIDEP) (1996) in support of UNDP and WCARRD's new approach, advises that a national strategy to fight poverty requires:

*“First, the promotion of local institutions including co-operatives and peoples' participation whereby gainful employment of the poor masses can be achieved. Secondly, the government in that respect, is required to strengthen the organisation and administration of its field services in order to facilitate and promote the people's participation” (Nelson, et al. 1995, p. 43).*

In effecting people's participation in the actual setting, the UNDP report proposes “co-operative group projects” as the new approach to attract the informal type of co-operative groupings at the grassroots level. Instead of launching a co-operative in the traditional Rochdale model to attain a specific objective, the new approach is to launch projects to be carried out by co-operative group action. However, Munkner & Shah (1993, p.19 in Makuwira, 2004) argue that “it is not whether co-operatives can contribute positively to the socio-economic development of a country, but rather how these beneficiaries' efforts are to be realised”. They also ask the question whether co-operatives should be used directly as extended arms of the state responsible for the implementation of the government's development goals, or be developed into autonomous, self-reliant local institutions for the promotion of their members' needs, hence indirectly contributing to the socio-economic development of the country.

### **2.1.6 Co-operative Management**

In discussing co-operative organisation in section 2.1.0, it was noted that there are some changes to the definition of co-operative identity which enable a much sharper evaluation of the effectiveness of co-operative management. This section critically examines the concept and practice of participatory management from the perspective of co-operatives.

This discussion is of particular relevance to the current statements of co-operative values.

Davis (1995, p.78) argues that,

*“if we link the idea of association as ‘a community acting together’ to the values of self-help, mutuality, equality and equity, and add in those of service and stewardship, we can see that association involves members not only working together, but working for each other as well as for their wider community. Self-help and self-interest are tempered by the recognition of mutual interests and the practical fact of the need to help each other and to serve the common good”.*

For these reasons Davis (1995 p.10) argues that the International Co-operative Alliance statement of co-operative values should read:

*“Co-operatives are based on the values of community, self-help, mutual responsibility, equity, service and stewardship. They practice honesty, openness and social responsibility in all their activities”.*

Co-operative management is acting on a new co-operative principle:

*“co-operative management is conducted by men and women responsible for the stewardship of the co-operative community, values and assets. They provide leadership and policy development options for the co-operative association based upon professional training, co-operative vocation and services. Co-operative management is that part of the co-operative community professionally engaged to support the whole co-operative membership in the achievement of the co-operative purpose. Co-operative management is based not on the exercise of authority but by encouraging involvement and participation as part of the co-operative community itself. Their professional practice should be based on the ethical values of community, quality, service, stewardship, honesty, openness and social responsibility. Their prime function is to provide co-operative leadership for the lay membership and its elected leaders in the development of policies and strategies that will empower the association in pursuit of the realisation of the co-operative purpose.” (Davis, 1995, p. 54; 1998).*

## **2.2.0 Co-operatives and Development**

Participation as a concept inextricably linked to development has a long history. Carmen (1996) notes that “participation in development” evolved in the 1960s when the International Co-operative Alliance and the World Bank and other similar organisations were forced to relaunch their development strategies in the wake of persistent failures of orthodox and linear development. As noted earlier, Escobar (1995), Fulton (2001) and Rahnama (1997) argue that the failure of development in general has resulted in a critical



examination of alternative means. Participation has come to be one of the key concepts governing the alternative development paradigm and post-development theory. However, while the notion has been and continues to be romanticised, there are myriad questions surrounding its applicability and practicability in various contexts. Not only has the concept been given multiple meanings, but also multiple methods of implementation.

### **2.2.1 Co-operatives' Member Participation and Empowerment**

The 1950s and the 1960s saw a dramatic increase in support for co-operative development initiatives across the world, particularly in developing countries. Their comparative advantages were believed to enable them to contribute, substantially, to the contemporary vision of alternatives to development through participatory development, innovative methods, institutional organisations and project implementation (Brohman, 1996).

*“Whether or not the concept of participation can be or has been fully embraced by development co-operatives as their mainstream instrument is a question for debate”  
White (1995, in Lewis, 2001).*

*“Myers, (1999); Yamamori, (et al, 1996) notes that the politics of participation concerning who participates, what they participate in, how they participate and for what reason, may depend on the forms of participation, nominal, instrumental, representative or transformative.”*

*“According to Lewis (2001, p.118), in transformative participation people find ways to make decisions and take action without outsider involvement and on their own terms”.  
“White (2000) regards this form of participation as highly empowering as it stems from below and is endogenous, outsiders can only play a facilitative and non-paternalistic role.”*

In whatever category co-operatives may find themselves, there is a paradox requiring urgent attention. On the one hand, co-operatives usually have their own agendas, missions and vision. On the other hand, however, participation, as Voorhies (1996) noted, should start with the situation and priorities of the members themselves. The strategies co-operatives employ to maximise the participation of their members (beneficiaries) will

now be discussed. Fowler (1997, 2000b) describes comprehensive measures which are fundamental to the success of the facilitative role co-operatives play in promoting alternatives to development. He envisages that it is important to build a collective consensus based on a shared mission through a process where the co-operatives concerned and the communities learn from each others' concerns and their limitations. Fowler (2000b, p.139) further argues that the members should clarify each others' roles and responsibilities. He envisages this as a mechanism that helps to foster transparency and creates a spirit of mutual trust which is conducive to participation in co-operative activities.

### **2.2.2 Co-operatives and Partnerships**

The successes of co-operatives in effectively and efficiently dealing with poverty is linked to their relationship with the state. This is probably one of the most controversial topics debated in the co-operative literature. The rapid burgeoning of the co-operative sector, in some instances, poses a dilemma to the state, too, as the co-operatives diversify their scope of operation to encapsulate virtually every aspect of human need. This aspect raises concerns about their exact role. The form of relationships among various development partners that best facilitates sustainable development is a complex issue. As Lister (1999) explains, changes in co-operatives' work and in the political, economic, social and institutional environments in which they operate, can determine the nature and extent of the relationship which co-operatives have, not only with the state or government, but also with other development partners. Maliyamkono (1997) and CISP (1998) argue that nevertheless there are key issues that underpin government co-operative

relationships, because these two parties (co-operatives and governments) have different approaches to development issues. Tennyson et al (1994, p.48) made clear the term “partnership” is “a strategic alliance or relationship between two or more people, organisations, country etc. Successful partnerships are often based on trust, equality, and mutual understanding and obligations. Partnerships can be formal, where each party’s roles and obligations are spelled out in a written agreement, or informal, where the roles and obligations are assumed or agreed to verbally.”

### **2.2.3 Co-partnerships**

Co-partnership is a new concept/idea in the co-operative community which, regardless of where it is practiced has largely been successful in development. Following a good outcome for many co-operatives in developed and developing countries the application of two or more co-operatives to become partners is common. The idea of co-partnership is often a practical solution for capital needs by using co-partnerships as sources. The main reason behind this model is the accumulation of financial resources, since frequently newly established SACCOS fail to service their members due to shortage of funds. SACCOS depend on members’ contributions in order to generate sufficient funds to be able to provide credit to their members. The co-partnerships expand market boundaries and reduce risk, particularly for agricultural co-operatives. Book (1992 in Davis, 1995, p.12), Gerrard (2001) and Manji (2000) argue that a particularly interesting aspect of this model is the conscious linking of financial resources with new co-operative development.

### **2.3.0 Co-operatives and Poverty Alleviation**

This study takes poverty as the “inability to attain a minimum standard of living, and as a material condition as well as a power relationship” (Bagachwa, 1994a). Smith and Ross (2006) and Mbogora (2003) argue that, in the Tanzanian context, there is absolute poverty, referring to that section of the population whose income is not sufficient to ensure the acquiring of the basic necessities of life and relative poverty, which defines that section of the population with the lowest income in relation to the national income. Scoones (1998) and Lugalla (1995) describe a marginal group or a marginalised group as a cluster of households representing common interests and living close to a limit below or beyond which it is hard or impossible to meet the basic subsistence needs out of the given resource base of the households. Such clusters combine the illiterate, the landless peasants, the very small holders, the small artisans, many rural and urban women and some farm youth. In the process of development, a distinction has to be drawn between groups which are dependent upon welfare and marginal groups, to ensure that there is equitable development.

#### **2.3.1 The Methods Used by Co-operatives for Poverty Alleviation**

During colonial rule, the policy on co-operatives did not focus primarily on the promotion of socio-economic aspects of development for the local people in rural and urban areas throughout the country. Instead, this policy was aimed at establishing the co-operatives to be used as instruments to extract surplus from the agricultural sector for the colonial government in Europe. The policy was segregative in form, since it assisted the formation of co-operatives in cash crop growing areas only, in order to get exports of raw

materials for metropolitan industries, and there was no attention at all to food crop growing areas. The colonial policy did not orientate the co-operative movement to being a socially responsible institution for the realisation of socio-economic results in rural and urban poor communities. There was nothing in the colonial policy aimed at educating and bringing awareness to the patrons that the co-operatives were of their own formation, to cater for their economic interests, and that they should be socially responsible for promoting socio-economic progress in their rural and urban communities. A good example was the co-operative legislation of 1932 in Tanganyika. The first Co-operative Ordinance provided mechanisms through which co-operatives could be controlled by the colonial government to facilitate the implementation of the colonial policy on co-operatives. Sizya (2001) argues that it did not aim to institutionalise the co-operative movement as an instrument to eradicate poverty amongst the peasantry in rural or urban areas.

After independence, government policies on co-operatives had four major aspects in common. First, they disregarded the members of the co-operative as being owners of those particular co-operative organisations which were to cater primarily to their socio-economic interests, to be managed and controlled democratically and autonomously by the members themselves. Secondly, the policies were politically motivated, that is they served the political goals of the nation rather than the economic and social progress of the members and local communities. Thirdly, the co-operatives were established from above and on a scale not coinciding with primary objectives of the membership. Fourthly, these policies resulted in destabilising the co-operatives, for the co-operatives became weaker

in managerial, financial and operational stance so that they could not satisfactorily maintain their internal resources. Bagachwa (1994b, p.23) argues that “in the emerging new post-colonial nations, co-operatives were seen once again as organisations that could be built on to traditional forms but as an alternative to capitalism, and in some cases a stage on the road to socialism”.

#### **2.4.0 SACCOS and Their Relationship to Poverty Alleviation**

Savings and Credit Co-operative Societies (SACCOS) are the main source of funds for poor people who are involved in productive activities such as agriculture, small scale industries or business enterprises. Through borrowing money from SACCOS, members can invest to create employment opportunities and increase income for their households. As Allen and Thomas (2000) say, by nature a SACCOS has the ability to mobilise their members’ sustainable savings through share contributions, depending on the environment the SACCOS has been established in, such as a workplace SACCOS, farmers’ SACCOS, or a SACCOS for the self-employed. On the other hand, these funds which have been collected are going back to be utilised by members themselves by providing a credit service from their SACCOS. These services which SACCOS provide to their members have had good results for many communities where SACCOS are operating, and the UN Secretary General concluded that “co-operative enterprises provide the organisational means whereby a significant proportion of humanity is able to take into its own hands the tasks of creating productive employment, overcoming poverty and achieving social integration” (UN document A /49/213 of 1.7.1994 in Hossein & Kirkpatrick, 2001).

While SACCOS have played a major role in providing savings and credit services, a number of questions have been asked about co-operatives' ability to deliver high quality savings and credit services. Questions are also raised as to what extent co-operatives' capacity enables them to deliver services more efficiently and effectively and, given the social and economic constraints, how their delivery services could tie in with government policies without the co-operatives compromising their identity and autonomy. There is very limited research on these organisations, certainly too little to allow a full assessment of their roles in spreading savings and credit services. Despite the recent expansion in the number of co-operatives in the field of finance, there are signs of fragmentation in their efforts. Even so there have been calls trumpeted from the ICA for freedom and independence as one of the challenges SACCOS encounter in Tanzania and other developing countries. For example in Africa, where multi-party political systems are rapidly unfolding, the role of co-operatives continues to be defined by the manner in which they engage other stakeholders, particularly the state (Faiti, 1995).

Up until the 1970s the state was viewed in many developing countries as the sole provider of public services. In some cases, private provision of savings and credit at whatever level was not only viewed with some degree of indifference but also with hostility, resulting in the institutions ceasing to take an active role in such services. Despite the hostile environment, some co-operatives continued to provide savings and credit services although on a very small scale. Governments sometimes contributed to the exacerbation of underdevelopment and poverty. Governments and co-operatives need to work together. Archer (1993, p.23 in Watkins, 2000) notes that the argument levelled to

explain governments' inability to ameliorate the suffering of the masses was that "their credit planners (financial institutions) displayed all the worst characteristics of over centralised bureaucrats; they were indifferent to local needs, insensitive to gender concerns, and unable to deliver an effective service".

These observations supported strong and powerful arguments for the "rolling back of the state in favour of privatisation, decentralisation, participation and a greatly expanded role for co-operatives, which were better placed to reach the marginalised sections of the population" (Jellema, 1997, p.18). There was a change, however, in governments' perceptions of co-operatives in the 1980s as a result of the globalisation of trade, slow economic growth and stringent measures introduced by the World Bank and the International Monetary Fund (IMF). Many developing countries have come to acknowledge the need for external support. On the other hand, the failure of many governments to deliver effective social and economic services to their citizenry has resulted in donor agencies seeking alternative means of channelling their assistance and co-operatives have become conduits in this regard.

#### **2.4.1 SACCOS Member Participation and Empowerment**

Historically, much of the Africa region draws its savings and credit services history from pre-colonial work which encouraged community participation. Today, co-operatives are playing a pivotal role in facilitating the rekindled participatory approaches in savings and credit provision. Like collaborative partnerships, community participation in co-operative programs has its successes and limitations. One notable comprehensive example of



community participation in credit services is found in a study by Rugh and Bossert (1998). They develop an understanding of community participation as a practice and then further look at the circumstances that make community participation an appropriate strategy and also what impact is accrued from such practices. Mwalimu SACCOS in Kenya is one example (SACCOS-Kenya).

A community's inclusion in the core activities of co-operatives' programs, they argue, provides a sense of ownership and vitality, even more so when backed up with technical expertise in terms of supervision and management of the programs. As Fowler (2000b) and Cordeiro (2000) argue, community participation is enhanced when roles and responsibilities are clearly defined between the co-operatives and the local communities. Rugh and Bossert (1998) note that the community members were encouraged to increase their participation when they were allowed to reflect and critique what worked and what did not, but also where the activities were culturally sensitive. However, while there were some similarities in the strengths of community participation in co-operative programs, one issue remained elusive, that is, the model of participation employed. Essentially, this meant there was a need to determine whether or not the model was accountability-driven where participation is issue-focused, or a partnership model where high participation is the norm, or demand-driven, where participation emanates from the community members themselves and is non-coercive.

#### **2.4.2 SACCOS Co-Partnerships**

A major current debate in development studies concerns collaboration and consultation between government and its allies in development endeavours. However, the question that remains under debate concerns the purposes of collaboration and consultation. Watkins (2000, p.310) and Cordeiro (2000) assert that co-operative collaboration should aim to complement, not bypass, government efforts and to contribute to long term institutional building. In an era when there is a global call for good governance, accountability and transparency, this notion is also being challenged. What if government efforts are considered inappropriate, misguided, corrupt, inequitable or generally wrong? Is bypassing government useful? There is little literature on the degree of consultation and collaboration on issues of development between government and co-operatives, and more specifically on issues of SACCOS (Buckland, 1998).

However, a number of pressing issues can be teased out of the available literature. As Watkins (2000) argues, several studies have been conducted on the state of collaborative partnerships in credit services that provide an overview of co-operative experiences. For example, the International Co-operative Alliance (1996) has numerous examples of the successes and failures of co-operative attempts in building collaborative partnerships. The study concluded that SACCOS as organisations had shown good development, but on the other hand members were not being involved in the process of decision-making.

### **2.5.0 Conclusion**

Despite the ascendancy of neo-liberal-development theory, the emergence of alternatives to development suggest that “goodwill for all” humans, as Chambers (1997) asserts, can be achieved through concerted efforts. If development is an advancement of social and economic services, or general improvement in the social wellbeing of people, it can be argued that beneficiaries (members) of such development endeavours have to be at the centre stage. The facilitative role co-operatives may play in seeing this through first depends on a number of factors, namely their partnerships with each other, their organisational capacity and the extent to which they are able to tackle some of the issues that transcend the mere practical aspects of development. Secondly, co-operative partnerships with the state and other organisations are a vital ingredient. Despite the dangers of not considering co-operative heterogeneity and autonomy, the advantages of such partnerships are more numerous than when the co-operative does not have any space for negotiating with government or other organisations. Given the advantages that may accrue from the co-operatives’ government partnerships, it is highly likely that cooperatives can utilise such opportunities to forge meaningful partnerships with their members who are beneficiaries, because at that point in time government will have established mutual trust and a framework for collaboration.

This chapter has argued that, despite the various forms of collaboration, such partnerships are meaningless if the fundamental principles governing participatory development based on the basic needs theory are not seriously put into practice in the development process. Fundamental among these principles is participation in the decision-making process.

Drawing from the numerous explanations provided in this chapter, there is a high level of collaboration where members have actively participated in the whole process during the establishment of SACCOS programs. This chapter has also noted the dangers associated with both participatory development and partnerships. In a number of cases, the political landscape can dictate the nature and degree of participation and partnerships. It has also been noted that local political elites with vested interests can shrewdly employ the very discourses of participation and partnerships to achieve their personal gains. Likewise, where member participation and empowerment are employed in development discourse without clearly stated objectives, there is the possibility of exploitation by either the leaders or small groups of members. Having looked at the discussion on co-operatives and the potential for poverty alleviation, and the review of the literature on SACCOS and their relationship to poverty, the discussion now turns to the research methodology.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0.0 Introduction**

This chapter outlines the design of the case study and justifies the methodology that was used to generate the data to answer the research questions. The chapter outlines and discusses the major research approach employed in this study, namely, the case study method. As Yin (1989) and Stake (1995) have argued, this methodology aims at contributing to knowledge of, and directs attention towards, human social phenomena. The discussion describes the procedure for selection of the cases as well as data collection and analysis.

#### **3.1.0 The Case Study Approach**

There are different authors providing various definitions of a case study. Mitchell (1983, p.129 in Makuwira, 2004) defines a case study as “a detailed examination of an event or a series of related events which the analyst believes exhibit the operations of some identified general theoretical principles”. Unlike Mitchell, Yin (1994) describes a case study as “an empirical enquiry that investigates a contemporary phenomenon within its real life context; when the boundaries between the phenomenon and the context are not clearly evident; and in which multiple sources of evidence are used” (p. 23). In other words, Yin (1994) believes that to uncover some pertinent issues in a study, deliberate attempts to understand the issues in their own real contexts form part of the project. Because of the indistinguishable nature of the phenomenon and the context, other technical characteristics like data collection and analysis strategies have to form part of

defining the case. In essence, Yin (1994, p.13) maintains that “the case study as a research strategy comprises an all encompassing method with the logic of design incorporating specific approaches to data collection and data analysis”.

The use of a case study approach was appropriate because it enabled a detailed investigation of how SACCOS’ provision of credit is operationalised in various contexts. The main advantage of the use of a case study is that it allows an intensive examination of an organisation (SACCOS in this case) and the interaction of the individuals within and outside it. A case study not only enables a more interpretative analysis of organisational phenomena (Stake, 1995), but also provides concrete observation potentially unhampered by theories or pre-determined conclusions. As Sturman (1999, p.103) argues, “case study researchers hold that to understand a case, to explain why things happen as they do, and to generalise or predict from a single example, requires an in-depth investigation of the interdependencies of parts and of the patterns to emerge”. The present study does not seek to make generalisations but, as already pointed out, seeks to understand the dynamics of the facilitative role SACCOS play in involving low income community members in their self-help programs. This understanding is drawn not from a single case but three different cases.

It is also vital to take note that cases under study may be subject to a considerable degree of researcher interest, especially when the subjects or cases are ones to which the research or researched may have obligations, responsibilities and attachments (Yin, 1994). Hence it is important to acknowledge the researcher’s interests and positioning in

the study. The initial decision to embark on this project started while working for a co-operative organisation. Having spent a number of years working in the co-operative organisation, and having subsequent interaction with various development agencies in Tanzania, several questions were raised regarding the relationship between Co-operatives and National Development. In particular, an interest in the role played by development agencies, especially SACCOS, in facilitating participation and partnerships in credit services in Tanzania developed during this period and provided reasons for a research emphasis on the two themes “member participation and partnerships”.

There is also a growing concern over how generalisable case study results are. Yin (1994) argues that “a common complaint about case studies is that it is difficult to generalise from one case to another. Thus analysts fall into the trap of trying to find a representative case or set of cases. Yet no set of cases, no matter how large, is likely to deal satisfactorily with the complaint ”(p.37). Burns (1997) also warns that while case studies may be criticised for lacking generalisability, what is important is the thorough understanding of the one or few cases examined. Also of importance is the manner in which the study is conducted. In the current study, the key focus was on understanding and learning from the cases. While case studies can be decried for being subjective, biased, impressionistic and lacking precision, it should not be forgotten that the uniqueness of the cases can nevertheless provide information that can be used to understand other complex phenomena on a wider scale.

### **3.2.0 Methods of Case Selection**

One of the most daunting tasks when conducting case study research is the identification of appropriate cases, in other words, the method of selection of the cases. This section charts the processes undertaken to identify cases and the justification for their suitability. Following a rigorous examination of what kind of SACCOS would provide appropriate data to respond to the research questions, the first task involved an examination of the SACCOS which are members of the SCCULT, which is an umbrella organisation to which most of the SACCOS in Tanzania belong.

#### **3.2.1 Classification of SACCOS**

According to SCCULT (1997), SACCOS in Tanzania are categorised into three distinct areas. The first of these categories is the SACCOS in the workplace. The second category is the farmers' SACCOS. These are established in rural areas and have been in operation for farmers since the establishment of co-operatives in 1932. The third and final category is the urban SACCOS. These societies are operated by self-employed workers. The categorisation described above simply locates SACCOS in a broad sense. It has to be understood that efforts by SCCULT are underway to group SACCOS in Tanzania according to their areas of speciality (sectoral grouping). As mentioned earlier in this chapter, an interest in the role of SACCOS in facilitating, participation and partnerships and providing credit services as a self-help financial institution for development influenced the process of identifying in which sector to engage the present study. In the final analysis, SACCOS were identified that provide credit in general and the choice was streamlined to those specifically focusing on increasing income, in the workplace.



### **3.2.2 Selection of Cases**

Given the purpose of the study (see 1.3.0), it was clear that the selection criteria should be based on the suitability of the cases. Critical consideration was given to identify cases which would provide information on the issues in question. In other words, it was important that the cases served the purpose of the study, that is, to discover, and gain an in-depth understanding of the extent to which the SACCOS facilitated participation and partnership building while providing credit services to the members. This method of sampling is referred to by Burns (1997, p.370) as “purposive, purposeful or criterion-based sampling”. First, the selection criteria were based on the working capital: the SACCOS involved in the study must be providing credit services (school fee loans, building loans, business loans, medical treatment loans, etc.) to members in the workplace. Second, the SACCOS must be members of SCCULT and thirdly, be willing to participate in the study. The selection criteria based on SCCULT membership was important because of the fact that such SACCOS are on the government data bank. In case any recommendations were made to the government at the end of the study, such organisations should already be known to the government.

Aside from these major criteria, a second fundamental consideration for case selection was SCCULT’s categorisation. To understand the dynamics of credit, one rural SACCOS was purposely selected precisely because the association implements credit services as well as assisting farmers and non-farmers in rural areas to build capacity in other sectors. Furthermore the association is involved in the promotion of access credits to members for different reasons, including farming inputs, which thus involves intensive interaction with

rural people. This makes it an interesting case to examine and cross-examine the issues of credit with the SACCOS. However, Kilimani Village was identified because the area is accessible and the members and committee are seen to be co-operative and its credit offered an opportunity for learning and understanding the dynamics of loans. The selection of NSSF was based on its involvement in credit for workers' development. This case happens to be the workplace with the largest number of members and working capital, thus providing an appropriate platform for an extensive examination and analysis of the role of SACCOS in development at the workplace.

### **3.3.0 Data Collection Methods**

There is no single data collection method which adequately covers all the influences which interact within an entity. The use of a variety of data collection techniques commonly known as “triangulation” (Mason, 1996, p.148; Taylor & Bogdan, 1998, p.1) was crucial in conducting the case studies. As argued by Merriam (1988), “qualitative case studies rely heavily upon qualitative data obtained from interviews, observations and documents” (p.68). A multi-method approach was therefore crucial in the present study, less because of the need to establish the authenticity of the findings or to corroborate the findings, but rather to generate as much data as possible from different perspectives with the ultimate goal of identifying issues that could illuminate the research questions. As observed by Patton (1980) and Strauss & Corbin (1998):

*“Qualitative data consists of detailed descriptions of situations, events, people, interactions, and observed behaviours; direct quotations from people about their experiences, attitudes, beliefs and thoughts; and excerpts or entire passages from documents, correspondence, records, and case histories” (Patton 1980, p. 22, in Merriam, 1988, p.67-68 and Marshall & Rossman, 1999; Denzin & Lincoln, 1998, and Silverman, 2000).*

Therefore, while the concepts of triangulation and corroboration were applied in this study, there was also the possibility that research results may not be linear. There could be contradictions, divergences and ambivalences. Ideally, the study was not aimed at discovering single truths but rather a range of views from various sources. In order to arrive at a point where one would understand the dynamics of co-operatives (SACCOS) in credit services, a detailed account of how the study was conducted forms the platform for a reliably informed appreciation of the conclusions of the study.

Two main data collection sources were used. Influenced by the nature of the present study, the use of interviews as the principal data gathering instrument, supplemented by documentary evidence, was preferred. Bearing in mind that flexibility during data collection is an integral part of research, a significant degree of observation was also used. This adaptation to unforeseen circumstances was not only essential and appropriate in maximising the understanding of the processes of credit provision by SACCOS, but also every opportunity to collect as much data as possible was left open to facilitate triangulation during analysis.

#### **3.4.0 Interview Schedule**

Knowing what to include in the initial interview guide involves researchers in some preparation work before they enter the field (Minichiello, et al, 1995, p.82). The development of the interview schedule was largely guided by the literature review. An understanding of what has and has not been done created an opportunity to think critically about what kind of issues needed to be covered. This eventually determined

what type of data were to be collected. Other factors that were considered during the preparatory phase of developing the interview schedule were the nature of the research questions and the purpose of the study. Since the study's bedrock was to understand the dynamics of SACCOS provision of credits in Tanzania and the interactions among various financial institutions, it clearly emerged that the participants' perceptions of reality could best be understood through the use of in-depth interviewing. For the purposes of the present study, a semi-structured interview was adopted. This was best suited to the study particularly because of its flexibility, as it allows the researcher to probe with more depth and explore any ambiguities and misunderstandings that may have arisen in the course of the process, and also helps to gather a large amount of data quickly.

Five types of interview schedules were constructed to target various respondents. In all these cases, interviews were used to solicit information about:

- What participants'/interviewees' perceptions were regarding the role of the SACCOS in facilitating providing credit services to members;
- What their perceptions were with respect to how SACCOS gain access to implementing various development projects, with much emphasis on credit to their members;
- Collaborative mechanisms among stakeholders with regard to credit services;
- What the participants perceived to be the major challenges facing SACCOS in providing credit services and ways of improving the situation.

### **3.5.0 The Pilot Study**

Marshall and Rossman (1999) and Mason (1996) argue that the “use of a pilot can lend credence to the researcher’s claim that he can conduct such a study. He can illustrate his ability to manage qualitative research by describing initial observations or interviews”. It was also important to pilot the instruments in order to assess the wording of the questions, the ordering of the questions and also the timing of the overall schedule. However, the actual pilot testing conducted in Tanzania was not done before in Australia due to the uniqueness of the study. It was difficult to fully pilot all five preliminary draft interview schedules in Australia. No significant issue emerged at this stage. A number of reasons may have accounted for this. Certainly, the context within which the organisations operated was slightly different from those in Tanzania. The need to ensure validity and reliability of the instruments continued in Tanzania, where the first week was spent piloting all the instruments. The piloted SACCOS in Tanzania were sampled purposively as there was some knowledge of their operations. The main focus during the piloting phase was to assess the wording of the questions, that is, the level of language used. It also aimed to identify whether there were any anomalies with question layout. One other aspect that the piloting was intended to track was the length of the interviews as well as the type and quality of responses from the various participants.

### **3.5.1 Interview Schedule for SACCOS Members and Staff**

Interview schedules for SACCOS members, staff and the various development committee members proved to contain some significant weaknesses. The major weakness was question layout which resulted in redundancy and the questions were reordered. Also

changed were questions 1 and 3 of the various development committee member schedules. It was corrected to read as follows: “Can you describe, in as much detail as possible, how development programs are initiated by SACCOS at any level?”. The rest of the interview schedules were in an appropriate order.

### **3.6.0 Documentary Evidence**

The use of documentary evidence in case studies is well described (Denscombe, 1998, p.158-171; Marshall & Rossman, 1999, p.116-117). The aim of using documentary evidence was to add to the primary data collected through interviews to allow for a comparison and contrast with the views from various respondents. The documentary evidence was also considered vital in cross-examination of events and issues raised by interviewees and, more importantly, to analyse relationships between SACCOS philosophies and practice in relation to credit services. Specifically, reading the documents aimed to facilitate the analysis of policy and practice regarding the aims and objectives of credits, how they are featured in various policy documents, the extent to which they are implemented, to examine the procedural and strategic frameworks put in place as a mechanism for facilitating services in the identification, implementation, monitoring and evaluation of credit, and the relationships between policy and practice in the management procedures in the implementation of credit services.

### **3.7.0 Ethical Issues of Selection Participants**

The nature of the personal involvement of the researcher in the lives of others is of critical importance to the success of any human research. Beunchamp and Childress

(1994, in Holloway & Walker, 2000, p.58) outline four major principles for ethical behaviour which can be applied to research. These are:

- Respect for autonomy (independence and self determination)
- Non-maleficence (doing no harm)
- Beneficence (doing good)
- Justice (fair treatment).

It was a requirement that, before fieldwork commenced, clearance to conduct research was granted by the University of New England's Ethics Committee (Permission Number HE 06/004). It was soon after this step was completed that consultation with all the relevant institutions involved in the study began. These were first consulted through written applications while still in Australia. However, gaining access to institutions did not necessarily mean easy access to participants. This was the next step to be completed in Tanzania as part of the research process. The section below describes how access to participants was gained.

### **3.8.0 Permission for Interviews**

Minichiello, et al. (1995) warn researchers of the sensitivity involved in conducting research. They argue that a range of issues has to be considered in the process of designing a piece of research and suggest three keys. First, they suggest that every research project has to consider who the interviewees would be and, secondly, how to access them. They also advise paying particular attention to sampling strategies. These processes are sensitive because they believe that they constitute not only ethical but also political issues.

### **3.9.0 Categories of Interviewees**

For this study, potential respondents were identified in the following ways:

#### **3.9.1 Category 1: Co-operative Department and Other Government Officials**

All interviewees who were employees of the Department were first informed of the study by the Registrar of the Co-operative Development Department, who was aware of the nature of the study. Before visiting the SCCULT and SACCOS, arrangements were made with the heads of these associations as to who was to be interviewed. However, prior to the actual interview process, it was explained in some detail who the researcher was, where they were from, the course of study being undertaken, what the research involved, how they could help, what the help would involve, how the data obtained would be used, and how confidentiality and anonymity would be ensured. In all cases, an “information sheet” containing basic information was distributed. Having done all this, a “consent form” was provided so that those who were willing to participate could sign. This was the process for officials from the Department of Co-operative Development (DCD). This process was replicated with the participants in other categories, with the exception of member participants.

#### **3.9.2 Category 2: Savings and Credit Co-operative Union League of Tanzania**

##### **(SCCULT) and Tanzania Federation of Co-operatives (TFC)**

As time was limited for gaining access through letters to members of this category, the telephone conversation was favoured as a means of saving time. The telephone calls were first targeted to heads of department. The conversations briefly described the purpose of



the study and why their department was considered vital to the study. Likewise, a suggestion was put forward for a specific type of person to be interviewed and the reasons for their selection. Most of the interviewees from these categories were those who had some knowledge of co-operatives and development, were in a position to comment on issues of SACCOS, and those who had some contacts with SCCULT structures and the relationship between the Co-operatives Department, SCCULT and TFC as an independent organisation.

This category included co-operative staff (these are co-operative employees and not civil servants) who were Tanzanian citizens, half of whom, apart from their regular work, had extra responsibilities as cashiers and accountant assistants. Other staff had positions of responsibility in the co-operative societies including chief accountant, manager, secretary general of the society and others were committee members of the SACCOS.

### **3.9.3 Category 3: SACCOS Members and Staff**

This category comprises a cross-section of people who are members of SACCOS. The sample for the study consisted of members from three selected SACCOS. These were mostly workers (NSSF-Employees SACCOS), farmers in rural areas (Kilimani SACCOS) and self-employed people in urban areas (Lumumba SACCOS). Access to participants in this category was facilitated by the SCCULT for the following reasons:

- participants were within the SACCOS as members and thus were assumed to have a fair knowledge of how active the SACCOS are in issues of credit development.

- SACCOS staff were envisaged as potential facilitators in terms of mobility to and from the various places.

Before the responsible SACCOS staff made any contacts to organise interviews with the member participants, they were briefed on the appropriate people to be interviewed as per the targeted interest. The choice of this category of respondents was based on the fact that they were member of the SACCOS, had a fair knowledge of the SACCOS presence, and were also active in the development issues of their association. The protocols followed a similar pattern to those for category 1. For those who could not read or write there was no completion of the consent form but verbal consent was sought for use of a tape recorder for interviewing.

### **3.10.0 Data Collection**

#### **3.10.1 Conduct of the Interviews**

The bulk of data gathered for the present study came from interviews. These were conducted between 5 June and 8 August, 2006. Due to limited financial resources, it was difficult to allow for more participation of various respondents. Nevertheless, within the time available, a wide range of respondents from SACCOS associations, Ministry of Co-operative and Marketing, Savings and Credit Co-operative Union League of Tanzania (SCCULT), and committee members were interviewed. Appendix K provides information regarding the types of respondents involved in the study. The interviews lasted for an average of one hour. Using a face-to-face approach to interviewing, a semi-structured interview guideline, described by Bennett, et al. (1994, pp.272-273) was used. In some instances, the interviews took the form of one-on-one, while at other times circumstances

required the conduct of group interviews. Wherever interviews took place, a situation was sought where the interviewees could feel comfortable. Preference was given to situations where both the interviewer and the interviewee could sit facing each other. Where this was not possible, an alternative attempt was made to ensure a smooth conversation. Although tape recording does have some disadvantages, such as the discomfort and disturbance it may cause for the interviewees and the lengthy time required for transcription, tape recording is important because, as argued by Rubin and Rubin (1994, p.125), “recording interviews on an audio tape helps get materials down in accurate and retrievable form. Tapes keep until you get a chance to transcribe them”.

The major role played by the interviewer during the interview process was purely facilitative. The intention was to allow enough time for the respondents to talk about their experiences, perceptions and observations about how SCCOS provide credit. However, despite talking very little, the interviewer remained open to whatever emerged during the interviews. Some control over the direction of the interviews was exerted by the use of the interview guide. Also taken into account was what Kitchin and Tate (2000) consider as an integral part of interviewing, when they point out that “note taking can provide a rich description of an encounter when well written...the note taker must be skilled in identifying and jotting down the most important aspects of the discussion”(p.218). While there was confidence in the smooth operation of the tape, the notes acted, in some way, as a backup in the event of a technological problem, given that power cuts were common.

When group interviewing took place, a number of issues were made clear. First and foremost, it was made clear that it was important that each interviewee was heard without interference. This was achieved by emphasising that whenever a question was posed, whosoever was ready to respond must raise his/her hand. This process made it easier for clear recording and notetaking by the researcher. In both one-to-one and group interviews, conclusion to the conversation occurred upon confirmation that the interviewees had nothing more to add. Not all the interviews went smoothly however. As a matter of convenience to most officers, most of the interviews were conducted in offices, unlike those involving rural area participants. Generally the major concern throughout the process was interruption by others, either by knocking at the door or interviewees responding to a telephone call. In such cases it was made clear from the beginning that there was the flexibility to stop the tape in case of a knock or a telephone call. This was to demonstrate that the presence of the interviewer did not create a rigid environment, especially if people were being interviewed during working hours.

### **3.10.2 Collection of Documents**

The collection of documentary evidence was conducted through the process of negotiation. All the cases and associations deemed to be linked to credit services with the three areas of SACCOS were introduced to the purpose of the study and the role that documents were to play in informing the study. Documents containing specific information related to the research project were requested.

### **3.10.3 Data Display**

Data display, as defined by Miles and Huberman (1984, p.21 in Makuwira, 2004), is “an organised assembly of information that permits conclusion drawing and action taking”. This activity, like data reduction or theoretical proposition, is a form of data analysis essentially aimed at clarifying the direction of the analysis through assembling data into displays such as matrices, graphs, charts, structured summaries, synopses, and vignettes (Miles & Huberman,1984). A genuine attempt was made in this study to emulate this model, in the display of data collected through interviews and from documents by collating excerpts from documents and interviews under appropriate headings relevant to the research questions.

### **3.11.0 Conclusion**

There are three separate concepts emanating from the terms “conclusion drawing” and “conclusion verification”. The former, as defined by Miles and Huberman (1984, p.22), means “beginning to decide what things mean, noting regularities, patterns, explanations, possible configurations, causal flows and propositions”. Additionally, the tensions, contradictions and ambivalences in the emerging issues were examined. Conclusion drawing and verification was key to data analysis in this study. Meanings were drawn from a critical examination of a cross-section of reduced and displayed data. Comparing and contrasting, noting emerging patterns and themes, and clustering and looking for key issues, led to a clear understanding of the core aspects of the study. It was also at this stage that continuities and disruption of issues that were examined were critically scrutinised and explained in relation to the research questions.

## CHAPTER FOUR

### THE CO-OPERATIVE MOVEMENT, POLICY AND SACCOS IN TANZANIA

#### 4.0.0 Introduction

The co-operative movement in Tanzania has played a major role in rural and urban development. Its role could be even greater in the future. Formerly, co-operatives were regarded as suitable development agents for the implementation of the socialist policy of Tanzania. Under this regime, the co-operative society in Tanzania was basically a socialist institution and a source of considerable strength for the growth of socialism. The co-operative society was and is an economic organisation with certain economic functions, but it is also an institution which is supposed to be run according to certain organisational principles. The ICA (1995a) defines the co-operative as:

*“an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise”.*

The purpose of this chapter is first to highlight, analyse and critique the co-operative context and policy framework of Tanzania by briefly contextualising the co-operative movement in Tanzania. Furthermore, there is a discussion of the co-operative reform process, its achievements and challenges, and an examination of the current proposed policies. The second part of the chapter examines the SACCOS. A critique of the SACCOS movement and the current position of SACCOS is presented. The chapter concludes with a critical review of the dynamics of SACCOS' member participation and empowerment building in savings and credit services collaborating with government and other financial institutions in Tanzania.

#### **4.1.0 The Co-operative Movement Before Independence 1932-1960**

During the colonial era, the major aim of the co-operatives was to promote agricultural exports and the extraction of a surplus from the agricultural sector for the colonial government. However, the importance of the co-operative movement for Tanzania's rural and urban development is difficult to over estimate. Rural development found its primary expression in the movement of marketing co-operatives and urban development found its primary expression in the movement of small scale industries and other types of co-operatives including SACCOS.

The legal foundation upon which the co-operative movement in Tanzania is built was laid in 1932 when the first law was passed to make provision for the registration of co-operative societies. The Co-operative Societies Ordinance of 1932 empowered the British Governor to appoint a Registrar of Co-operative Societies and stipulated that "a society which has as its objects the promotion of the economic interests of its members in accordance with co-operative principles may be registered under this Ordinance". According to this ordinance the registrar had powers to refuse to register a society if he was of the opinion that it was not viable (Tanganyika, 1932; Bryceson, 1983). The British Governor, by enacting the first co-operative legislation, manifested formally the colonial policy on co-operatives that the co-operatives were formed for specific objectives and their development had to take place under the control of the colonial state. The colonial rulers maintained good management of these co-operatives and did not want to expand the movement beyond manageable proportions. The success of the first registered co-operatives in the Kilimanjaro area spurred the moves in the 1940s and

1950s to establish co-operatives in other cash crop growing areas in the country. The co-operatives were usually given a marketing monopoly in their respective areas of operation (Bryceson, 1983, p.124 in Wanyama, 2007).

The unofficial birthday of the co-operative movement in Tanzania was in 1925 when the Kilimanjaro Native Planters Association (KNPA) was formed, as its rules stated, with the object of benefiting all members by instituting co-operation and assisting in the proper control of coffee planting and sale of produce, to guard against diseases and pests, and to circularise all members with information on proper methods of cultivation and preparation (Hyden, 1970 in Banturaki, 2000). The main function of the association was the marketing of coffee grown by its members. The colonial administration encouraged coffee-growing and also the formation of the Kilimanjaro Native Planters Association (KNPA) in 1925. When the Co-operative Societies Ordinance was enacted in 1932, the Kilimanjaro Native Planters Association was split into 16 primary societies and one secondary society, the members of which were the primary societies. These societies were registered under the Ordinance. The name of the secondary society was the Kilimanjaro Native Co-operative Union (KNCU) which exists today under the same name and the marketing role of the KNPA was transferred to the KNCU (Hyden, 1970 in Banturaki, 2000).

In October 1937 an Ordinance to make provision for the control of the native coffee industry and the marketing of the products thereof was enacted (Hyden, 1970 in Banturaki, 2000). This Ordinance gave the governor powers to establish Native Coffee



Boards in any district of Tanzania. In 1962, the Tanganyika Coffee Board was established, and since then it has arranged for the sales of coffee at auctions in Moshi.

The growth of the KNCU has been very spectacular. By 1961 the number of producers had increased from 22,000 farmers in 1935 (9,380 acres) to 50,000, cultivating 34,000 acres and selling a total of 7.9 million tons of coffee (Hyden, 1970 in Banturaki, 2000). The interest of the administration (the colonial regime) in encouraging the co-operative movement was expressed in the appointment, in 1951, of a Commissioner for Co-operative Development. The function of the commissioner was to make active attempts to foster and promote the co-operative movement, as distinct from the registrar's merely legal function of registration, audit and financial supervision (Hyden, 1974 in Banturaki, 2000). By 1961, the year of independence, the number of primary societies was 857, and 34 co-operative unions, including the Bukoba Co-operative Union (BCU), and the Victoria Federation of Co-operative Unions (VFCU) were registered. The unions and their affiliated societies were based on the marketing of cash crops for export and confined to those parts of Tanzania where these cash crops, especially coffee, cotton and tobacco were grown. Hyden (1976 in Banturaki, 2000) mentions that the British promoted the spread of marketing co-operatives in cash crop growing areas in the 1950s and the success of co-operatives during this period was attributed to strict observance of economic viability criteria in forming the co-operatives.

#### **4.2.0 The Co-operative Movement After Independence 1961-1966**

The aim of the co-operatives since independence has been the socio-economic advancement of the individual member, the local community, and the nation. The co-operatives were looked at as institutions that could make a contribution to economic and social progress, and were brought into economic spheres and given a definite place in national planning. The co-operatives were envisaged by the government as people's organisations capable of mobilising local resources for local development. It was in this period that the co-operative movement was provided with opportunities to enable improvement of the economic and social condition of the poor people in rural and urban societies. The co-operatives were commandeered by the government as prime movers of development at the village level to efficiently provide small farmers or non-farmers with government aid to bring about rapid social change and economic development. The designated mission of the co-operatives was to improve every aspect of the lives of the poor people (First Five Year Development Plan, 1964-1969).

Since independence, the government of Tanzania has adopted a range of different strategies regarding co-operative development. The policy of co-operativisation that was pursued in socialist countries was also adopted in Tanzania. Under this policy co-operatives were seen as mass organisations of the ruling party and as instruments to collectivise the ownership of the factors of production. The difference from the colonial period was that the expansion of co-operatives was now uncontrolled, and such organisations were set up everywhere in the country regardless of whether a viable basis

for their operations could be found or not. At the time of independence about 700 co-operatives were registered (Saul, 1970 in Banturaki, 2000.p.32).

At independence the co-operative movement was very popular with the political leadership of the country. One example is the foreword to a booklet on “The Co-operative Movement in Tanganyika”, published in 1961, when the Minister for Agriculture, Mr. Paul Bomani, who had been the General Manager of the VFCU in 1955-1960 said:

*“the coming of independence and the birth of a nation was thought to be a most appropriate time to record the history of the co-operative movement in Tanganyika. On this happy occasion I would like to acknowledge the part played by the Co-operative Movement in the struggle for the liberation of our country, a part which will go down in the annals of Tanganyika’s history. In the molding of our people into a nation, the Co-operative Movement has had and will continue to have a most important role to play. Already it has paved the way for our peasant farmers, who form the majority of our population, to take their rightful place in the nation’s economy. It has been a school for democracy, a spear-head in the war against poverty, ignorance and disease, and I am sure it will be one of the principal pillars in the future of our new nation”.*  
(Tanganyika Government, 1962).

Encouraged by the economic success of the co-operatives during the colonial period, the newly independent government was convinced that co-operatives were in line with efforts to build an African form of socialism. However, the rationale was no longer primarily economic nor financial but political. For this reason the government embarked upon an urgent program for organising co-operatives in those parts of the country which had been largely untouched by the movement, and the number of registered societies rose from 857 in 1961 to 1,362 in 1964 and 1,518 in 1965 (TFC, 2004 report in Wanyama, 2007). In 1962 an Agricultural Products Act was passed by Parliament which gave the Minister powers to establish Marketing Boards which would have exclusive rights to market scheduled crops and rights to appoint members (Saul, 1970 and Von Freyhold, in Banturaki, 2000, p.21).

The most important of the marketing boards established under this Act is the National Agricultural Products Board (NAPB), which started operations in 1963. The crops handled by the NAPB, all of which were relatively low-value crops, had not been handled by co-operatives but were marketed by private traders. The NAPB appointed co-operative unions and their affiliated primary societies as its agents and, where the crops mentioned were grown but no co-operative societies existed, such societies were established (Saul, 1970, p.29 and Siegens, 1965 in Banturaki, 2000 p.34). In such a situation the power of the registrar to refuse registration of a society if he was not satisfied as to its viability was not used, because from this point onwards co-operatives were organised by the government officials acting under considerable political pressure.

In the first few years after independence the rapid increase in the number of co-operative societies was not without its problems. There were criticisms of inefficiency in the management of the societies and cases of misuse of funds and corrupt practices. In January 1966, the President appointed a special Committee of Enquiry into the Co-operative Movement and Marketing Boards with the following terms of reference: to review the staffing and the organisational structure of the Co-operative Movement and Marketing Boards in order to recommend what steps should be taken to strengthen them for the maximum benefit of producers and consumers alike.

The Special Committee reported in June 1966 and later the same year the government published a response to the report which found that the general structure of the agricultural co-operative movement was sound, and that the defects of the co-operatives

were problems of growth. The committee listed five basic defects, including uninformed membership, that is, there were many societies whose members were uninformed about the nature of co-operatives: how they were supposed to function, the duties of the committee of the society and the powers and responsibilities of the members assembled in the general meeting (Saul, 1970, p.56 and White, 2000). The second defect was a shortage of appropriate manpower. There were both dishonest employees and inadequately trained employees. Thirdly, there was a lack of democracy at union level as in many instances the farmers did not regard the co-operative union as belonging to them. Often they thought of it as an arm of the government. Fourthly, there was a lack of skilled people in the movement with specialist knowledge and, finally, the movement was susceptible to political interference as already mentioned above (Siegens, 1965 in Wanyama, 2007).

In its response to the Special Committee's Report, the government endorsed the five basic defects listed by the committee with the exception of the third, that is lack of democracy at union level. The government saw nothing undemocratic in the procedure of electing union committee-men from delegates from primary societies. With respect to the fifth defect, on political interference, the government remarked that "it must be agreed that by their very nature and by the role they play in the economy of the country, the co-operatives can not be isolated from political life and must therefore be subject, from time to time, to political considerations". Also in same year (1966) the Minister used his powers under the Co-operative Societies Ordinance of 1963 to dissolve the committees, and the supervision of the management of these societies was taken over by government

personnel, i.e. district co-operative officers (Banturaki, 2000). The two major recommendations of the special committee finally were accepted by government and incorporated in subsequent legislation through the 1968 Co-operative Act.

#### **4.3.0 The Co-operative Movement Under Socialism (Ujamaa) Policy 1967-1980**

Starting in 1967 was the period when the government outlined its development strategy under the Arusha Declaration to be centred on policies for socialist transformation by using “Ujamaa Villages” as basic units of co-operation and not the co-operative societies as previously. Following major re-organisation of the co-operative movement, the government unveiled the policy of Ujamaa Villages. Co-operatives in rural areas were to be registered as multipurpose village co-operative societies for multi-functional activities which included commercial-cum-political-cum-administrative activities at village level (The Arusha Declaration, 1967 and Nyerere, 1970). The unified Co-operative Societies Act of 1968 followed the proposals of the committee, except that the Act only refers to national and secondary societies, not to primary societies. In the new Co-operative Societies Act of 1968, the Registrar was given powers except that they were made permanent (UNRISD, 1975, in Banturaki, 2000).

As a means of strengthening the co-operative movement, an agreement was signed in 1968 between the Government of Tanzania and the Governments of Sweden and Denmark on technical and financial assistance to co-operative development in Tanzania, especially in the agricultural sector and, to a lesser extent, in the financial sector. There were two main objectives. First, co-operatives as agents of change, that is co-operatives

were seen as a way to protect farmers from the exploitation of capitalist intermediaries and to build a socialist society. Under this approach, co-operative development became an end in itself and led to the formation of state-controlled co-operative structures. Second, co-operatives as instruments to boost production, that is co-operatives were seen as conveyor belts between rural development projects and individual farmers, and were used to distribute inputs, provide extension services, and administer rural credit schemes, etc. Under this approach co-operatives were established to suit the needs of the government project, not the needs of the farmers. In 1969 there was a total of 1,737 registered co-operative societies all over the country. This policy failed wherever it was applied, and was abandoned in the early 1990s as will be seen later (Schwettmann, 1997). The main function of the 1,737 co-operative societies was to provide marketing facilities. Out of these, 29 were co-operative unions (secondary) and 1,708 were primary societies affiliated to the unions. According to a URT (1968) report at that time there were also 44 consumer societies, 233 SACCOS and 88 primary societies which were not affiliated with any of the secondary societies because they were more or less active in a variety of trades such as the carpenters' and charcoal societies, transport societies, etc.

The policy of "Ujamaa Villages" had a different approach from the previous co-operative development in three major ways: first, co-operatives were to be for multi-functional activities: second, communal production of crops in the villages was paramount, hence re-establishing communal ownership of land and thereby rescinding individual ownership of land as formerly prevailed under co-operative activities: and thirdly, the creation of small co-operatives was introducing socialist (Ujamaa) principles at the primary society

level. In order to speed the socialist transformation process and to bring the Ujamaa villages under legal force and recognition as basic units of co-operation, the government enacted the 1975 Villages Legislation to replace the 1968 Co-operative Act. In May 1976 all marketing co-operative unions and societies were dissolved. By law the villages were supposed to be multipurpose primary co-operative societies, but Maghimbi (1992, p.228) and Paul and Quarter (1996) argue that this was just giving a new name to villages, because essentially they were not co-operatives and the village was an administrative entity with a village government, with everybody aged 18 residing permanently in it automatically being a member.

Following the dissolution of primary marketing co-operatives in 1976, the Ujamaa villages stood in their place. In the meantime there was an attempt to retain the esteem of the electorate-cum-clientele in the face of marketing facilities, transport and personnel which were vastly inadequate for the undertaking. The state Crop Authorities, formed by the government to replace the co-operative unions and which were designated to carry out produce marketing direct from the villages and to perform other activities of the defunct Co-operative Unions, failed to deliver appropriate services to the beneficiaries. It was found that the Crop Authorities could not meet the demands of the producers, and so there arose complaints from different parts of the country against their bureaucratic attitudes, inefficiency, corruption and less than full cash payment for peasants' crops. The poor and chaotic performance of the Crop Authorities was contrary to the expectations of the government, and the government was forced, after the Ngwilulupi Commission of Inquiry, to reinstate the co-operatives (Ngwilulupi, 1980).



When Tanzania became independent in 1961, the private traders were squeezed out of the marketing system by giving indirect monopolies to the co-operatives. This did not happen until 1967, the year of the Arusha Declaration, when Tanzania started to follow a general policy which was socialist in nature (Arusha Declaration, 1967). In this new policy (Socialism and Self-Reliance starting 1967) all important sectors were nationalised and at the same time the emphasis was placed on rural development, which had been neglected in favour of urban, industrial development before and after independence. This was shown in the “Government Paper No 4 of 1967(1)” on socialism and rural development (Westergaard, 1970 pp.179 in Njunwa, 2007). The co-operative movement was supposed to play a major role in the economic development of Tanzania. This role was described in the Second Five-Year Plan (1969-74), which was published in 1969. In Chapter III, it states that;

*“a central part in the development of rural socialism in Tanzania must be played by the co-operative movement; for it to fill a progressive role, however it must be revolutionized. Two changes were required. First was that the societies must become production-oriented and second the increased democratic participation of the membership in the control of all co-operative activities”.*

In the second Five-Year Plan (1969-74) the last paragraph in the section on co-operative development reads that:

*“The second five-year plan will represent a transitional period during which the traditional marketing functions of the co-operatives will be made more efficient, for the benefit of the farmer, while new growth will be shifted sharply in the direction of production and multi-purpose societies”.*

In the analysis there were two types of co-operatives which are of special relevance to the rural development of Tanzania: the marketing co-operatives and Ujamaa villages. They need to be differentiated because of the differences in the scale of operations, including

the geographical distance between the members of each of the two types of co-operative organisations.

#### **4.4.0 The Co-operative Movement From 1981-1991**

This period was characterised by explicit government contravention of basic co-operative principles and intervention in the management affairs of the reinstated co-operatives. The re-establishment of co-operatives meant the relinquishing of a considerable amount of centralised government control over produce marketing and the co-operative organisations themselves. The people were demanding structural reforms in the co-operative marketing organisations and so they could become organisations of their own formation in order to meet their needs, they demanded democratic management and control by the membership of the co-operatives.

The 1982 legislation for the reinstatement of co-operatives was largely based on the recommendations of the ruling party which directed that, first, reinstated co-operatives were to be multipurpose, a system which had previously failed to work. Secondly, the co-operative unions were to exist at regional level only. Thirdly, the legislation brought the co-operative movement under the ruling party structure as a political party mass organisation. This meant that the co-operative movement received directives from the ruling party and the government. For instance, the election of co-operative leaders at all levels and the employment of co-operative unions' senior staff had to be screened and approved by ruling party organisations. In 1985 the government directed that, by December 1987, all villages should be registered as multipurpose village co-operatives

alongside the ruling party structure. The reinstated co-operatives were forced to undergo other structural changes, in order to form village multipurpose co-operatives under the legal style of voluntary division on political criteria rather than of economic viability and efficiency in serving their members. Hall (1982), Enriquez (1986) and Maghimbi (1992, in Banturaki, 2000) argue that, in this way, the co-operatives were under the weight of the state and the ruling party and co-operative leaders were no longer accountable to the co-operative membership who were the owners of the co-operatives.

#### **4.5.0 The Co-operative Movement Under Free Market Reforms From 1991**

This period has been characterised by energetic efforts on the part of the government to institute a viable reform program using the original Rochdale model as outlined earlier. The co-operatives were no longer true organisations of and for the members. They had been serving the interests of non-members and other outsider bureaucratic forces but not their members' interests, and as a result the members and local beneficiaries had lost an interest in the co-operative organisations. Thus the political reforms referred to earlier had blighted the life of the co-operative movement in Tanzania and these reforms had drawn their origins from the contravention of co-operative principles in terms of legal and political interference; the withering of co-operative democratic management and co-operative autonomy and the absence of member empowerment; the failure and the effects of the multi-purpose village co-operative system; and, later, from the dictates of the national Structural Adjustment Program (SAP) (Chilongo, 2005; Kiondo, 1995).

The latest in co-operative reform programs has been designed in two phases as follows: first, the setting up of the co-operative institutional framework and the creation of an environment in which co-operatives can operate more autonomously for the interest and benefit of their members; and secondly, promoting capacity building for the co-operative movement in order to achieve the goal of member participation and empowerment. The main instrument for this co-operative reform is the Co-operative Society Act, 1991, in which internationally recognised co-operative principles have been brought to the fore to help reshape the co-operative movement in Tanzania (Chilongo, 2005). Structural adjustment, democratisation and other policy changes have had an impact on the co-operative movement in Tanzania. Although change has been generally negative in the immediate perspective - formerly, the government used agricultural primary co-operative societies to mobilise and organise poor people in rural areas, and over 5,340 co-operative officers have lost their jobs - it can be positive in the long term, including new co-operative policy which can provide a foundation for genuine co-operatives in Tanzania (Chilongo, 2005, p.30). Following the structural adjustment reforms in 1994, the Tanzanian Co-operative Movement consisted of about 4.9 million registered co-operative members who voluntarily united together to form economic associations called co-operatives. Today, there are about 5,894 registered co-operatives (see Table 4.1) with 5.5 million members that are found across all Tanzanian economic spheres of life (ICA 1995b; Ogola, 1993).

#### **4.6.0 Analysis of the Co-operative Movement in Tanzania From 1932-1991**

Co-operatives have been an important part of the development of Tanzania for 75 years. While they have seen many successes and failures during this period, no other institution has brought so many people together for a common cause. Following the Arusha Declaration in 1967, co-operatives became the main tool for building a spirit of self-reliance during the socialism (Ujamaa) period. However, following the re-introduction of free markets, co-operatives have struggled to compete with the private sector and many have not been able to provide their members with the services they need. From authoritative circles, public and private, there has been much discourse on the potential of the co-operatives to service the needs of the poor people and alleviate poverty in Tanzanian communities. This is because such organisations can involve the poor and weaker members, who have always been on the sidelines of the mainstream community in rural and urban areas, in participation in economic and social interactions in an integrated development approach. The co-operatives in Tanzania at the very start of their establishment, before and after independence, had acquired a weak structure imposed on them by the colonial co-operative policy. Therefore they could not become dynamic and practical in servicing the members and local communities. Banturaki (2000) and Chilongo (2005) argue the failure of co-operative organisations now being experienced in Tanzania stems from the colonial co-operative model which invented new types of state-sponsored and state-controlled co-operative organisations. These give co-operatives no room for independence and autonomy for evolving new structures that can instill potency for improvement and prosperity. These are often highly centralised and bureaucratic regimes.

The fact is that the colonial masters did not intend the co-operative organisations to be an instrument for solving economic and social problems of the masses of the population in Tanzania. Instead, co-operatives were established for cash crop production to be exported as raw materials to metropolitan industries, at the same time being systematised into indebtedness, dependent on outside finance and exploitation. The independent governments in Tanzania (from 1961) have continued to use co-operatives as a mechanism to consolidate state control over the masses of small-scale agricultural producers, as development tools and as instruments for channelling aid and technical assistance from government agencies to target groups of their choice. Munkner (in Chambo, 2003) argues that in Tanzania it is an exception in not having autonomous and self-managed co-operatives operating with poor members' own resources to achieve goals set by their members and democratically controlled by them, even though this was always supposed to be the aim. This is because co-operatives, promoted and controlled by the state under the socialism policy, have been looked at as instruments for the transformation of private property in the means of production into co-operative property, this being an intermediate stage of transformation into state property. The continued practice of governments in Tanzania has been to have co-operatives formed in a top-down manner according to state-control policies, where co-operatives were and are under stringent government control and all major decisions are subject to the approval of government officials.

Laidlaw, Munkner and Verhagen (in Banturaki, 2000) argue that the Tanzanian government's philosophy of meddling in co-operative matters under the mask of support and promotion continues, as, although the government accepts basic co-operative values

and so propagates the development of co-operative organisations in line with co-operative principles and non-intervention, it is not, however, prepared to reduce its powers over co-operatives. The Government maintains the power to inspect, supervise, audit, conduct inquiries, suspend activities, dismiss unfit officers, appoint caretakers, divide and amalgamate, dissolve and liquidate co-operatives. Such extensive government powers are incompatible with democratic management and control. The co-operatives are supposed to become economically self-reliant. Laidlaw (in Banturaki, 2000, p.28) argues that this has not happened in Tanzania, where the government does not give them access to lucrative business such as export of cash crops which remain in the hands of state or private entities. This means co-operatives cannot build up their own capital base and therefore remain dependent on government loans and grants, although this is known to be detrimental to sound co-operative development.

The main reason behind the situation outlined above is that, in 1962, the Agricultural Products Act was passed (see in 4.2.0). Under this Act, in 1963 the government established the National Agricultural Products Board (NAPB), and marketing boards such as Cotton Authority, Coffee Authority, Tea Authority, etc were the sole organisations in the country having the mandate for export of agricultural products. The National Agricultural Products Board appointed Agricultural Co-operatives Unions as its agent to buy, collect and process agricultural products from the farmers. The co-operatives were not given access to export agricultural products because the government wanted to control foreign money, and the agricultural sector was and still is the backbone of the Tanzanian economy. If the government were to allow co-operatives to export cash

crops, the government would not be easily able to control expenditure and know how much foreign money was coming in from agricultural exports. However, Newiger (in Banturaki, 2000, p.31) argues that a national strategy to fight against poverty in rural and urban areas requires two things. Firstly, the promotion of rural institutions (including co-operatives) and people's participation whereby gainful employment of the poor masses can be achieved. Secondly the government, in that respect, is required to strengthen the organisation and administration of its field services in order to facilitate and improve the people's participation and partnerships.

In effecting people's "participation" in the actual setting, a UNDP Report (in Banturaki, 2000, p.16) proposes "co-operative group projects" as the new approach to attract the informal type of co-operative groupings at the grassroots level. Instead of launching a co-operative in the traditional Rochdale model to attain a specific objective, the new approach is to launch projects to be carried out by co-operative group action. That is, the co-operative nature of the project is emphasised, but the adherence to the commonly accepted Rochdale principles is not imposed. Munkner and Shah (1993a, p.19 in Munkner, 2001b) argue that "it is not whether co-operatives can contribute positively to the socio-economic development of a country (Tanzania), but rather how these beneficiary efforts are to be realised". They questioned whether co-operatives should be used directly as extended arms of the state responsible for the implementation of government development goals, or be developed into autonomous, self-reliant local institutions meeting their members' needs, hence indirectly contributing to the socio-economic development of the country.



#### **4.7.0 Co-operative Development Policy in Tanzania**

The policy and legal environment as far as co-operative registration, ownership and management is concerned has improved since 1982 when co-operatives were re-introduced. A much improved Co-operative Act of 1991 replaced the 1982 Act which had vested too much power in the government and the party. This was followed by the Co-operative Development Policy in 1997 (Kashuliza & Tembele, 1996, p.13). The Co-operative Development Policy document clearly states the intention of the government to promote autonomous member-driven co-operatives, the strategies to be used, and points out the direction for co-operative development towards which all efforts by the government, co-operative organisations and any other institutions interested in co-operative promotion should be directed. In the absence of clear co-operative policy guidelines, the government may resort to directives, orders and decrees to guide co-operatives, a practice which may shift the decision-making process away from the real co-operators.

The 1991 Act No.15 is more flexible, allowing for the formation of specialised and autonomous co-operatives. The Act allows for a four-tier structure where it is in the interests of the members. Unlike the 1982 Act, the co-operative principles as recognised by the ICA are an integral part of the 1991 Act. While Section 21, subsection 2, emphasises economic and financial viability as the necessary preconditions for the registration of any co-operative, sections 7-8 and 12, on the other hand, limit the role of the government to that of promotion, providing advisory services and protection of co-operative property (Cranenburgh,1992 in Kashuliza & Tembele, 1996).The measures

adopted by the government in the policy formulation and refinement of co-operatives raise three key issues. First, there is more emphasis on formal rather than informal co-operatives. Many SACCOS that are engaged in savings and credit services are established in the workplace, yet the government's effort to have clear policies on this sector of co-operatives remains unachieved. Second, it wants to ensure the participation of stakeholders, including other financial institutions in the identification, implementation, monitoring and evaluation of savings and credit. Finally, it aims to increase or encourage more women to be members of co-operatives and particularly those SACCOS which need more members.

The three issues above raise a number of questions regarding how the government of Tanzania, through the Ministry of Agriculture and Co-operatives, will go about mobilising other stakeholders in the implementation of such policies. They also raise questions as to how the government will not only ensure that policies are efficiently and effectively addressed and how results will be achieved through the most cost-effective means, but also as to how it will promote strong partnerships with other financial institutions, because having sound policies and strategies does not signify an automatic achievement of the intended objectives. Bee (2004) argues that most co-operative activities in Tanzania are carried out through projects which are donor-driven. While many of them are needs-based, there are a number of issues that are of critical importance to the success of co-operative implementation. The Tanzanian government should include in the budget recurrent expenditure on the new co-operative projects in order to ensure national ownership.

This observation raises issues of monitoring and evaluation, budgetary limitations, administration and management of projects, synergy among various development stakeholders, prioritisation of the kinds of programs or projects to be implemented, and sustainability. Bearing in mind that the overall government policy is to reduce poverty, the observations made above challenge both the government and other stakeholders to harmonise their activities to achieve maximum impact. Among these stakeholders are SACCOS who may play a vital role in harmonising and contributing to the success of savings and credit services programs. The questions are: In what ways do SACCOS, as part of the stakeholders, participate in the provision of savings and credit services without compromising their values, ideologies and philosophies in the process? Will government ensure stability as it interacts with those stakeholders? More importantly, how do the SACCOS facilitate member participation, empowerment and co-partnership of other stakeholders (financial institutions) in the process?

#### **4.7.1 Co-operative Development Policy Change**

*“Co-operative development policy in Tanzania focuses on the organisation structure and management of people-centred organisations. The first co-operative development policy was adopted in 1997 to provide overall guidance for interested members to come together for a common goal. This policy addressed a number of issues. Of paramount importance was the promotion of autonomous grassroots-based co-operatives that observe internationally recognised co-operative values and principles. However, with changes in macroeconomic fundamentals, the policy was revised in 2002” (Bee, 2004 p.78).*

The new co-operative development policy of 2002 for Tanzania has four key areas. Firstly, the government should promote and support co-operatives owned by members and operating under international co-operative principles. Secondly, the co-operatives should be economically viable. Thirdly, the co-operative activities should be commercially oriented and leadership must be sustainable and organisation minded.

Fourthly, the structural and historical factors that form constraints to co-operatives in liberalised market environments should allow for the growth of market-oriented co-operatives. Although there is a strong emphasis on trying to mitigate against these four areas and other problems associated with management, planning and financial management, it has to be noted that these challenges are neither new in, nor isolated to, Tanzania.

*“The provisions for regulation of savings and credit co-operative societies in Tanzania are in a document which provides the regulations for savings and credit co-operative societies of Tanzania under the Co-operative Societies Act, 2003. The document states that the regulations shall apply to savings and credit co-operative societies and credit schemes engaged in accepting savings and deposits from their members for an amount less than 800 million Tanzanian shillings. The document defines a savings and credit co-operative society as a credit society solely dedicated to the promotion of thrift among its members and the creation of a source of credit for them at competitive rates of interest through financial intermediation. There are three provisions of the regulation. First, credit societies shall be able to receive funds from their members, in the form of shares, savings and deposits. A credit society may also receive donations and loans. Secondly, a credit society shall, at all times, maintain a minimum capital of Tsh. five million, and at least twenty members with fully paid shares, in order to qualify for registration. Thirdly, a credit society shall maintain deposits in a bank or financial institution supervised by the Bank of Tanzania, or in securities issued by the government or by the Bank of Tanzania, for an amount of not less than 20 percent of its total savings and deposits” ( Bee, 2004, p.96).*

Tanzania has long been in the process of implementing the new co-operative policies (URT, 1997). In spite of the fact that the First, Second and Third Five-Year Development Plans, implemented after independence, covering the period between 1964-1981, were intended to respond to the needs of the government and develop a co-operative system with relevance to the socio-economic and environmental needs of the country, they didn't achieve their objectives, particularly that of inculcating a sense of collective responsibility that embraced principles of participation and partnership. There was a lack of clear strategies, with the exception of the primary co-operative where the communities played an active role.

In view of the minimal achievements of the objectives aimed at addressing issues of access and efficiency, coupled with widespread poverty as revealed by the Five-Year Development Plan, the current government co-operative policy has centred its approach on providing co-operatives that are aimed at achieving the government goal of poverty alleviation, and creating opportunities for policy and planning. The policy also provides an opportunity for, and encourages, active participation by the members (URT, 1997, p.12). It is the aspect of “member participation and empowerment, partnerships between government, co-operative (SACCOS) and other financial organisations” that forms the centre of this study. Appendix ‘B’ (Co-operative Development Policy, 2002) provides a comprehensive account of the current co-operative policies and proposed strategies as they appear in the Co-operative Society Act 2003 (URT, 2004).

#### **4.7.2 The Rationale of Co-operative Policy Change**

The current policy changes for co-operatives have been caused by a number of factors. Following the outcome of the dynamics in the social, political and economic environment in Tanzania, co-operative policy and development have come under heavy scrutiny. In view of the government’s policy of poverty alleviation, the co-operative is envisaged as an instrument through which development and nurturing can be effected. While there is enough evidence to suggest that a good co-operative movement is critical to the sustained social and economic development of nations and the realisation of individual human potential (Chambo, 2001, 2003; Sawyer, 1997), the question of who determines the right co-operative design and structure remains an area of heated debate. On the one hand, the government, as a social service provider, has the responsibility to ensure that its people

have access to democratic co-operatives. On the other hand, the people (the beneficiaries) have a right in deciding on the kind of co-operative rather than being merely silent recipients. Due to their low level of skills and literacy, as argued by Watkins (2000), the majority of the people are excluded from the decision-making process, ultimately resulting in poverty. This claim is well supported by Burkey (1993 in Davis, 1995), whose work with rural development workers in Uganda revealed a vicious cycle of poverty. While low literacy and skills are often held responsible for the present poverty scenario or underdevelopment in many developing countries, there remain contentious issues of who is responsible for changing this situation and how poverty is being conceived in these discussions.

The other reason for the current co-operative policy reform is based on social cohesion, rather than narrow economic gains. Social cohesion is the greatest prize for societies in which all citizens, through co-operatives, become more effective participants in democratic, civil and economic processes. Tanzania, as a nation, acknowledges the catalytic nature of the co-operative as a vehicle for raising not only national consciousness, but also group solidarity. The Minister of Agriculture, Co-operative and Marketing Mr. George Kahama recognises that:

*“The Co-operative Societies should start this revival with a sensitisation drive about the power of the co-operatives in kicking out poverty and containing the adverse effects of globalisation”, (Guardian, 2005).*

The Tanzanian government’s recognition of national awareness is a starting point for further reform. The sharing of responsibilities and collective governance as intrinsic values of participation are yet to be realised in co-operatives in Tanzania. Although the

vision sounds rosy, the current scenario for rural and urban people with low income remains a challenge to the government, as the greater part of the population remains marginalised with little or no access to savings and credit services.

Tanzania has adopted a single co-operative Act for all types of co-operatives. At independence, such laws were largely inspired by, if not copied from, model laws introduced by the colonial powers. Although subsequent revisions gave a more national character to the co-operative legislation of the country, the influence of the colonial laws can still be felt. Until the mid-1980s, a common feature of the co-operative legislation of Tanzania was the strengthening of the state's, and/or the ruling party's, supervisory and regulatory functions. Schwettmann (1997) observes that each revision of the co-operative act further restricted the autonomy of co-operative societies and curbed the rights of their members to such a degree that co-operatives became simply state enterprise. This trend was reversed largely as a result of structural adjustment and democratic reforms. The co-operative acts adopted after 1985 in Tanzania are more liberal and politically neutral.

As mentioned above in section 4.1.0, the first co-operative law was enacted in 1932 (Bryceson, 1983, p.127 in Wanyama, 2007). From that point to date there have been many changes in co-operative law. In 1945 the Co-operative Act of 1932 was amended to empower the Registrar of Co-operative Societies to register and control societies. In 1968 a new co-operative law was passed to address the operation of the rapidly expanding co-operative movement. In 1973 the Presidential Committee agreed on the villagisation program and crop boards changed into crop authorities in order to purchase crops from

farmers. In 1975 the Villages and Ujamaa Villages Registration, Designation and Administration Act was passed. Also in 1979 an act to recognise the Union of Co-operative Societies (UCS), which directly affiliated villages and Ujamaa villages and other co-operatives in urban areas, was passed. The UCS was also meant to be the mass organisation of the Sole Political Party. In 1982 the Co-operative Societies Act No.14 for reinstating co-operative unions and rural primary society was passed. In 1991 the Co-operative Act No.15 establishing the four tier structure of co-operative societies was passed. And finally, in 1997, amendments to the Co-operative Act No.15 of 1991 were made to enhance accountability (see Appendix 'Q'), (Bryceson,1983, p.127 in Wanyama, 2007).

#### **4.7.3 Co-operative Policy Formulating Process**

While the previous sections have explored the progression of the dynamics of policy changes since independence in 1961, the discussion that ensues charts the policy process. The policy formulation process in Tanzania is highly centralised (Kleinschmidt, 1996 and Harper, 1997). It has to be acknowledged that the centralisation of the policy process may be attributed to the past regime (colonial rule), which regarded any policy formulation processes as necessarily being dominated by high officials in various ministries and departments. Likewise, donor agencies have also featured prominently, as mentioned in section 4.10.2, in influencing local decision-making processes due to their high levels of funding of some of the social and economic services.



Member participation and empowerment in their co-operatives has not been a key feature of the policy process in Tanzania. Rather, the policy formulation process has been limited to top ranking officers who rarely interact with the grassroots level. The prominence of donor participation in the policy formulation processes cannot be excluded from having an impact on the manner in which policies are formulated in Tanzania. This has one fundamental implication: who is, or are, the appropriate actor (s) in the formulation of the policies and whose priority interests matter. Notwithstanding the observations noted above, the implementation process has its own pitfalls. An example is the implementation of the 1975 villages legislation to replace the 1968 Co-operative Act. Villages/Ujamaa Villages became registered as multipurpose co-operative units and attracted donor attention (see in 4.3.0). They were afflicted by problems related to coordination, coherence, uneven and inequitable distribution of available resources, planning and management of information gathering, monitoring, and, not least, participation (WIDEP, 1996). Where the co-operative is viewed as a vehicle for alleviating poverty (URT, 1997), denial of participation by the beneficiaries is not only an aspect of social exclusion, which is partially a dimension of poverty, but also a gross breach of beneficiaries' right to participation in matters that affect their lives.

The challenges in the policy formulation process in Tanzania are mirrored by the inadequacies and inexactitudes expressed (URT, 1997). Some of these problems are ubiquitous within government organisations (i.e. Ministry of Agriculture/Co-operative, Department of Co-operatives, Tanzania Federation of Co-operatives). Some of the top officials in the Ministry dominate and want to exercise control over the policies, while at

the same time donors seek to influence policy according to their interests. A critical aspect of the argument above, which may be among the institutional weaknesses of the Tanzanian policy formulation and implementation process, could be the lack of linkage between the micro and macro policy process, and the recognition that it is at the micro-level that data have to be generated to assist in making informed decisions at the macro level.

#### **4.8.0 Impact of Economic Policy Changes on the Co-operative Movement in Tanzania**

The review of economic and political developments in Tanzania has shown that from 1961, after independence, to 1985, before structural adjustment the country had two types of policy. First, from 1961 to 1966 the Tanzanian economy operated under the free market system adopted from the colonial style of economic structure, and the government adopted the transformation approach from the World Bank to the agricultural sector, which was the backbone of the Tanzanian economy. In 1967 the government decided to change policy from a capitalist system (free market economy) to a socialist system (public ownership) under the Arusha Declaration (1967) and the co-operative movement was strongly affected (Nyerere, 1970 in Banturaki, 2000). The government had taken these different major steps in order to improve or rectify the worsening Tanzanian economy, yet still the situation became worse until 1985 when, for the first time, Tanzania launched economic reforms aimed at economic liberalisation. As Bee (2001, p.26) argued, “the international organisations increased their pressure on the Tanzanian

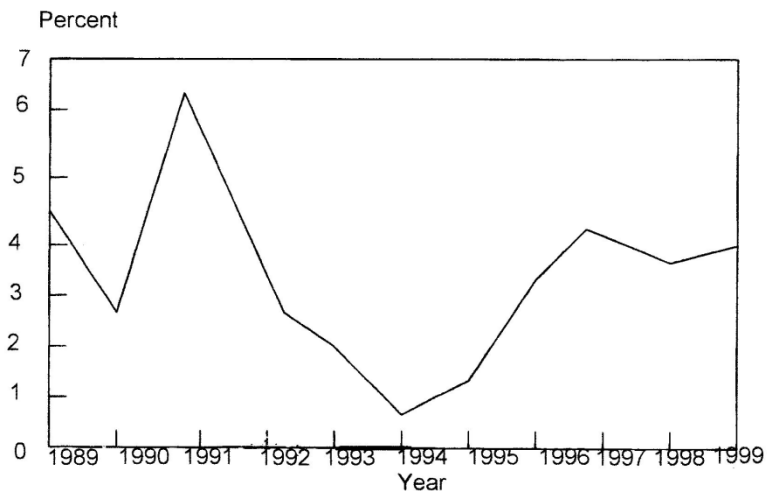
government to take further action and pursue a stricter coordination of its economic policy”.

#### **4.8.1 Structural Adjustment, Political Reformation and Economic Performance**

In 1985 Tanzania experienced an historical event in political leadership changes, when Ali Hassan Mwinyi became the second president after Mwalimu Julius Nyerere, who was the founder of the nation from independence in 1961. The new leader decided to introduce a three year plan (1987-1990) known as the Economic Recovery Program (ERP) which was announced in the budget speech of 1986/87. After ten years from the establishment of the ERP, the economic position of Tanzania started to return to positive per capita growth (UNDP, 1996; URT, 1995c, 1996; World Bank, 1996b). The context of the 1986 ERP included import rationing, tariff rates, export taxes, input subsidies, exchange rate policy and foreign exchange, domestic tax policies, agricultural stock regulation, foreign aid and private capital flows, land policies, credit policy especially for rural credit, private banks and the co-operative policy (IMF, 2004; URT, 1995b; World Bank, 1996b; Doriye, 1995 and Gibbon & Raikes, 1995).

**Figure 3: Annual Growth Rate of GDP at Factor Costs, 1989 – 1999**

Figure 3.6 Annual growth rate of GDP at factor costs, 1989-1999



Source: BoT(1991): Economic Bulletin, vol.29,no.3,Table 1.9

#### **4.9.0 The Achievements of the Co-operative Movement in Tanzania**

The period between 1986 and 1997 witnessed profound changes in the co-operative movement in Tanzania. Despite the numerous problems encountered during the implementation of the Economic Recovery Program (ERP) and the Structural Adjustment Program (SAP), which coincidentally witnessed the dawn of a new era in political and co-operative perspectives, there have been some notable successes in co-operatives, particularly in SACCOS. One remarkable achievement was the introduction of co-operative reforms following the 1991 Co-operative Act. The Registrar and Commissioner for the Co-operative Department made it clear that the national Structural Adjustment Program (SAP) was one of the two factors which prompted government initiatives to introduce co-operative reforms (GoT, Phase Two of Co-operative Reforms, 1995-1999; Gibbon & Raikes, 1995 and Mutashobya & Mutesasira, 2000).

#### **4.9.1 The Co-operative Movement After the Reforms**

Formerly many co-operative organisations in Tanzania generally operated two types of activity: agricultural co-operative societies, and savings and credit co-operative societies. Later they expanded their service operations and became engaged in retail shops, for example. As Amani and Kapunda (1993; and Thompson, 1994 in Chambo, et al., 2005) Komba, et al. (2001) and Bibby (2006) mention, in many co-operatives in Tanzania there is a deliberate trend towards diversification. However, the results of these activities undertaken by co-operatives often contributed to a reduction in business efficiency and economic performance by adding loss-making activities.

The new Co-operative Societies Act 1991 has opened the door for all types of co-operative to integrate, from primary co-operative societies and co-operative unions to those at apex levels. Also the application of the new Act has reduced the number of primary co-operative societies from 8,978 in 1990 to 2,316 in 1994 and co-operative unions from 27 to 45, while 4 apex organisations have been formed over the same period. Currently, the co-operative movement comprises approximately 5,894 agricultural co-operative societies(see Table 4.1) with approximately 700,000 members (COASCO, 2004 Report). The number of Tanzania Federation of Co-operatives (TFC) members is expected to rise to over ten following the implementation of the Co-operatives Act of 2004 (TFC, 2005/6 Report).

The breakdown of the co-operatives by type of activity is as follows:

**Table 4.1: Status of Registered Co-operatives as at 2004**

Type of co-operative	Total	Active	Dormant
Federation of Co-operatives	1	1	0
Specialised Co-operative Apex Organisations	4	3	1
Co-operative Unions	45	32	13
Agricultural Marketing Co-operative Societies	2,640	2,240	400
Savings and Credit Co-operative Societies	1,609	1,294	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	5,894	3,471	1,734

(Source: COASCO status report on Statistics of co-operative societies as at 31 Dec.1999, compiled in June 2004 and MAC Report July 2004 )

#### **4.9.2 Co-operatives and Government Control**

The major problem that affected the co-operative movement in Tanzania was the government using the co-operative societies as government institutions (see section 4.2.0 and 4.3.0). The establishment of a new co-operative development policy in 1991 and the Co-operative Societies Act No. 15 in 1991, followed by the amendments to the 1991 Co-operative Societies Act, has opened the door to members participating in all activities and being involved in decision-making. However, action taken by the government has been received with different views by various co-operative stockholders. They argue that the process of making a new co-operative policy and Act did not involve all co-operators and

stockholders. As Mahuwi (1992 and Alf, 1992, in Chambo, 2001) argue, while the government has enacted new legislation for co-operatives which grants them independence, and the current trend to disengagement which provides a historical opportunity for co-operative movements is one step forward, nonetheless it is clear that the process occurs at different rates in different types of co-operatives, and it will take a long time in order to achieve the goal, which is “freedom and autonomy”. Schwettmann (1993, 1995) argues that it is not clear to all the co-operative members and stockholders, what these Co-operative Acts mean in practical terms. Banturaki (2000) argues that revised legislation does not settle unclear relationships between government and co-operatives in Tanzania, and the government will still be involved because it has financial and political interests.

This policy resulted in a sharp increase of registered co-operatives (see Table 4.1). Despite the haste with which the policy was enacted, and insufficient budgetary allocation for its initial take-off, its endorsement by the local populace and the donors was overwhelming. So far, of the utmost significance within the period was the establishment of a program that responded to the problem of co-operative member user ownership, member user control and member user benefits (members’ empowerment). The program, funded by NORACOM, aims to assist the Tanzanian Government to deliver its policy. One major characteristic of this program is its focus on the promotion of rural financial institutions (including SACCOS) and people’s participation whereby gainful employment of the poor masses can be achieved, and second, the government, in that respect, is required to strengthen the organisation and administration of its field

services in order to facilitate and promote the people's participation. Other key aspects of the program include, inter alia, government/community partnership in the management of the co-operatives, full member participation in the decision-making process, strengthening management and professional leadership of their co-operatives, development of social action plans, support for untrained and less experienced co-operative employees, promotion of the process of co-operative education to members, and improving services to members and communities. It is from this perspective that conclusions can be drawn, as the document hardly mentions participation of grassroots organisations.

#### **4.10.0 Challenges in the Co-operative Movement in Tanzania**

Despite the achievements that Tanzania has registered in co-operatives since the transition from single to multi-party politics, there are still challenges facing the co-operative system across the sectors of Primary Co-operative Societies, Co-operative Unions, The Tanzanian Federation of Co-operatives, The Co-operative Development Department, and The Savings and Credit Co-operative Union League of Tanzania. These challenges include government and political intervention, external dependence and donors, governance and participation, the role of government, organisational structure, ministry and department, and supporting institutions. These will now be discussed in turn, paying particular attention to the co-operatives in general. There are two aspects of the problem of democracy in the co-operative movement in Tanzania, one with respect to the relationship between the management of co-operatives and the members, and the other with respect to the relationship between the co-operative movement and the government. The main interest in this section is the autonomy of the co-operative



movement, vis-à-vis the government. The co-operative movement in Tanzania faces two major problems, efficiency in management and in its democratic machinery.

Democracy in the co-operative movement in Tanzania has two aspects which are interrelated: the internal relationship between members, committee and management and the external relationship between the co-operative movement and the authorities. The external relationship and how the autonomy of the co-operative movement is limited in certain respects has already been examined. It is possible to say that the relationship between the co-operative movement and the marketing board was in the government's legitimate interest, in keeping control over the marketing system and that the co-operatives had an understandable interest, in performing all the marketing operations satisfactorily. Nearly all of the 1,646 (1967) co-operative societies and unions in Tanzania were agricultural co-operatives dealing primarily with the marketing of produce. Another relatively important and successful group of co-operative societies were SACCOS. National Co-operative Institutions include the Co-operative Union of Tanganyika (CUT), the National Co-operative Bank of Tanganyika, the Co-operative Supply Association of Tanganyika and the Tanganyika Co-operative Trading Agency.

In recent years, co-operatives have maintained a poor and weak capital base structure because most of the co-operatives are in economically less developed areas and there is an alarming drop in co-operative membership caused by a very big decline in co-operative service delivery to the members and local beneficiaries. Also, there are no initiatives for adaptation to small co-operative group projects to attract the poorer

members into the mainstream of development and many co-operatives have become more a liability than an asset to the ordinary members (Freedman, 2000; Narman, 1999 and Njunwa, 2007).

There is a high level of co-operative illiteracy amongst the members and the co-operative leaders, resulting in the democratic management structure in co-operatives being highly fictitious or practically non-existent. Also there is frequently dishonesty, corruption, greed, abuse of committee powers, irresponsibility and non accountability among the co-operative leaders. There is a polarisation of interests between the members and the co-operative management committees, and also factionalism among the committee members themselves which frustrates co-operative democratic management and operations. Freedman (2000, p.9) argues that intervention moves into co-operatives by political and government interest groups have weakened the co-operatives - that is, co-operative democracy and autonomy have been overshadowed.

#### **4.10.1 Government and Political Intervention in the Co-operative Movement**

Since its inception, the co-operative movement in Tanzania has witnessed government support and sponsorship. The co-operatives were sponsored because they were used as instruments for the implementation of government rural development policy. However, the government policy later adopted was slanted to serve political and government interests rather than the co-operative objectives, that is, members' interests. The government overstepped its role, justifying its interventionist moves into co-operatives as necessary for the adoption of socialist transformation processes. Following the profound

changes that occurred in the political scene that had placed Tanzania under socialism from 1967, the government used its policies, legislation and regulatory measures to perpetuate its control of the co-operative movement instead of leaving it to members themselves. Therefore, co-operative systems were developed into structures of government intervention for the benefit of the government, not the poor people. As Banturaki (2000) and Enete (2007) argue, political structures did not conform to the fundamental co-operative stance and ideals. Hence, government policies sought to outline the co-operative organisational approach of development from “above”, thus hamstringing the co-operatives.

#### **4.10.2 External Dependence and Donors**

The co-operative movement in Tanzania from independence in 1961 up to 1991 operated under a government funding system. This happened because most of the co-operatives were dealing with agricultural producers, since for the Tanzanian economy, agriculture was the backbone. Apart from government funding there were also foreign donors, specialised co-operative development NGOs from industrialised countries particularly Denmark, Finland and Sweden, who had been providing funding at apex and union levels and also provided training sponsorship for managers, accountants, committee members and other co-operative staff. The effects of dependence on government were that all management and other staff members of co-operatives were working for and accountable to the government, particularly the department of co-operative development. The Norwegian Agency for Development (NORAD, 2003b) report shows an example of donor assistance to Tanzania was the “member empowerment and enterprise

development program”, the cost of which project was USD 9.5 million in funds from the Royal Norwegian Embassy in Dar-es-Salaam for a period of ten years (Ngailo & Towo, 2004). Under this approach, co-operatives could not operate as independent organisations.

The UN agencies have long appealed to developing countries to formulate rural development policies and plans focusing on poverty eradication (Munkner & Shah, 1993a; Hulme & Edwards, 1997 and Randel & German, 1998/99). The ILO, in its “Rural Workers’ Organisation Action Program” for involvement of the poor in development (ILO, 1977) and the World Conference on Agrarian Reform and Rural Development (WCARRD) of 1979, had one objective in common, which was to assist the developing world in setting up appropriate rural development strategies in order to alleviate poverty. The world agencies and the developing countries, through research, experiences and action programs for rural development projects, have revealed that voluntary organisations formed by rural people and managed by them are effective instruments in transforming rural development. Secondly, participation, self-help initiatives, and autonomous management are the key elements required in these organisations. Thirdly, concerted efforts from both the Tanzanian Government and world bodies must go towards promoting rural self-help organisations, and to encouraging people’s participation in rural development programs. In Tanzania in the early 1960s, rural development policies were finalised in the Arusha Declaration and its socialist (Ujamaa) structures. The theme of Tanzania’s rural development policy was poverty reduction strategies. However, following various unforeseen problems centring on policy planning

and implementation, the outcome did not match the aim (GoT, The Second Five-Year Development Plan, 1969-74; The Third Five-Year Development Plan, 1976-1981).

#### **4.10.3 The Role of Government**

One of the purposes for the enactment of the 1991 co-operative law was to reverse the situation described in 4.10.1 and thereby free the co-operatives from interventionist moves. Though the co-operatives were brought under this new legal framework, elements of interventionism continued, irrespective of the new law. This apparently upset the co-operative beneficiaries. Chambo, et al. (2005) claimed that the government encroachment into co-operatives was not to be rescinded soon, but was further encouraged by the new law, and the co-operative beneficiaries were understandably unhappy.

In the past, the Tanzanian Government took a very active role in the co-operative movement. It was heavily involved in the provision of inputs, finance and training. It also provided the main market for most forms of produce. The old system of government involvement in all aspects of co-operative life was too expensive for the country, producing negative returns. However, following the introduction of open market economics, the government now only sees itself as responsible for the creation of an environment where the co-operative movement can prosper. The main engines of growth will be the members and managers of the co-operatives. The aim is to produce co-operatives that are independent, democratic, member-based and economically viable. The government realises it is important to educate people in co-operative values. When the free market was introduced, co-operators had insufficient knowledge about how to

operate under the new conditions. As a result, co-operatives have not been able to compete effectively with the private sector in the new system and many have not been able to provide their members with the services they need. The government has responded to this problem by introducing a new Co-operative Development Policy (2002), Co-operative Societies Act (2003), Co-operative Societies Rules (2004) and the Co-operative Reform and Modernisation Program (2005-2015) to help co-operatives to regain their importance in the economic lives of poor people (TFC, 2006).

Co-operative societies in poor countries are a major lifeline to tangible development. Yet it is an open secret that the co-operative movement in Tanzania has been in a state of flux, faced with several challenges, from crises of capital, ideology, credibility and, worst of all, mismanagement (including theft and embezzlement). Having this scenario in mind, the minister of Co-operatives, George Kahama, told the parliament on 24 July, 2005 that his Ministry had put in place strategies and reform programs geared to revamping the co-operative sector in Tanzania. He also announced that a national co-operative advisory council was in the offing as an additional input. In recent years, several banks have been playing a pivotal role in financing savings and credit co-operative societies, which for all intents and purposes basically play the role of primary co-operative societies. He argued that the co-operatives should start this revival with a sensitisation drive about the power of the co-operatives in poverty alleviation and containing the adverse effects of globalisation (Guardian, 2005).

#### **4.11.0 The Development of the SACCOS in Tanzania**

The use of the Co-operative movement in Tanzania as a vehicle for the distribution of government credit to the small farmer population was a phenomenon of the 1960s. Various types of loan facility feature in the movement, indeed a special aim is to encourage saving and credit schemes, and there has always been some funding of new societies and small agricultural loan programs by unions using capital generated from marketing activities. The aim of this section is to describe the evolution of the role of the SACCOS in distributing public capital to stimulate rural and urban progress and the procedure developed to facilitate this role.

*“SACCOS is a democratic, unique member - driven, self-help co-operative. It is owned, governed and managed by its members who have the same common bond. SACCOS’s Membership is open to all who belong to the group, these members agree to save their money together in the SACCOS and to make loans to each other at reasonable rates of interest. Interest is charged on loans, to cover the interest cost on savings and the cost of administration. There is no payment or profit to outside interest or internal owners. The members are the owners and the members decide how their money will be used for the benefit of each other” (Savings and Credit Co-operative League of South Africa,2006,p.2).*

#### **4.11.1 Status and Present Situation of SACCOS**

It is very difficult to get accurate statistics on the current situation of co-operatives in Tanzania due to the ongoing restructuring program and long delays in the production of statistics. However, the TFC annual report (2005/2006) estimated that there were over 1,609 SACCOS registered up to 2004 across the country, and of these, 61 percent are established in rural areas facilitating farmers (see in 5.3.1) and other community members, while 39 percent are operating in urban areas servicing members at workplaces and the self-employed (see in 5.4.0 & 5.5.0). The value of shares plus deposits held by rural SACCOS was estimated at approximately US \$2.85 million. Loans as a proportion

of members' funds were 77 percent. There have been at least 830,000 members (Komba et al. 2001). ILO (2001b) reports show the concentration of membership and SACCOS in the Dar-es-Salaam, Kilimanjaro, and Mbeya Regions. The SACCOS still have close ties to primary co-operative societies (TFC,2005/2006 Annual Report).

#### **4.11.2 Pre-requisites for the Establishment of SACCOS**

A true SACCOS should have three major principles: user owner, user control and user benefits. As mentioned previously, sustainability of this type of co-operative normally depends on members' share contributions. A SACCOS having strong liquidity is a key element in its daily activities, because it is involved in using savings on one hand and also providing credit to members on the other hand. The survival of SACCOS depends on active members in regular contributions and prompt repayment of money borrowed (borrowing wisely and paying promptly). However, this is not happening in many SACCOS in Tanzania for different reasons, including that some members are not honest, and refuse to pay back money borrowed from SACCOS.

SACCOS may get funds to run their activities from other financial institutions as a grant or low interest loan which can be used to service their members. Normally it is recognised that borrowing or getting funds from outside sources will, in the long run, create a deficit balance for the SACCOS. As Green (1996) argues, apart from these two ways, SACCOS as financial organisations are eligible to transfer funds to other projects as an investment which would generate more money. This is very common when a



SACCOS has sufficient funds for its daily operation and the surplus should be invested (diversification).

#### **4.11.3 Weaknesses of SACCOS**

Some of the identified weaknesses of SACCOS in Tanzania include: few financial products - for example only savings accounts, typical for SACCOS in the Kilimanjaro region; inappropriate investment of members' savings in non-rewarding businesses, such as public transport and crop loans to a primary co-operative society with poor financial standing; lack of consistent lending policies leading to bad loans; no marketing strategy; no assessment of demand for financial services; weak technical capacity; failing to calculate pricing of products and /or maintain books. Theft and fraud are still experienced in a number of SACCOS in Tanzania and also board members are in most cases not well qualified. Munkner & Shah (1993a, in Komba et al. 2001) showed that, in some cases, board members use their positions to pursue personal objectives.

There is a vacuum in promotion of SACCOS in Tanzania and of user-owned financial institutions in general. The Ministry of Agriculture and Co-operatives is no longer in charge of promotion. Other institutions are too few and are not adequately equipped. The Savings and Credit Co-operative Union League of Tanzania (SCCULT) does not have the capacity and, if it is to survive, it has to concentrate on urban SACCOS' supervision and regulation. It is hoped that the Bank of Tanzania, in the process of developing the legislative framework and policies to regulate the microfinance sector, will not implement inappropriate rules (Kimei, 2002). The Co-operative Audit and Supervision

Corporation (COASCO), a state survivor, is not equipped to serve SACCOS effectively. Thirdly, registration and inspection: the Ministry of Agriculture and Co-operatives which is currently charged with the responsibility of registering SACCOS lacks resources to undertake registration efficiently. As a report by Komba et al. (2001) has shown, most of the SACCOS are not properly registered and are operating without a legal certificate from the registrar of co-operatives.

#### **4.11.4 SACCOS Benefits for the National Economy**

The main objective in establishment of SACCOS is to provide savings and credit services to their members. The availability of loans enables members to use funds for various activities - either in production, such as investment in businesses, agriculture and small scale enterprises which would create employment to unemployed people, or for general expenditure (household) including paying school fees, rent, electricity, etc. This is a very common style of life for Tanzanians with low incomes (see Chapter Five).

Wanyama (2007) has mentioned that “at Maseno University SACCOS in Kenya, members have obtained loans to invest in businesses and farming, not just to supplement their incomes, but also to create employment for their spouses”. Also Blyth & Wiberg (2003,p.18) have noted that “if the great majority of Tanzania’s population accomplished these savings it would probably lead to investments remaining in the region”. The move to mobilise poor people in saving their money through occupational, rural farmers and self-employed SACCOS is necessary, because the majority of Tanzanians in rural and even urban areas have no access to the services of banks. As Mavrotas & Kelly (1999)

argue, to encourage low income earners to have the saving spirit in their life style is more advantageous for the national economy, the establishment of SACCOS in the workplace, farming areas and self-employed people, and should be regarded as an economic step forward in Tanzania because this system is going to accumulate reserves of capital stock and investments and hence assist in the alleviation of poverty.

According to the life cycle theory, the working generation is the part of the population who saves the most (Mankiw, 2000 and Mutesasira, 1999). Both occupational and rural savings co-operative members are from this potentially higher saving group. Occupational SACCOS in Tanzania, however, have an advantage over rural and self-employee SACCOS, because they consist only of members with employment and thus a regular monthly income. Deposits and repayments are withdrawn directly from members' salaries, which makes occupational SACCOS more secure institutions. Rural and self-employee SACCOS in Tanzania may have clients with an irregular income, which can create difficulties with repayment. As Blyth and Wiberg (2003) argue, the development of occupational, rural and self-employee SACCOS, as well as encouraging increased savings in occupational SACCOS, might be an effective way to enhance the national income of the next generation in Tanzania, and hence help in the alleviation of poverty.

One of the studies conducted in Kenya by Verhagen (1994) concluded that SACCOS do not appear to need any grants or cheap loans from outside the co-operative sector for on-lending. To the surprise of many, he reported that "almost 1 million Kenyan small farmers have succeeded in mobilising KSh. 4 billion (US\$ 67 million) through their

SACCOS”. Moreover, with few exceptions, they finance the credit needs of their members from funds generated in the financial system they have established. The achievement comes from their own efforts by using technical advice, saving more and borrowing less. Most of the rural SACCOS in Kenya are still closely linked to formal cash crop marketing systems and their associated common bond. Their membership and clientele consist of poor people involved in the agriculture sector. He said “we talk of ‘coffee SACCOS’ as well as ‘tea’, ‘dairy’, and ‘sugarcane’ SACCOS” (Verhagen, 1994, p.23).

This picture is not similar to rural or urban SACCOS that operate in Tanzania. Formerly they were operating alongside the rapidly developing microfinance industry, which sees accessing funds from commercial banks as its ultimate goal in satisfying the credit needs of the urban and rural poor. President Jakaya Kikwete announced a TSh. 24 billion grant to SACCOS in all 26 regions over the country through his economic empowerment fund (Speech to Bankers Association 3 April 2007). The decision was made for a political motive, and not economic. It does not encourage people to be self-reliant, as many people may join SACCOS because the government has already provided funds to run SACCOS, so there is no need to save in order to borrow. SCCULT (2007, p.4) says that “first the government should educate people then people themselves may decide to establish their SACCOS by contributing shares, and not the government establish SACCOS first. The same mistake the government had made in agriculture co-operative societies in the past” (see 4.2.0 - 4.4.0).

#### **4.12.0 SACCOS in Providing Savings and Credit Services in Tanzania**

In Tanzania the concept of participation was centred formerly on the practice of demanding that communities contribute in one way or another to any activities. While the government recognises the role SACCOS play in service delivery, as noted earlier, participation as a process requires that individuals and communities must take a leading role or be given an opportunity to participate in the decision-making processes that affect their lives (Feeney, 1998). While there was considerable consultation and participation by SACCOS in providing savings and credit services before the multi-party political era, the Economic Recovery Program's (ERP's) observations contextualise the situation quite clearly. Questions may be asked as to whether or not the advent of multi-party politics has improved the manner in which SACCOS and government interact, given the claims of a decentralised co-operative management. If there is any collaboration, the fundamental questions that may be asked are in what ways, and at what level participation among stakeholders is realised and why.

When the co-operative movement was reformed by new Co-operative Societies Act No. 15 in 1991 as a means to mitigate the problems of an autonomous and free organisation, donors began to take a keen interest in ascertaining the institutional capabilities of the co-operatives, including SACCOS. At that particular time, information regarding the role of SACCOS in the co-operative sector was barely available, particularly in rural areas. The other concern was that it was becoming increasingly clear that more SACCOS were taking an active interest in providing savings and credit services. It was probably due to the reasons stated in section 4.7.0, that the Norwegian Agency for Development Co-

operation (NORAD) and others who were at that time the key bilateral donor agencies, began to conduct research studies to facilitate their decision-making.

Their studies aimed at member participation, empowerment, and gaining an understanding of the SACCOS program in savings and credit services and assessing the needs and capabilities of SACCOS in credit services. Furthermore, the studies examined the potential for expanding SACCOS' role in providing savings and credit services in unserved rural areas and low income people in urban areas. The study revealed that poor people have no access to loans from formal financial institutions in rural or urban areas and most of the SACCOS have been established in urban areas, particularly in workplaces, and not in rural areas where many people depend on agriculture. This role, which in essence is already that of SCCULT, may explain the problem of coordination among SACCOS in Tanzania. However, as mentioned in Chapter One, the SACCOS sector in Tanzania is still developing and lacks experience and coordination mechanisms. SCCULT, despite being an umbrella organisation of the SACCOS, lacks such skills, consequently resulting in each and every SACCOS doing things its own way.

#### **4.13.0 SACCOS Collaboration With Other Stakeholders**

Collaborative partnerships between SACCOS and government in the period from 1961 to 1991 are not applicable because of the co-operative policy that existed in this period (i.e that the co-operative organisation was operating as a government organisation and not independent). The call for coordinated collaboration was far more pronounced in 1982 when the government reinstated the co-operative movement under the new Co-operative

Act of 1982. Collaborative partnerships in savings and credit services in the post 1991 era have taken a different course, with the government more tolerant, and with looser regulatory monitoring mechanisms. Despite this, the uncoordinated efforts between the SACCOS and government have resulted in duplication of effort or conflicts on the one hand, and on the other the potentiality for SACCOS to provide savings and credit services to poor or low income people not being utilised and remaining unknown in rural areas.

The effectiveness and efficiency of SACCOS contributions to development in general may depend on a number of factors including collaboration between SACCOS in Tanzania. This issue has resulted in debate. Currently, SACCOS operate with three categories of member. The first category is the SACCOS at the workplace. These are SACCOS where the members are employees in the organisation. The second category is the SACCOS operated by self-employed members in urban areas, and the last category is the SACCOS operated by farmers in rural areas. So far the effect and importance of this division has not been questioned. For example, the discussion of whether or not experience has any bearing on their programs, managerial skills or the manner in which they collaborate with other stakeholders is virtually absent in Tanzanian development literature. However, it has to be noted that both the established and emerging SACCOS in Tanzania are predominantly donor-dependent in their resource mobilisation (see section 4.11.4). In some cases SACCOS receive their funding through political leaders or intermediary organisations. This raises the question of the nature of collaboration and partnerships (see section 4.10.3). There are a number of issues surrounding sector

networks. Although these are viewed as vehicles for facilitating coordination and collaboration among SACCOS, one key aspect that has remained elusive is the degree to which individual SACCOS within the network share their values and ideologies, which are presumably based on their missions. Furthermore, the fact that SACCOS, like other co-operatives in Tanzania, operate in a political environment, raises the question of the extent to which these sector networks influence government processes. Perhaps key to the whole argument are the consequences the sector networks will have on other networks, not only within the SACCOS community, but also within the private sector. SCCULT as a coordinating body has not made the effort to strengthen collaboration and coordination among SACCOS. It is within this context that we have also raised the question of whether government policy will facilitate collaboration between and among SACCOS on the one hand, and government on the other, and if the policy will facilitate the principles of democracy and members' empowerment in SACCOS.

#### **4.14.0 Conclusion**

Despite considerable achievements registered by the government in the field of co-operatives, the socio-economic and political landscape within which the Tanzanian co-operative system operates poses numerous challenges which require concerted efforts between government and other development partners. This chapter is based on the assumption that co-operative societies can play a crucial role in mitigating poverty. In this regard, policy reform can be meaningful if other stakeholders participate at every level of the development intervention. Given the nature of the co-operative sector in Tanzania, the manner in which this could be achieved is not as simple as one might



expect. The emerging co-operative culture in Tanzania requires that both co-operatives and government understand the dynamics which are at play between them. This will not only foster trust and cohesion but also facilitate understanding that may be required as both government and co-operatives implement programs in local communities.

As the need for partnerships becomes an inevitable reality, such partnerships cannot be established if there is no appreciation of the limitations of each party. Tanzania's major task at hand is to establish the co-operative sector network in alliance with the SCCULT, government and the Tanzania Federation of Co-operatives (TFC) which should, in turn, play a facilitative role in strengthening cordial relationships between government and SACCOS, and other types of co-operatives.

## **CHAPTER FIVE**

### **SACCOS MEMBER PARTICIPATION AND EMPOWERMENT IN TANZANIA**

#### **5.0.0 Introduction**

The first findings of the study are presented in this chapter which begins by providing background information on the participants and proceeds to the presentation of the results. The major purpose of this study is to critically examine the nature of, and extent to which, Tanzanian co-operatives (SACCOS) and their environment facilitate the participation of their beneficiaries in savings and credit services and their current collaboration with other financial institutions in the provision of savings and credit services to low income people in the working place, and to rural farmers and the self-employed in Tanzania. The study seeks to develop a sound understanding of both the internal and external dynamics which are at play between and among co-operatives (SACCOS) on the one hand, and government, local community and local governance structures on the other, and the extent to which these dynamics facilitate and contribute to effective savings and credit services for low income people in Tanzania. The results from the three cases are presented and critically discussed with particular emphasis on how each of the SACCOS engages its members in participating in the identification, implementation, monitoring and evaluation processes. In each case a critique of how their practices reflect their missions, visions and objectives is presented.

### **5.1.0 Services Provided by the Three Case Study Organisations**

In Tanzania the SACCOS has been used by many people as a main source of funds. In this study, members were asked where they obtain funding for their activities, such as business, farming and operating small scale industries, etc. In answering this question more than half responded that they borrowed money from their SACCOS. The reason behind their decision was that it is very easy to get a loan from a SACCOS rather than from any other financial institution such as banks, Pride Africa or elsewhere (see 5.2.1 to 5.2.3). As one member involved in our discussion said:

*“We are not poor as other people normally they use this word. We have no access to financial resource as other people have, because these financial institutions are not willing to provide loan if you have no security bond (mortgage). In SACCOS what they want to know about membership, shares and if you have no loan then you get approval. SACCOS at a time we are getting two or more services, first savings, secondly they provide loan and finally education to members”.*

Consequently, SACCOS have made a contribution in the education sector by providing loans to members for tuition fees and other facilities for their children. SACCOS provide loans to their members for medical treatment, burial expenses and unforeseen problems such as flood water damage, and to farmers affected by bad weather.

#### **5.1.1 Savings Services**

People with low incomes in Tanzania are usually not saving money in banks, because it takes more time to process and also if they need to withdraw funds it must be for a genuine reason. They believe that banks are there for rich people who have surplus money. Normally most of the poor people have traditional methods of saving their money safely, such as “lending to family, friends or neighbours to be able to borrow when

needed”. SACCOS in Tanzania provide both savings and credit services to members. As a Lumumba SACCOS member (5) said:

*“Normally in our SACCOS the high-income period is during July to December. Many services in our SACCOS suffer from instabilities caused by seasonal variations in income and expenditure and highest returns are around Christmas which leaves the SACCOS without enough cash for the other months of the year. If the member has no savings this means major risks in paying for health care and unpredictable expenditures, normally we are encouraging all members to operate deposit and share accounts to enable them to solve their problems in case of emergency”.*

Savings are important to every human being in order to deal with transitions such as education, marriage, birth of children, retirement preparation, and funerals. All these need to be foreseen by making provision in advance for the future. Members of SACCOS are funding these services through their SACCOS, as explained by one Kilimani SACCOS member (13) who said that:

*“Our SACCOS providing these services to a member depends on the shares and deposit he/she has contributed. This is the main factor which could be taken into consideration to get loans, some of the member they are not honest to repay their loan promptly, we have decided to impose a penalty to those who delay payback their loan with no genuine reason. We have made this decision due to the problem of loans delinquency, it happened because most of our members are self-employed and we have no direct payment from their accounts”.*

These are the main services provided by the Kilimani SACCOS, Lumumba SACCOS and NSSF-Employee SACCOS.

Solow’s growth model posits that “all growth models are based on the notion that capital accumulation increases growth, and that savings is a key determinant when accumulating capital in a country”. The Solow growth model also shows “increased savings leads to a temporary period of faster growth but eventually the economy reaches a new steady state (long run equilibrium)” (Solow, in Blyth & Wiberg, 2003). An example is the following statement from a Lumumba SACCOS member (32) who said that:

*“Initially I established my business by small amount cash in hand, it was very*

*hard to run them smoothly with small amount of working capital. Later on I got advice from my friend that I have to join SACCOS if wanted to improve my business. I joined SACCOS in 2001 and after three months I was eligible to get a loan. Year 2002 I had borrowed six millions shillings (TShs 6,000,000/=), for the first time I was been able to run my business very efficiently and now I have a capital of more than twenty millions of Tanzanian shillings (TShs 20,000,000/=). To me this is a great achievement in my life and I have decided to open deposit account at SACCOS. I have an access to solve family problems through SACCOS, I have been advising my friends and other people to join SACCOS if they want to improve their income, hence standard of living”.*

Many SACCOS established in the 1980s and 1990s in Tanzania were administered by government officials and as a result were not able to help many poor people in rural and urban areas in Tanzania. For example, workplace SACCOS in that period (1980-1990) were often not able to provide loans to their members due to a shortage of funds, because many of the employers were not honest. Employers were acting as agents, they were deducting money from their employees’ salaries and delayed submitting funds to SACCOS as agreed, resulting in poor services to members and many members deciding to withdraw their shares and deposits. The majority of SACCOS members are happy with the services provided by their SACCOS. One NSSF-Employee SACCOS committee member (11) said:

*“Our SACCOS always has enough funds available to make loans, it takes short time to approve and give out loans, it is not like Banks which require fixed assets mortgage to get loan. Some SACCOS frequently do not have enough money on hand to make a loan so the member has to wait. Most of members have been involved in long term projects, like house building, education, agriculture and small shops. They know how to save then borrow a big amount in order to establish, expand, or to develop their project. No loans delinquency, because members’ savings and repayments are directly withdrawn from their salaries or business accounts every month”.*

### **5.1.2 Borrowing Services**

The NSSF-Employees SACCOS, Lumumba SACCOS and Kilimani SACCOS, our three case studies, are providing different types of loan services to their members. These loans depend on the needs of members and the value of the loan he/she wants to borrow and the share contribution or deposit he/she has in the SACCOS account. Some of their members

were demanding more and different services than can be provided by their SACCOS. However, the improvement of services provided by SACCOS nowadays has changed their image and projects credibility to potential new members. A co-operative official (9) has confirmed that:

*“The number of new members has increased and members who have taken out loans has been an unambiguous increase in the proportion of borrowing members. For example, the number of members reporting they have house loans or home improvement loans from SACCOS is over 60 percent. So the number of members with personal loans and education loans from SACCOS also has increased particularly in the three years from 2003-2005 as you can see in our annual report. This indicates that our SACCOS services has improved general capacity to lend, in particular to make larger longer term loans such as houses and business loans”.*

The financial services that SACCOS make available in the country in urban and rural areas are unique for low income earners. The establishment of many new SACCOS in the country is a signal showing that many people have discovered the importance of being members of a SACCOS. One good example is the Dar-es-Salaam, Lumumba SACCOS which has introduced a new service of “deposit and withdraw” for SACCOS members and other people who want to open a savings account, such as banks provide.

### **5.2.0 Kilimani SACCOS - Services Provided to Members and Society**

The Kilimani SACCOS deals with the provision of loans and savings. It services four villages: Toangoma, Kibada, Kongowe and Mwandege. Over 79 percent of the members are farmers. By December 2003, 125 members had received loans; of these recipients, 72 were female, 48 were male and there were 5 female groups. Loans were issued for business, farming, education and various emergency problems. These loans have helped to improve the livelihood of the members of the SACCOS. Table 5.1 shows the extent of loans taken by males, females and groups in the respective villages and Table 5.2 shows the financial services offered by the Kilimani SACCOS. Members who operate semi-

subsistence or commercial farms mostly came to SACCOS for financial assistance. When explaining about loans, one of the Kilimani SACCOS committee members (13) said that:

*“More than 80 percent of the members are farmers, and special repayment terms may need to be applied to farm loans since farmers receive the bulk of their income in lump sum payments at harvest time, rather than at regular monthly intervals. So the SACCOS must have categories of repayment of loan, depending on the type of activities, such as farming, business, self-employed etc”.*

**Table 5:1 Loans Issued From 2001-2005 at Kilimani SACCOS in the Respective Villages**

Village	Male	Amount (Tshs)	Female	Amount (Tshs)	Groups	Amount (Tshs)	Type of Loans
Kongowe	12	140,000	8	30,000	1	-	Agriculture
Kibada	15	260,000	8	40,000	2	60,000	Agriculture/ Business
Tuangoma	20	360,000	19	140,000	1	-	Agriculture
Mwandege	25	305,000	13	430,000	1	27,000	Agriculture and short term business

**Sources: Kilimani File 2006**

**Table 5:2 Financial Services From 2001-2004 for Kilimani SACCOS**

	Shares@ Tshs 10,000	Deposits @Tshs 5,000	Savings	Entrance fees@ 2,000	Loan fees	Loan	Interest
Kongowe	239,000	22,000	6,000	124,000	-	-	-
Kibada	225,000	-	-	57,000	-	-	-
Tuangoma	324,500	155,000	94,000	73,000	-	-	-
Mwandege	49,000	40,000	-	-	-	-	-
Income from services	-	-	-	-	-	-	-
Dec.2005	1,784,509	652,000	100,000	All	120,000	2,912,000	456,250

**Source: Kilimani SACCOS File 2006**

### **5.2.1 NSSF-Employees SACCOS - Services Provided to Members Only**

The NSSF-Employees SACCOS deals with the provision of loans and savings. It provides services to National Social Security Fund (NSSF) organisation employee

members only. Table 5.3 below indicates that the number of members taking loans increased up to 2005. Many members took out loans in 2005. This was due both to the increase in new members, which led to an increase of savings and deposits, and to no loan delinquency occurring in 2004.

**Table 5:3 Types of Loans Issued by NSSF-EMPLOYEES SACCOS 2001-2005**

Type of loan	Agriculture	Business	Education	Home	Emergency (e.g funeral)	Total
2001	23	56	74	39	106	298
2002	31	79	92	56	284	542
2003	42	150	128	92	278	690
2004	48	213	132	121	198	712
2005	73	439	174	148	866	1,700
Total	217	937	600	456	1732	3,942

**Source: NSSF-EMPLOYEES SACCOS File 2006**

The major factor to take into consideration when assessing the performance and efficiency of SACCOS is the quality of services provided to their members. As one NSSF-Employees SACCOS member (20) said:

*“Our SACCOS services all kinds members only, holds frequent members’ meetings to discuss SACCOS developments, and educates members on the importance of savings and borrowing, that is, “borrow wisely and pay promptly” is our SACCOS’ slogan. Five years back we had so many problems from members who were not saving so much and they want to borrow large amount of money contrary from SACCOS’ constitution. Now days financially we are so good due to members’ awareness we are very closed with management and committee members to know what happen”.*

A SACCOS, as a co-operative organisation, is by its nature a school of democracy which unites people through membership. They meet at the Annual General Meeting once a year to discuss issues regarding their SACCOS. Through this kind of cooperation they get to know each other, and are more likely to obtain assistance when needed. SACCOS members have many advantages provided to them, since apart from saving, and lending money, there are also some commitments for which SACCOS may take action, including



education sponsorship, legal references, verification of records to other financial institutions such as Co-operative and Rural Development Bank (CRDB), National Bank of Commerce (NBC), National Microfinance Bank (NMB), etc (see appendix M) (Kimei, 2002). A SACCOS member can obtain more services from other organisations, as mentioned above under the umbrella of SACCOS. As a government official (9) and an NSSF-Employees SACCOS member (51) explained:

*“Occupational SACCOS like “NSSF-Employees SACCOS” are being more successful than rural SACCOS such as “Kilimani SACCOS” or urban self-employee SACCOS such as “Lumumba SACCOS”. Therefore with some improvements occupational SACCOS could function as a good model for other SACCOS in the country”.*

*“I was been looking for sponsorship to under go undergraduate degree at Tumaini University, my employer refused to support me for the reason that no sufficient fund. I requested SACCOS they agreed to provide full sponsorship for three years”.*

This view has been proved by NSSF-Employees SACCOS (occupational SACCOS). Their financial report, audited and approved by the Co-operative Audit and Supervision Corporation for the period of 1992-2002, shows that NSSF-Employees SACCOS has been doing well. Table 5.4 shows the increase of members’ shares, loans to members, members’ savings, retained surplus, and net worth. In Appendix N the balance sheets as at 31st December 1993 and 2003 are attached showing the success of the NSSF-Employees SACCOS for the ten year period (NSSF-Employees SACCOS File, 2006).

**Table 5:4 Value (Tshs) of Type of Services Offered by NSSF-Employees SACCOS**

<b>Year</b>	<b>Shares</b>	<b>Loans</b>	<b>Savings</b>	<b>Surplus</b>	<b>Net Worth</b>
<b>1993</b>	52,050,257	52,917,340	810,000	6,387,586	60,305,275
<b>2003</b>	95,740,000	864,393,530	709,129,453	33,990,710	232,432,752

**Source: NSSF-Employees SACCOS File 2006**

### 5.2.2 Lumumba SACCOS - Services Provided to Members and Society

The success of production/services in the Dar-es-Salaam region community depends on financing that can facilitate marketing, provision of inputs and basic needs for the farmers, self-employed and low income employees. The SACCOS are mainly dealing with the provision of financial services. The Lumumba SACCOS does business/services for members and non-members and over 85 percent are self-employed. Non-members keep deposits and also withdraw them. Members have increased by more than 200 percent as shown in Figure 4. The members are males, females and groups. This drastic increase is related to the location of the SACCOS, which is near a local central market, the “Kariakoo Market Corporation”. The increase in women’s membership is higher than that for men, indicating that the business of SACCOS takes into account women’s interests. Another reason is the SACCOS office’s location at the local market where most of the women are engaged in retail trade. Generally, people who participated in the study have seen the importance of participating in the SACCOS services in order to improve their activities by saving and then borrowing, as one Lumumba SACCOS member (4) said:

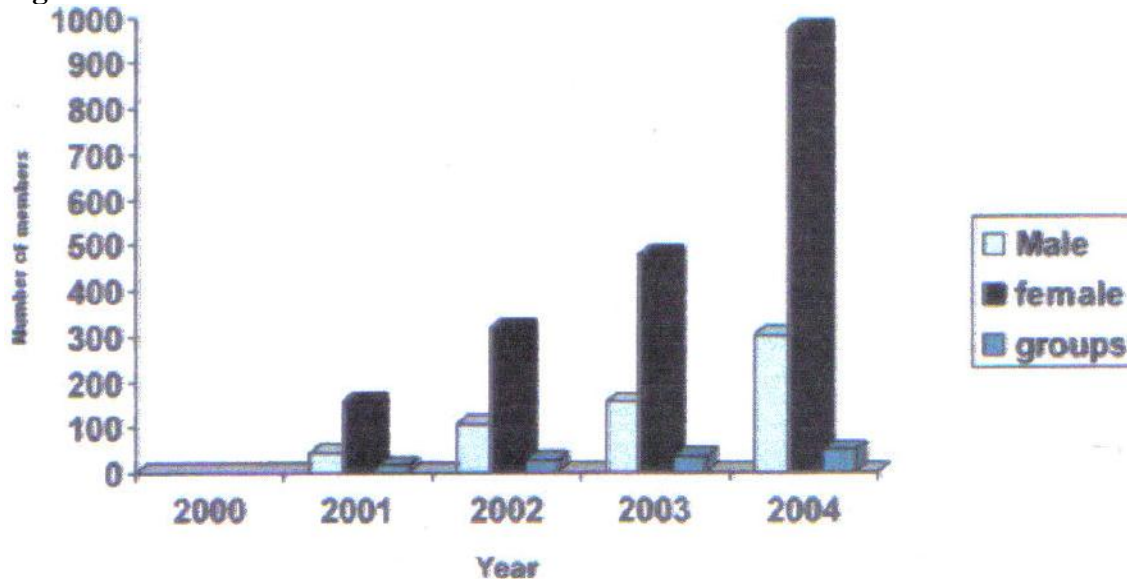
*“SACCOS is our spear arm for small scale businessmen/women, it helps us in several things, including capital for our business. Five years back I had no bank account, no savings, no deposit, but since I joined SACCOS in the year 2003, I have improved my business, I have savings and deposit, accounts at SACCOS, I borrowed five million (Tshs.5 mil.) I managed to repay the whole amount and I am doing well in the business. Thanks be to God”.*

Some of the programs Lumumba SACCOS implements in order to tackle poverty and alleviate the suffering of the masses in its region include providing co-operative education to community members, providing market skills education to small-scale producers, providing guidelines on financial management, and education on effective loans. The program involves other institutions such as the Savings and Credit Co-

operative Union League of Tanzania (SCCULT), Co-operative Union of Tanzania (CUT), Co-operative and Rural Development Bank (CRDB), National Microfinance Bank (NMB) (Rothchild & Whitt, 1986, in Kimei, 2002). These institutions are all involved in promoting low income earners in their programs which, varied as they are, reflect a holistic approach as mentioned earlier, and are specific to the complex needs of the beneficiaries. This study seeks to understand the facilitative role of the co-operative organisation, and due partly to time constraints, a narrow focus on one major program that was in line with the purpose of the present study was preferred. Thus, “development through co-operatives”, hereafter referred to as development through SACCOS, was studied. The presiding chairman of Lumumba SACCOS has mentioned:

*“The increase of members in our SACCOS indicate that people discovered the advantages they get from SACCOS compared to other financial institutions. As you can see in our file, the annual financial report shows that from 2000 to 2004 there were many new members who joined our SACCOS. As Chairman, this is a great achievement and it is a challenge for the coming management/administration in future”.*

**Figure 4: Members of Lumumba SACCOS From 2000 - 2004**



**Sources: Lumumba SACCOS Files 2006**

The increase in members goes hand-in-hand with the amount of shares and distribution of loans as displayed in Table 5.5 below.

**Table 5:5 Amount of Shares, Deposits, Loans and Dividends of Lumumba SACCOS From 2000-2004**

<b>Year</b>	<b>Shares</b>	<b>Deposits</b>	<b>Loans</b>	<b>Dividends</b>
2000	5,527,000	-	-	-
2001	34,857,000	-	-	3,475,000
2002	48,217,000	-	-	28,880,000
2003	153,073,194	-	-	46,230,737
2004	169,877,039	130,343,384	449,995,600	50,963,581

**Source: Lumumba SACCOS File 2006**

One of the documents revealed in the Lumumba SACCOS files (2006) shows a declaration from one of the annual general meeting reports, one part stating that:

*“Each member is supposed to contribute at least one share of TShs. 10,000/=. By the end of 2005 the capital of our SACCOS should rise to TShs. 200m . This amount would help our members who want to borrow large funds for development, actually this is possible, we can do it”.*

Members with small-scale businesses borrowed money from SACCOS in order to purchase new stock, and to run their activities. They have been provided with relatively small loans, and the payback period depends on the share contribution of all members among self-employed and low income employees in rural and urban areas in the Dar-es-Salaam region.

### **5.3.0 Member Participation and Empowerment in the Three Case Studies**

The move to form SACCOS in Tanzania is growing, particularly for low income people. What SACCOS actually do should reflect their initial plans. Whether their programs are implemented in totality or partially is an issue for debate. However, in an ideal situation, the visions, mission statements and objectives guide what the co-operative society sets

out to achieve. The implementation of the savings and credit co-operative societies in the three cases varied according to the areas of focus. Although it is beyond the scope of this study to examine in great depth the current co-operative practices in terms of savings and credit services development and delivery, it was vital to understand how the beneficiaries participated and were empowered in their identification, development and implementation.

### **5.3.1 Kilimani SACCOS - Member Participation and Empowerment**

The Kilimani SACCOS is in the Temeke rural district in the Dar-es-Salaam region and located some 25 kilometres south of the city of Dar-es-Salaam (see Figure 2). Kilimani covers a farming area with a total of 51 square kilometres, and population of 1,250,000, 58 percent of whom are females and 42 percent males (Kilimani SACCOS Survey Report 1995 and GoT Census, 2000a). It has a total of five villages. One of the major challenges for credit services and development in Tanzania is planning and implementation (GoT, 2000a; UNESCO, 1998, Green, 1996). While the centre of the problem relates to the way local community members participate in the initial planning of the projects that are intended to alleviate their poverty, government dominance in the planning process is widespread. The case of Kilimani SACCOS is an example that supports the argument above, and also as explained by one of the Kilimani SACCOS members (5) who said:

*“In Kilimani we have decided to establish a SACCOS in our community, after the community members had presented the project to the District Co-operative Office. Temeke Municipal Council is responsible for the distribution of development project at the District. But on the other hand, the District Co-operative Officer had another project, which was a “transport co-operative society” and not a SACCOS. We as Kilimani community members indicated our plan to initiate a SACCOS project in the ward”.*

The proposal choice explicitly states and affirms that the Kilimani society shall be in the forefront in the implementation process. It further states that “the program will have committees for all the key sectors. These committees will plan, implement and monitor the activities of each sector” (Kilimani SACCOS file, 1997, p.iv). The role of the District Co-operative Development Office (DCDO) in the co-operative development process is to oversee that co-operative development activities are implemented in a well-coordinated manner and are fully prioritised according to members’ needs. The common trend, however, has been that all projects that are planned under the DCDO are generally implemented in a top-down manner with the beneficiaries only consulted when pertinent decisions have already been made. This tokenistic and representative participation (Lewis, 2001; White, 1995) is reflected in the manner in which the Kilimani SACCOS was identified.

Considering the internal and external factors the co-operatives have to deal with, the good management of co-operative programs is essential. As further observed by Burkey (1993 in Banturaki, 2000), self-reliant participatory development entails taking control of development resources intended to foster beneficiaries’ wellbeing. From its program design proposal document, Kilimani SACCOS’ management of the savings and credit services program is based on a number of criteria, as a co-operative official (4) said:

*“The co-operative caretaker committee will be formed from representatives. These committees will manage the affairs of the SACCOS with support from a co-operative official who will be on the ground. The community will therefore participate at all levels of decision-making, monitoring and evaluation through the various committees, apart from contributing a share where it is called for”.*

Participation in the identification and implementation of development programs is effective when beneficiaries are involved in the management process of the programs.

For example, in credit co-operative societies, some sectoral committees may be responsible for loan recovery, while others may solely be concerned with members' welfare. Like the co-operative offices, there are various committees identified through a consultative process including the co-operative development team and the Kilimani SACCOS members. Each committee is responsible for a particular activity of the program. Some of these sector programs that the co-operative implements are agriculture, income generating activities and community access. The credit services sector program was examined as it suited the purpose of this study. The major goal of the savings and credit co-operative society in Kilimani is to improve earnings for low income earners and promote a sustainable improved quality of standard of living for all members (Kilimani SACCOS file, 1997).

Kilimani SACCOS as a co-operative has more experience in community development than the NSSF-Employees SACCOS and the Lumumba SACCOS, so the Kilimani Co-operative provided more detailed insights into participatory monitoring and evaluation. The analysis of this section is based on documentary evidence supplemented by interviews with Co-operative staff. There are similarities and differences in the views from within this case but also across the other cases. From a documentary perspective, it is made succinctly clear in the Kilimani SACCOS design proposal document that during the life span of the program, monitoring and evaluation would be conducted by both the District Co-operative Development Office (DCDO) and Savings and Credit Co-operative Union League of Tanzania (SCCULT) officers through field visits and follow-ups. In addition, monthly and quarterly staff and committee meetings would constitute part of the

process. The document also emphasises co-operative education for members of the community to be able to effectively participate. As in the NSSF-Employees SACCOS and the Lumumba SACCOS, both internal and external evaluators would be engaged to assess the impact. This has been shown in the Kilimani SACCOS Constitution Document (1997, p.44), which states that:

*“SACCOS monitoring activities will be done continuously to assess progress. This will be done through the District Co-operative Office. At the SACCOS, staff meetings and committee member meetings conducted on a monthly and quarterly basis will help to review the progress taking place and make necessary adjustments accordingly. Members of the SACCOS will be trained in co-operative education in order to enable them to monitor activities in the course of the implementation. Monthly and quarterly progress reports will be prepared and submitted to relevant offices to provide feedback. At the end of the year, auditing will be conducted by COASCO as an external evaluator after twelve months of activities of the SACCOS and the report will be submitted to the general meeting involving all members of the SACCOS”.*

A number of strengths and weaknesses in the monitoring and evaluation policies of the Kilimani SACCOS can be noted from the quotation above. While there is indeed a clear mention of formative and summative evaluation, the major part of the monitoring and evaluation is from above, that is from the management team and district level. This particular scenario resembles the NSSF-Employees SACCOS and the Lumumba SACCOS evaluation models and concurs with assertions by Escobar (1995), Chambers (1997), and Nyamwaya (1997) that part of the co-operatives' weaknesses is their failure to acknowledge and utilise local knowledge as well as recognise local people's potential. Facilitation of participation entails relinquishing power and empowering the committees to take a leading role in the co-operatives. Furthermore, there is no clear indication of what is monitored and evaluated nor the method(s) employed. For example, the policy above talks about capacity building of co-operative members through co-operative education training, but fails to mention what their roles are or will be, or the manner in which they will participate. Given the absence of fundamental guidelines in the proposal



constitution of the co-operative, it is not surprising that there were conflicting reports on monitoring and evaluation in practice.

Furthermore, there is a dearth of detailed analysis and critique with regard to member participation in the whole process of their SACCOS. In all three annual reports made available during the research (DCDO-Annual Reports for financial years 2000, 2001 and 2003) the monitoring and evaluation of rural co-operative and SACCOS components is usually summative rather than formative. The focus is on the establishment of more co-operatives as reflected below by the Kilimani SACCOS Committee Chairman (1):

*“You know, after a year, the establishment of our SACCOS at Kilimani was completed. The community involvement in the establishment through provision of entry fees and initial shares has attracted the Nordic Co-operative Development who have also contributed funds to the SACCOS. In the area of loans the SACCOS was unable to start providing loans to members due to cash flow problems. Much effort was therefore put into completing financial year 1999 activities and monitoring the impact of the co-operative activities on savings and credit services in our ward”.*

In all of the above, the reporting by the co-operative officers dwells primarily on what has been achieved rather than how it has been achieved. This reflects Cracknell’s assertion that co-operative reporting lacks attention to the challenging aspects but rather dwells on self-praise (Cracknell, 2000). The above evidence also confirms the view that participation by beneficiaries of development falls short of transformative values (Myers, 1999). Rather, what the case reveals is instrumental participation (Lewis, 2001; White 1995, and Makuwira, 2004) where the participants become “a resource” rather than “a partner”. In other words, the reality is that policy versus practice reflects a sharp contrast in how the values of participation are dealt with.

### 5.3.2 Kilimani SACCOS - Co-partnerships

Fowler (1997) and Lewis (2001) argue that mutuality, clearly defined expectations, accountability and transparency are fundamental principles of effective partnerships. These principles are founded on shared mission and objectives (Hulme and Edwards, 1997, p. 47). A documentary analysis of the Kilimani SACCOS' co-partnerships seems to mirror the fundamental principles governing effective partnerships. First, the way other co-operatives have been reflected in the proposal explains this argument. According to this document, the other co-operatives are organisations with whom to liaise, that is, collaborate and share information.

The evidence below does provide some clues as to the Kilimani SACCOS' sensitivity to duplication of effort as previously noted by Kakatera (2000) and Wangwe (2004). On the other hand this view also suggests that, while the partnership may be there, it serves one particular purpose, that is, "soliciting means of maximising Kilimani SACCOS' resources...". This is not only an indication that the degree of partnership is not necessarily guided by the principles noted by Fowler (1997) and Lewis (2001) but also reflects a limited knowledge of the merits of partnerships. It is indicative of the ad hoc and sporadic partnership that is not founded on the principles of common concern but rather one that is temporary, informal and based on economic benefits, as was indicated in the Kilimani SACCOS annual general meeting file of 1999:

*"The Kilimani SACCOS Manager will oversee all administrative and operational activities and will continuously liaise with government, other co-operatives and the members to solicit means of maximising resources in the SACCOS... will also invite other co-operatives working with our SACCOS...to forums where progress of activities will be discussed to reduce the risk of duplicating each other's efforts".*

The interview data provided further insights into the nature of partnerships between the Kilimani SACCOS and other co-operatives in the Dar-es-Salaam region. Discourses of participation seem to dominate the co-partnership debate. For example, during a conversation with two of the management team, it was clearly demonstrated that the Kilimani SACCOS, as a co-operative, has high regard for partnering with the co-operatives. “We work hand in hand with the co-operatives. We involve all of them from take-off to the orientation and the whole process” said a co-operative official (5). In addition, the Kilimani SACCOS’ recognition of the role other SACCOS play in the Dar-es-Salaam region is noted in their joint support to the communities.

The views expressed below provide two possible explanations of the nature of the co-partnerships the Kilimani SACCOS engages in. First, there is selective partnership based on their common bonds. This is clearly seen in the Kilimani SACCOS closeness to the co-operative organisations, unlike the finance organisations such as the Co-operative Rural Development Bank (CRDB) and National Microfinance Bank (NMB). In both cases, it is not clear as to whether the co-partnerships are authentic or not. Phrases like “sometimes we share the provision...” are indicative of the unbalanced partnership as described by Lewis (2001), due to either the lack of proper scrutiny of the underpinning meanings in the development discourse or due to the uncertainty over whom to partner with. This could also be due to the cynicism among co-operatives caused by fear of being subdued and coerced, and so compromising their legitimacy and missions (Hulme & Edwards, 1997). The Kilimani SACCOS committee chairman (1) and Kilimani SACCOS staff manager (1) explained the above situation, saying:

*“Savings and credit services are involving money and people, and need good and qualified management. For this reason, many commercial banks and other financial institutions have restricted the conditions for customers applying for loans to avoid a loss. At SACCOS we are flexible, we can work with any other financial organisation in order to fulfill the needs of our members because SACCOS is not profit oriented, it is providing a service to members and others in our community and society. So if a SACCOS needs more opportunities it should open the door to other financial institutions: that is what we have done”.*

*“It is not only Kilimani SACCOS that is solely providing savings and credit services assistance to the communities, there are other financial organisations like Pride Africa, Co-operative Rural Development Bank (CRDB), National Microfinance Bank (NMB). So sometimes we share provision of support but we have no direct contact like SACCOS”.*

### **5.3.3 Kilimani SACCOS - Government Partnerships**

The partnership between Kilimani SACCOS and the government is initiated from a policy perspective. In other words, the Kilimani SACCOS’ role is complementary to government priorities. Beyond performing a complementary role, the model of partnership in the Kilimani SACCOS is also in symmetry with its philosophy and to a greater extent, its vision. For example, the degree of consultation about matters of needs assessment reveals that a greater proportion of people are involved in the discussions. However, the question still lingers as to the participation by other stakeholders on the initial data collection exercise. One of the Kilimani SACCOS members (5) has said that:

*“We have been involved in the processes with all stakeholders in the communities, that’s the co-operatives and other organisations, Government departments, and all major institutions”.*

Another point that the literature is silent on, but which has emerged from this research, is the aspect of conflict resolution during the partnership process. There is a significant indication from this study that Kilimani SACCOS does espouse this aspect quite considerably as part of its effort to establish effective partnerships with government. Kilimani SACCOS, being an experienced organisation working on a large scale, has wide ranging experience in working in different types of co-operative. As such, it is not surprising that it is aware of the fact that conflict can occur and it is the obligation of the

organisation to try to diffuse any tension in a professional manner. Furthermore, evidence demonstrating joint planning with government as a dimension of their partnership is noted in the process of identifying new activities that SACCOS need to establish for their members. Although Kilimani SACCOS primarily provides credit services, it recognises the importance of sustaining their programs. Like NSSF-Employees SACCOS, where a partnership was noted from the perspective of training, Kilimani SACCOS has also improved its partnerships from that viewpoint, as maintained by one of the District Co-operative Officers. This can be seen in the remarks by one of the co-operative officials (5 and 6) and also Kilimani SACCOS staff (10 and 16).

*“Bandari SACCOS is the only one in our district, what they do is in line with government policy because recent government policy in SACCOS has been access. And we saw Kilimani SACCOS establish new services and then we sort of moved a little from access to quality of loans provided to their members, including farming implements and inputs, small scale industries equipments, initial capital for business activities, and banking services to their members. And we just saw that Kilimani SACCOS is also going in that direction. As I look at it, I see them as being in line with government policies”.*

*“I would say that whatever we do we work closely with them. If there are issues where we disagree we deal with them together. If there are certain things that are outside our area we alert them so that they can look into them”.*

*“We work with the Ministry to identify staff that we employ and pay on a temporary basis. Now after a year the Ministry of Co-operative Development took over to train the staff at Moshi University College of Co-operative and Business Studies and when they come back we employ them as permanent staff”.*

*“There is collaboration. ...in co-operative development, co-operative mobilisation, co-operative education and co-operative empowerment so that people undertake progress and the like and they don't choose who, it's anybody in the society to facilitate co-operative development and get involved. ...So, however to assist those people, we work hand in hand because nowadays its not a one man show. ... Now if we are to mobilise a society's members for action, we have to work with them to help us to mobilise people for action. If they want to establish a new co-operative society, the staff should be trained. So essentially there is a significant collaboration among various development partners in this case”.*

### 5.3.4 Kilimani SACCOS - Co-operative Officials' Views

One of the major trends that emerged from the interviews with the co-operative officials in the three case studies is the manner in which their views reflect or deviate from the organisation's mission and or objectives. However, despite this, co-operative officials' views on how the beneficiaries are incorporated in the decision-making process in the identification and implementation of savings and credit co-operative society programs in Kilimani seem to be consistent with the co-operative project proposal objectives. This is reflected by one of the co-operative officials (3) who succinctly outlined his role in the organisation with regard to facilitating the participation of the beneficiaries:

*“Our role is to uphold the philosophy of ownership of the savings and credit co-operative society as reflected in the proposal document. Therefore in our facilitative role, the final thing we do is to consult the potential member on what they consider to be their priority needs, not our needs. From there we then organise meetings with the members to discuss modalities of implementing the programs”.*

Furthermore, two other officials highlighted similar sentiments, emphasising the need for active participation in the decision-making process, albeit one expressed concern over the influence of politicians in the process: “Our approach to development is to see that each and every member in the SACCOS is given an opportunity to contribute to the decision-making process of the programs intended to alleviate their problems. Although we know that politicians have an influence on our projects, we try as much as possible to provide every opportunity for the beneficiaries to identify the programs and that we facilitate the establishment and implementation process”, said a co-operative official (2).

The views expressed by the three co-operative officials above provide some important clues about the value some co-operative societies imply in engaging in transformative participation. The consultative processes as highlighted in the Lumumba SACCOS reflect

a people-centred view of development (Brohman, 1996; Voorhies, 1996). However, while these discourses seem to indicate the presence of a high level of participation, less is known about how active members are in the planning processes. Drawing from experience in visiting some of the co-operative developments in Tanzania, having people decide on what kind of programs are adopted does not necessarily mean that the local people have access to the planning processes. This is when the resources needed to establish the co-operatives are in the hands of the organisations and they have to account for every expenditure if monitoring devices are in place. However, Kilimani SACCOS, being an experienced development society, seems to demonstrate extreme awareness of the need for autonomous development at the identification and implementation process.

The views of other stakeholders argue that one of the major impediments to community development is the lack of resources. It is not uncommon therefore to find that the current development programs require some kind of contribution from the beneficiaries. White (1995, p.118); Lane (1995) and Larsen, et al. (2003) note that, as a result of lack of resources, many co-operatives demand what they call “cost-sharing” or “local counterpart funds”, where the locals, through actively engaging in some kind of manual work, participate in the development process. Instrumental participation (Lewis, 2001; White, 1995), which is also reflected in the Kilimani Co-operative Document, does not engage the beneficiaries in strategic decision-making processes except that the participants are simply said to be involved or become objects rather than subjects of the whole process. This does not only appear to be the case from a documentary perspective but also in practice. For example, one of the criteria for approval of any project is a demonstration of

readiness by having some structures, or other important components, such as temporary shelters or in some cases a certain amount of cash. Responding to the issue, a co-operative official (2) said that:

*“When the co-operative officer goes to the co-operative society to present the request, they usually ask if anything has been started. For instance, how many members of the society, and how much money collected as shares from them as initial capital for the SACCOS to start to operate...It gives courage to those who are willing to help the District Co-operative Development Officer (DCDO) to process the request much quicker”.*

The linkage between policy and practice can be explained in a number of ways. The Kilimani Co-operative has had an opportunity to implement what used to be known as an “Agriculture Co-operative Society” which was then a purely self-help organisation. Their participation in the credit co-operative project may have helped in understanding the dynamics of member participation. Besides this, the interaction between the Kilimani Co-operative and the District Co-operative Development Office offers another explanation. At the centre of this are the ward authorities who, according to Tanzania’s local government system, command some degree of authority not only among the local people but also among the elders. As it appears from the results of this case study, it is the key role which ward authorities play that enhances communication between the Kilimani Co-operative and the local development structures.

The Kilimani Co-operative’s approach to development in general and, in particular, in the provision of credit services, demonstrates what Clark (1995) refers to as “supply-side” in which an organisation focuses on implanting services or projects independent from, or to a “demand-side”, where the purpose of the organisation is to “help communities articulate their preferences and concerns so as to become active participants in the development process” (p.593). As Tanzania implements a decentralisation policy which, in part,



advocates high level interaction between grassroots organisations and government, participatory development has become the fundamental ingredient in the process.

Like the NSSF-Employees SACCOS, the Kilimani Co-operative's process of establishment has also involved seeking access through the District Co-operative Office. The only distinction from the NSSF-Employees SACCOS is the degree of awareness of their beneficiaries. Local community members in Kilimani seem to have autonomy to press for development activities through their co-operative while those in the NSSF-Employees SACCOS are passive. As earlier alluded to, the Kilimani Co-operative has been operating in the region under Rural Co-operative Development Regulations. The awareness that may have been established during that period may be one aspect influencing the way local community members take on the onus to mobilise themselves. Furthermore, the manner in which the District Co-operative Development Office coordinates its co-operative development activities in the district may also explain the current situation. The Kilimani SACCOS is a co-operative society with a long history of community development and its experience in dealing with development issues may surpass that of the NSSF-Employees SACCOS, hence the differences. An examination of what some members of the co-operative society said further highlights the intricacies of the policy-practice dichotomy. For example, the general consensus among the co-operative staff that all beneficiaries participated is exemplified by a co-operative official (5):

*“We work hand in hand with the co-operatives. So we involve all of them from the starting to the orientation and the whole process. The same is true when it comes to evaluation of the co-operative. When we are assessing the achievement/problem of the co-operative, some stakeholders are approached, such as COASCO, SCCULT”.*

### 5.3.5 Kilimani SACCOS - Staff Views

While the initiation process may be endogenous, it appears clear that a number of factors distort the fundamentals of empowerment. For example, the lack of initial resources within the community sometimes results in programs being knocked back, although the programs are desperately needed. Secondly, it is at this juncture that development agencies can exploit people under the camouflage of participatory development. This particular view has also been echoed by one of the committee members who not only sees the division of labour as a crucial aspect of development but also notes the financial contribution which it is compulsory to provide. The Kilimani SACCOS member (4) explained that:

*“Our SACCOS is providing two main services, loans for buying building materials and agricultural inputs and we are saving members’ money. We were assigned different roles, women involved in agriculture while men are dealing with small scale industries. Through that we are able to build up new life. One aspect that I have to mention is that our SACCOS manager asked members to raise shares contribution in our SACCOS. We have decided to raise shares in order that our SACCOS is able to provide good services to members and we have a good response from members”.*

While these views may sound rosy, this interviewee provided other evidence that suggests that participation in the monitoring and evaluation of credit services programs is problematic. Drawing from a number of challenges presented in this case study, the officer pointed out that “as a co-operative, we believe in popular participation in whatever we are doing...Instead of trying to accomplish the programs we have lined up, we spend time trying to dialogue with them, pleading with them and yet time is lagging behind” (co-operative official (5)).The desire for progress is apparent from the sentiments of the co-operative officers above. However, Rogge (1997) and Blyth & Wiberg (2003) noted that one of the major challenges co-operatives in Tanzania encounter is the erosion of the spirit of self-help and savings. While the Kilimani Co-operative strives to

accomplish its projects, the unwillingness to participate actively and a sense of lack of ownership by members diminish the achievement of the intended objectives.

The situation can also be interpreted differently. If, for example, members were not involved in the initiation processes of the project, they may see their participation as an inconvenience to their daily routines as they cannot identify with the intervention. These ambivalent discourses exemplify the seriousness of the misconceptions of participatory development practices in general, as well as in credit services. It also mirrors the International Co-operative Alliance (ICA, 2000; Keller, 1999; Kamala, 2000 and Kalemba, et al., 1996) assertion that while co-operatives may claim to reach the poor and engage them in co-operative development activities, the reality remains that the poorest are hardly ever reached and participation in decision-making is generally small. There was limited data on beneficiaries' views on participatory monitoring and evaluation. The major reason was that the concepts "participatory monitoring and evaluation" created some degree of confusion among the participants, hence resulting in the focus on issues of which it was felt the participants had a significant understanding.

### **5.3.6 Kilimani SACCOS - Members' Perceptions**

Kilimani SACCOS members have raised the problem of interest rate reform as a key issue they wanted to be discussed and that rates should be increased on deposits to accounts with dividends on. Members also felt that the Kilimani SACCOS should consider farmers, that when providing loans they must be given a special payback period rather than the monthly term they have. Furthermore, SACCOS should provide fixed

accounts which could be used for long term loans. As two Kilimani SACCOS members (4 and 8) show in their views:

*“We are interested in attending training in managing share and deposit accounts, managing financial investments like fixed term accounts, retirement accounts or other special purpose savings accounts, and business management. Because our SACCOS now is growing we want to extend our services according to members’ needs so that we have to prepare people who would be capable to service our members more efficient and effectively. It is still too difficult to withdraw shares: we want to be able to transfer shares to demand deposits. This is one of the problems at the Kilimani SACCOS, why we are not allowed to withdraw money from our savings account as “shares or deposits” even if we have an outstanding loan”.*

Participation of members in the process leading to the establishment of the Kilimani SACCOS differs markedly from the NSSF-Employees SACCOS but has some resemblance to the Lumumba SACCOS. In responding to questions as to how the members participated in the establishment of the SACCOS, members mainly agreed, although there were some minor contradictions. There are a number of issues emerging from the quotations below. The first is about the local governance hierarchy. It seems rather confusing as to who exactly initiates the consultative process leading to the identification of the SACCOS. On the one hand, it appears that it is the village head who initiates the process while on the other hand, it is the ordinary people who mobilise themselves and present their concerns to the local elder. The second issue is about who participates within the credit system structures. Although this aspect is not clearly articulated in the data above, there is reasonable evidence to suggest that there is some degree of participation that reflects, to a larger extent, transformative participation (Myers, 1999; Yamamori et al., 1996). Explaining the process of establishment of their Kilimani SACCOS, one of the members (2) said:

*“The process of establishment of our SACCOS starts with the elder man calling for a meeting where the issues of SACCOS was discussed. It is the elder man who took the issue to the District Co-operative Office. They informed the elder man when they were coming to our village to attend the first general meeting, and the agenda was election of care taker committee members”.*

It seems that at this level the decision-making process to identify needs is initiated by the local community members and their local head man, who, through a consultative process, present their needs to the higher local governance structures until such decisions finally reach the District Co-operative Development Office. From what some members said, the current Kilimani Co-operative Society has managed to institute structures in the form of committees. One committee member (3) of Kilimani SACCOS pointed out that the process of implementing the programs is strengthened as a result of working committees.

*“Our working relationship is based on the working committees. We have put in place various committees, some responsible for verifying loans, some for monitoring loan repayments, and some for effect of loans to the members. So when it comes to loans verification the loan committees call for a meeting where the SACCOS manager should present the issue to discuss the applications and the applicants and the way forward”.*

There appears to be a general consensus between members and the documentary evidence as regards the participatory approach and facilitative role the Kilimani Co-operative plays in the establishment of the SACCOS program. While the process explained above presents a general overview of the development process, it is vital to extend our understanding of the approach taken to identify and implement SACCOS services.

From documentary evidence, the Kilimani Co-operative’s presence in Kilimani ward is not new. Prior to the establishment of the present program, the Kilimani Co-operative Society started operating in the Kilimani ward in 1989 with one project (buying farmers’ crops and providing agricultural inputs) which was identified through a consultative process. The process involved allocating the members into groups of men and women. Each group was given an opportunity to discuss and identify its perceived needs. Over a period of two months, the process was repeated to ascertain whether the identified needs

were indeed priorities. Having compiled the needs list, the Kilimani SACCOS began to implement some projects in the community, with major interventions in the area of savings and credit services to the members. In credit, the major activities included buying building materials, starting small businesses, paying school fees, and establishing small scale industries (Kilimani SACCOS Document, 1997).

As time went by, the dynamics of the Kilimani Co-operative began to change, directly impacting on the lives of the co-operative members. Some discussions were held with the local members to identify whether their needs ought to be revisited. According to the Kilimani SACCOS Proposal Document 1998, it was in 1996 that meetings were held between the Savings and Credit Co-operative Union League of Tanzania (SCCULT) and the Kilimani Co-operative members to embark on a sensitisation program that would eventually determine their current needs. Although the actual survey report was not obtained, there was considerable evidence of involvement of members in the identification process. According to the Kilimani SACCOS committee members' meeting report (1996, p.1):

*“This committee drew together co-operative members, government officials in the ward, and representatives of the co-operative development office working in the ward and Kilimani SACCOS staff”.*

The presence of a cross section of participants at the meeting does not necessarily imply full participation in the decision-making process. In fact it would seem wrong to claim that they “participated”. Rather, they were “involved”. In some cases, co-operatives can promote the presence of their beneficiaries as a means of legitimising their presence, an issue which reflects Cooke and Kothari's (2001) and White's (1995) arguments about the abuse of the concept of participation. Although the Kilimani SACCOS claims that the

participants had an opportunity to listen to the baseline survey report presentation, critique it and discuss issues of concern in the survey report, and “finally came up with necessary strategies and ways of implementing them” (Kilimani SACCOS file,1998, p.1), it does not necessarily mean that they were engaged in participating at every level of the process. Rather, like in the NSSF-Employees SACCOS, they may have been used more as a source of information than active participants in the process.

#### **5.4.0 NSSF-Employees SACCOS - Member Participation and Empowerment**

The NSSF-Employees SACCOS was established in 1985 in Ilala District, Dar-es-Salaam region of Tanzania. According to documentary evidence (NSSF-Employees SACCOS file, 2004), the society was established to “respond to the social and economic needs of employees of the National Social Security Fund (NSSF) identified in research studies conducted in the workplace, and after discussion with policy makers...to motivate low income workers in the National Social Security Fund organisation”. The emerging society resulted from a consultative process between the NSSF-Employees SACCOS caretaker committee members and the District Co-operative Officer which provided impetus for the establishment of the society in the organisation.

The major focus of the NSSF-Employees SACCOS is to “provide savings and credit services to the members of the society in the organisation” (NSSF-Employees SACCOS file, 2004 p.4). Through this, the co-operative envisaged that knowledge that may enhance the workers’ ability to deal with social and economic problems will be acquired. In specific terms, the major objectives of the NSSF-Employees SACCOS are to provide

loans to the members (NSSF-Employees) and to provide a service to deduct payments for shares and savings from their wages and deposit amounts of money in the society. These services are intended to help the workers overcome obstacles to social and economic advancement and, in the long run, to establish bigger loans which may help to develop a sustainable and replicable program for members. On the other hand, it was stated that the management of the National Social Security Fund (NSSF) will remain as a patron and will not be involved in providing petty cash loans to their employees when the project begins to operate. Two areas are of particular importance in understanding NSSF-Employees SACCOS. First, NSSF-Employees SACCOS is examined as “a co-operative society” and second, as “a project”. As a society, the NSSF-Employees SACCOS demonstrates a management structure that is dominated by the general meeting as it shows in the NSSF-Employees SACCOS file (2004, p.3) where part of the document states:

*“The NSSF-Employees SACCOS members from twenty one regions and managements are led by the chairman, secretary general and treasurer. There is general meeting once a year that involves all members of the SACCOS. Also there is a members’ committee formed by eighty elected members from the general meeting”.*

Despite the National Social Security Fund (NSSF) Organisation being a co-sponsor in the establishment of the NSSF-Employees SACCOS, there is significant evidence to suggest some degree of negotiation between the NSSF-Employees SACCOS and government officials (District Co-operative Officers). In contrast, there is no clear evidence in the documents of how the members (workers) of this society participated in the establishment of the SACCOS. While the NSSF organisation has had a common interest with employees in establishing the SACCOS in the organisation, the beneficiaries had little influence on, or input into, the process at this stage. Although it was not possible to



analyse the composition of the top management at that time in relation to the inclusion of members' representatives, the structure itself provides ample evidence to suggest that the intended beneficiaries of the society had minimal contribution into the decision-making process, and the management of NSSF has the power or final say because of their providing several facilities, including staff (an accountant), office and furniture. The way in which this establishment was conducted demonstrates what Nyamwaya 1997 (in Grillo, 1997) argues to be a top-down approach to development.

According to documentary evidence (NSSF-Employees SACCOS file, 2004), the current policy for the savings and credit co-operative has been designed and piloted in a number of regions in the pilot zone. The NSSF-Employees SACCOS identifies four key areas as best resources for effective credit services practice, namely, the use of the employees as a rich resource, leaders' imagination and resourcefulness, society team training and support, and equality, equity and mutual self-help.

*“The traditional co-operative view of democracy or participation as both ends and means, which basically implies that the individual members are the heart of the movement and are expected to participate in all the essential activities of their co-operative society, directly or indirectly and that the co-operative organisations as a whole are expected to participate in the social, economic and cultural formation of the society at large. Together these express the combined individual and collective character of co-operative participation and democracy” (Book, 1992 cited in Davis, 1995).*

According to documentary evidence from the NSSF-Employee SACCOS file (2004 p.3), there is little likelihood that the employees were used as a resource in the development of the constitution and by-laws, let alone consulted in the process. The constitution or by-law guide aims to make savings or loans services for the workers not only fun but also interesting and relevant to their lives. Likewise, co-operative education of the leaders is supposed to be carefully planned, varied and flexible in the sense of democratic practice.

Monitoring, as a continuous process of collecting and processing data, is a crucial component of a program where multiple stakeholders are involved. Monitoring makes it possible to detect implementation anomalies, correct action management, and ultimately affect technical reorientation. Evaluation, as Cracknell (2000) points out, is more of a complete analysis process carried out at selected times and basically intended to make periodic judgments on actions.

As pointed out by Myers (1999) and Brohman (1996), the questions of who evaluates, how they evaluate, and when and why they evaluate are vital in the development process. One document regarding the project proposal has shown that they were not mentioned the way other stakeholders would be if involved in the whole process of the establishment of co-operatives in the workplace. Also they do not mention specifically the mode of involvement of the intended beneficiaries and other stakeholders. The absence of this vital information reflects the disparity that exists between the organisation and its beneficiaries as regards transformation, as advocated by Myers (1999), although the documents in NSSF-Employees SACCOS annual general meeting have statements like:

*“The next objective is to replicate the society more widely in regional and zone offices all over the country in collaboration with regional and zonal management”.*

#### **5.4.1 NSSF-Employees SACCOS - Co-partnerships**

The potential benefits of co-partnerships are well documented by Book (1992, in Davis, 1995) and Nkya, (2004). Among other issues, Book discusses how co-operatives may utilise each other as a resource to facilitate their effectiveness and avoid duplication of effort, especially if such partnerships are premised on principles of common interest and

concern. Another document that was in SACCOS' file has revealed the NSSF-Employees SACCOS's intention to collaboratively work with other organisations in the implementation of savings and credit services. This aspect is visible in one of their objectives which states that the main aim of the NSSF-Employees SACCOS is "to work with partners to evolve sustainable and replicable programs". The NSSF-Employees SACCOS (2003, p.1) proposed plans to work with other co-operatives, as reflected in the planning of the project where it stated that "the next objective is to replicate the program more widely in collaboration with the Maktaba SACCOS Committee. The NSSF-Employees SACCOS has sought to identify the potential scope for working in partnership with Post and Telecomm-SACCOS" (NSSF-Employees SACCOS file, 2003, p.12).

The NSSF-Employees SACCOS' intention to engage other stakeholders in the program is consistent with, and reflects, Fowler's (2000c) principles of partnerships. While these intentions are made clear as policy guidelines, their translation into practice remains a distant reality. For example, if NSSF-Employees SACCOS' intent to evolve a sustainable and replicable program is anything to go by, there could have been a significant reflection of participation of other co-operatives in some of its activities, such as the evaluation exercise, but as it was noted, the list of participants in the evaluation does not mention any inclusion of other co-operatives, not only reflecting a limited partnership between the NSSF-Employees SACCOS and other co-operatives in this area but also showing that policies and good intentions do not necessarily easily translate into practice.

#### **5.4.2 NSSF-Employees SACCOS - Government Partnerships**

The Government of Tanzania has recently overhauled its co-operative policies (GoT, 2003) and, as noted below, President Benjamin Mkapa in his speech has emphasised the participation of co-operatives.

*“President Benjamin Mkapa pledged to strengthen co-operatives to improve low income peoples’ lives in rural and urban area welfare. Addressing leaders at the tour of the southern regions he said ‘co-operatives played a major role in the national economy’. However, he challenged the co-operatives to deliver good services to effectively compete with private enterprises. He said co-operatives have now been hijacked by corrupt leaders who are after their personal interests....theft and embezzlement are chronic in co-operatives, these leaders should know that they are not the masters but mere employees” (GoT, 2003).*

Through their decentralised structures, District Co-operative Development Offices are the basic point for monitoring, evaluation and contact at the district level. The NSSF-Employees SACCOS is working in Ilala district, in the Dar-es-Salaam region, which is currently implementing the decentralised co-operative policy with one co-operative development officer based in its constituency. The partnership context, in this case, is analysed from this point of view. How the NSSF-Employees SACCOS collaborates with the District Co-operative Development Officers and other government stakeholders will now be looked at closely. One aspect is how some of the NSSF-Employees SACCOS staff have responded to the question: “How do you collaborate with the government on matters of savings and credit services?” One staff member (18) of NSSF-Employees SACCOS makes a response which unravels the nature of the partnership:

*“We have to inform the District Co-operative Officer because he/she is overall in charge of co-operative in the district, it is their duty to know the development of all SACCOS”.*

The remarks above do suggest that NSSF-Employees SACCOS’ presence in the district was not unofficial. However, the degree of interaction, particularly from a partnership perspective, is less convincing. The NSSF-Employees SACCOS staff reiterated a number of pertinent issues between his SACCOS and the government which needed to

reciprocate in a similar manner in order to increase the confidence between the two entities. However, the sentiments expressed below suggest that the current co-operative–government partnerships are weak. As can be seen from the data, the lack of dynamism in the partnership may be due to the lack of commitment between the two entities. For example, a statement like: “they are overworked to come to where we are up to, after all, do we go to see what they are up to? We don’t have time, so why should they. I mean, we do go and visit the society and see what is going on”, as one co-operative official suggests, and that “a meaningful partnership rests on long-term commitment but is also based on developing a common interest in what the other stakeholder is doing”. This supports Fowler’s (1997) fundamental principles of collaborative partnerships, especially that where co-operative organisations are engaged in a dual model of partnership as noted by Girdon (1992 in Tvedt, 1998 and Craig & Porter, 1997), the gap-filling process alienates them from developing sustainable commitments. Hence this results in engaging in a passive partnership because of the lack of common understanding.

Co-operatives’ partnerships with the government can work effectively if there is a point of contact within the government department. This issue has two important dimensions. First, establishing partnerships with government departments is not an end in itself. Having a liaison person in the department is an alternative strategy to improve the effectiveness of the partnership process. Secondly, while there may be a liaison person in the government department, the issues common to both parties have to be explained to the rest of the staff in the department in order to maintain information flow and future sustainability. Despite the government’s district-focused development strategy, the nature

of partnerships it establishes with co-operatives leaves a lot to be desired because, even when there are potential opportunities, there is some degree of reluctance on the part of the government. The evidence above also explains another important dimension. It can be noted that NSSF-Employees SACCOS formally negotiated with government officials. This approach of using government departments is a means of gaining access to local communities. As the data suggest, the District Co-operative Officers are usually informed or told about something that has already been established.

More evidence of limited partnership between NSSF-Employees SACCOS and government departments at the district level is exemplified by their (NSSF-Employees SACCOS) lack of collaboration with primary co-operative societies which are located in the communities. When one of the leaders was asked how NSSF-Employees SACCOS collaborates with primary co-operative societies, her response typified the earlier assertion that a partnership between government and NSSF-Employees SACCOS is less convincing. Although there are indications of some form of interaction between NSSF-Employee SACCOS and some government departments at some points in the SACCOS, the type of partnership is similar to that observed by ILO (1993b in Banturaki, 2000) which is ad hoc and generally informal and specific to a particular intervention. However, there is little evidence that the interactions reflect a dual model of partnership as espoused by Girton, (1992 in Tvedt, 1998). Co-operative official (14) said that:

*“To me...collaborative co-partnership is a new concept for the co-operative in Tanzania, because we are just introducing these other committees so there is very little interaction to facilitate the impact on co-operative development. While, on the second question I think, ... there is a level of co-operation, but it probably is not as dynamic as it probably could be and where it is dynamic, you can see the difference. We still have work to do as partners and identifying that we are not just givers and them, takers”.*

Also one of the NSSF–Employees SACCOS committee members (3) said that:

*“We do not really work closely with them (primary co-operative societies) as such except that we only invite them when it is necessary to do so, for example, during the annual general meeting, particularly leaders from other SACCOS only”.*

#### **5.4.3 NSSF-Employees SACCOS - Co-operative Officials’ Views**

Burkey (1993 in Davis & Donaldson 1998) has mentioned that:

*“A central concern of society/community development theory is that changes and enhanced resources should be largely influenced and determined by locally perceived needs. Instead of letting outside experts and other external parties determine what needs to be changed in the societies or communities, the society’s residents should be encouraged to examine and identify their own problems”.*

However, as noted earlier, Brohman (1996, p.251) points out that the main challenges in the process of development, and member participation and empowerment in particular, are the questions such as “who, what, how and why” they participate. As further noted by Feeney (1998, p.7), not only is the involvement of the local people fundamental but so is their contribution to the decision-making process on the programs that affect them. The whole discussion has shown that the concept of member participation in the co-operative movement has been neglected for different reasons. Therefore, special effort is needed from all co-operative members and other stakeholders (Book, 1992, p.92 in Davis, 1995).

The establishment of the NSSF-Employees SACCOS as a co-operative society has given a clear message of inferiority as regards member participation and empowerment in the decision-making process. The establishment of this SACCOS has gone through two different stages. There were directives prior to the formation of the SACCOS, which were given by the NSSF management. They took the application form of a “co-operative society” which, according to four of the NSSF-Employees SACCOS members, engaged a

number of workers from the Headquarters' Office. "There were few workers who attended in the meeting, (but there were) all twelve department supervisors, members of the organisation (NSSF), led by a Co-operative Official," said NSSF-Employees SACCOS Member (2). Contrary to this claim, one of the NSSF-Employees SACCOS staff (4) said that:

*"Initially we had set our plans for SACCOS project in the organisation. First, what we did was to contact the Director General of NSSF, who gave us an okay. Second, was preparation of first general meeting with all section supervisors and workers to discuss the development issues. Then a number of workers agreed to the plan, we then started our SACCOS with the potential members from Dar-es-Salaam region and headquarters".*

These views raise two fundamental issues. One is about whose plan it was and the other is who participated in it. From the analysis of the NSSF-Employees SACCOS as a society, it appears that many of the workers were not aware of the idea of the establishment of SACCOS. This view seems to tie in well with the claims above. It is notable that the idea was originated from top management of the NSSF organisation. The Director General of the NSSF, who is also a member of the Board, has been involved in discussion with section supervisors and heads of departments to mobilise workers to attend the first general meeting referred to here. Furthermore, given that this is a project with a focus on savings and credit co-operative societies, the most likely thing to happen would have been to make initial consultation with the District Co-operatives Office. However, the evidence suggests that this was not the case. The participation of the Co-operatives Office was non-existent. This view was common among some of the participants. From these contradictory views, there is little evidence to suggest that the worker members were involved in deciding on the establishment of the nature and



direction of the SACCOS, except when they were consulted simply to endorse an already decided upon SACCOS.

Chambers (1997) and Fowler (1997) argue that “co-operatives are respected as key vehicles of participatory development”. But the approach, as exemplified by some of the participants in the NSSF-Employees SACCOS, seems to be wrong, as this form of participation can be used as “the new tyranny” (Cooke & Kothari, 2001). The being “told” and “addressed” as shown in the excerpt above denotes the way organisation workers were taken to the process of decision-making. While there is no particular style of management that co-operatives must adopt, what appears to be a missing dimension in the data above is the failure by the management team to ensure that the junior staff members in the organisation have some leverage in the decision-making processes that ultimately facilitate participation. As can be seen from the data, the involvement of the NSSF employees follows after fundamental decisions on what to implement are already made.

It was argued that, as current development policies in Tanzania adopt a decentralisation approach, various development programs in the government organisations and development committees determine what, where, and how development programs should be implemented (GoT, 2000b). Therefore, although co-operatives claim to involve their beneficiaries in participatory development processes (Tvedt, 1998), the findings above are in sharp contrast to Tvedt’s claims of co-operatives’ ability to engage their members in active participation in their projects. What seems to be confirmed in this finding is

UNRISD's (1995) observation that the greater proportion of the poor remains marginalised and excluded by co-operative interventions.

A critical scrutiny of the processes of identification of the programs clearly demonstrates that the workers are the last in the line of consultation. What becomes even more alarming is the role of the NSSF-Director General, who, in this case, played an influential role in linking the co-operative and the low income workers. Therefore, although there is a significant degree of consultation, NSSF-Employees SACCOS' establishment and the manner in which programs are identified are far removed from the current participatory development theory which advocates employees' participation in the decision-making processes (Brohman, 1996; Rahnema, 1997; Chambers, 1997) but concurs with Checkoway's (1995b) argument that some development organisations would only favour participation that does not disrupt program management by staff of the implementing organisation. Member participation and empowerment by the intended beneficiaries in the first stage process of a co-operative society aimed at improving their lives is crucial, not only for sustainability purposes but also as a means of inculcating the spirit of ownership (Yamamori, et al. 1996). Participation of employee members in the establishment of the SACCOS in the NSSF organisation remains problematic. Asked to explain how the society was established, it became clear that they felt their participation was tokenistic (Lewis, 2001; White, 1995).

Employee members, as the most numerous beneficiaries, have a significant stake in what SACCOS do, and are thus a valuable source of information since they should be the

people directly involved in SACCOS identification, development and implementation of savings and credit services. However, these responses reaffirm the earlier assertion (GoT/UNDP/UNDF,1997) that Tanzanian communities commonly enlist non-democratic leadership structures at the section level in workplaces as the core development entity. Regardless of co-operatives' consultative approaches, these non-democratic styles of leadership provide a launch pad for effective participation only when SACCOS acknowledge the importance of employees' knowledge and, where possible, utilise the employees' democratic style of leadership to create locally-based decisions.

Fowler (1997, 2000b) points out that the success of co-operative work may depend on how they (co-operatives) muster support from other stakeholders with whom they share a common vision, mission and objective. He also contends that the purpose of participation, based on transparency and accountability, is to dispel the cynicism that is attached to the concept of participation as tyranny (Cooke & Kothari, 2001). The degree of stakeholder participation in the identification of the NSSF-Employees SACCOS is marred by conflicting messages. The seemingly contradictory ideas expressed by the two government officials with regards to the participation of employee members in the identification process are symptomatic of the debate surrounding the notion of participation. The major problem lies in the "meaning" of what constitutes participation. The views from the two officials above indicate that consultation is not necessarily participation. In a way, co-operatives use consultative processes as a means of legitimising their existence. However, looking at the issue from a different angle, these

discourses from the officials point to the fact that some co-operative members have very little knowledge of the dynamics of participation.

#### **5.4.4 NSSF-Employees SACCOS - Staff Views**

While the savings and credit model discussed above acts as a basic framework for interactive credit/loans, there are two fundamental questions to be asked. The first is how the constitution was developed, and the second is about who participated in the development process. The criticism levelled against this constitution by the employees, as being too political and following the undemocratic ways used in Tanzanian co-operatives for decades, provides a starting point in understanding the issue. In a conversation with one of the NSSF-Employees SACCOS staff, it seemed clear that there was tension between what the employee viewed as appropriate, in contrast to the expatriate co-operative official's views. This tension is also significant and partly explains arguments by such development theorists as Chambers (1997), Rahnema (1997) and Escobar (1995) about the dominance of external interests and those of the elite who misused the ignorance of their beneficiaries to advance their secret agendas. Ultimately, this leads to unnecessary tensions.

These remarks explain one aspect, that is the duty of outsiders in persuading others' decision-making, which the development literature does not fully articulate. However, there is a number of competing views emerging. The first among these is the tension about the mode of delivery which the staff members advocate. On the other hand, the paternalistic external influences which validate the lack of participation in the

formulation of the constitution (by-laws) can be drawn from the ensuing statements by one of the members of the management team.

A scrutiny of these views reflects modernisation thinking as argued by Burkey (1993) and Isbister (1991 in Makuwira, 2004). Firstly, according to the co-operative officer's views, the beneficiaries in this case demonstrate that the local people need a degree of transformation from traditional knowledge to modern thinking. Secondly, it can be seen from the data above that the introduction of innovative ideas in any intervention requires careful understanding of local knowledge. The tension shown between the local and the external organisation is an issue worth noting. The interplay between a local and an external organisation is an important aspect in this regard. First, it demonstrates that external staff may inadvertently or otherwise disregard the position of the local staff. Secondly, when local staff have little or no influence over decisions, the probability of being coerced into tokenistic display is very high. This case clearly demonstrates the ambivalence displayed by the employees who resist the changes being imposed on them (see Voorhies 1996; Myers, 1999, pp.148-49).

Thirdly, these results provide what White (2000, p.143) terms "multiple forms" of participation which have already been argued to rely upon "power relations" or "patronage". The concept of participation in a practical manner is a personal choice in making decisions and in the case above there is no sign of freedom, because of the diverging views between the employees in the organisation and the external co-operative expert. There are clear demarcations between the employees and the external staff who think that the employees have to simply be recipients of external ideas without question.

Along with the lack of documentary evidence of stakeholder participation in the monitoring and evaluation of the society, there is no evidence shown that members or other stakeholders were participating in all processes. As one of the NSSF-Employees SACCOS staff (12) had mentioned: “As I said earlier, a large number of people were involved along with our team members. In all this exercise, the consultants took the leading role”. These views expressed by the NSSF-Employees SACCOS staff do suggest quite strongly that greater emphasis is placed on getting information and feedback generated by the committee members rather than the employee members themselves. It is clear from the data that the employee members are engaged once every year, this is during the annual general meeting, yet the committee members collect data almost daily. This scenario demonstrates that the beneficiaries are not in the forefront of the monitoring and evaluation processes.

This particular practice contravenes the principles of participatory monitoring and evaluation which, according to Woost (1997) and Nyamwaya (1997), are supposed to enable local people to do their own investigations, share their knowledge and teach outsiders to do the analysis. The manner in which the interviewing, discussions and presentations are conducted determines who owns the process. In the case of the observations above, the committee members are the interviewers, which indicates that the employees are objects of the process.

Further evidence of the lack of transformative participation (Myers, 1999) is revealed by some of the government officials who were interviewed. For example, some government

officials, especially Co-operative Development Officers, were not happy with their involvement in the whole process of monitoring and evaluation in SACCOS. As one of the co-operative officials explained, “there was very little interaction between our office and the NSSF-Employees SACCOS as regards monitoring and evaluation because our participation normally is “ceremonial”.” The co-operative official also points to such practices as leading to problems of sustainability in the absence of donor funding.

In response to the question of whether or not the organisation’s administrative officer, who is part and parcel of the development structures in the organisation, is engaged fully, one of the officials from the Department echoed similar sentiments on poor collaboration by saying: “No, not with the NSSF-Employees SACCOS. Maybe the SCCULT’s office may know about it” (co-operative official (12)). Both the SCCULT and Co-operative Development Department are key to any development activities of the SACCOS at the district level. Noting the two sentiments expressed above, it is clear that the officers are in one way or another aware of the presence of the NSSF-Employees SACCOS in the district through ceremonial activities. However, to the NSSF-Employees SACCOS, attendance at meetings and all other ceremonial events entails participation. This type of participation is, according to Lewis (2001, p.118) a tokenistic display because government officials’ participation does not engage them in making joint decisions.

The results expressed above also support Cracknell’s (2000) observations regarding some of the problems confronting co-operatives’ development efforts. Monitoring and evaluation, both as a process and as an end, are not only intended to facilitate the process

of making informed decisions by implementers of the society, but also to assist in generating knowledge that may help in the lending process. As noted by the co-operative officials in 5.4.3, one of the key issues co-operatives grapple with is sustainability of development programs. The context within which co-operatives operate not only poses challenges in terms of who participates and why, but also calls for a concerted effort in order to ensure that in the event of donor fatigue, the programs can still survive. This can be achieved when all stakeholders are engaged in the processes.

The only evaluation report made available during the research process also revealed further evidence supporting the absence of member participation. The purpose of the evaluation was “to assess the impact of the savings and credit co-operative society on low income workers in the working place” (NFFS-Employees SACCOS, file 2000, p.4). Of particular relevance is the methodology employed. According to the evaluation report, those involved in the data collection exercise were consulted (NSSF-Employees SACCOS, file 2000, p.5). Although staff members were largely used in this impact evaluation, their role is that of service members, and they are paid a small token of appreciation. In other words, these cannot be counted as direct beneficiaries of the society, thus making it a purely externally controlled evaluation conducted independently of the employee members.

The involvement of various categories of people is a way of legitimising the process of monitoring and evaluation. This particular practice is not only in sharp contrast with one of Fowler’s and Voorhies’ basic principles of successful participation (see Fowler, 1997,



2000b; Voorhies, 1996) where continuous dialogue and learning forms the basis of evaluation, but also reaffirms Nyamugasira's (1999) views that the majority of the SACCOS in the workplace are modeled on rural co-operatives' practices. The influence of conventional modes of evaluation, where external consultants lead the process, seems to defeat the essence and purpose of transformative participation. The model of participation as described in this section is largely instrumental (Lewis, 2001). As one co-operative official (12) explained:

*“The initiator and processor of new co-operatives should be beneficiaries (members). Normally we are being informed officially when they want to register, technical and regulation advice. However, we would like to participate in the whole process step by step in order to know what is going on and give them advice when necessary. In the real situation this does not happen due to shortage of staff, lack of transport, and funds. Usually we are being invited to attend the first meeting, which includes election of care taker committee members. Actually this stage is necessary for our office to attend, witness and supervise the whole process of election. Finally we have to write a report and send it to the Registrar of Co-operatives attached with a meeting summary”.*

#### **5.4.5 NSSF-Employees SACCOS - Members' Perceptions**

NSSF-Employees SACCOS has been established and is operating in the workplace, with the main objective to provide humanitarian services to all employees in the NSSF organisation, with special attention to low income employees. The basic service provided by SACCOS is saving money of the members and also to make loans (provide credit) to members. “Most of the members were satisfied with the services provided”, said one committee member (4). However, apart from satisfaction from these services, members also wanted more and different services, as can be seen in this statement: “In the future, if you needed to borrow money to help run your business, agriculture, or other reasons what would the money be for”? The majority had answered this question by saying that “Management should consider the future of their members, that is a long term loan with a

small interest rate, a development loan and technical advice”. As one member (9) of the NSSF-Employees SACCOS explained:

*“Look, I have been working in this organisation (NSSF) for more than thirty (30) years, now nearly to retire, I am planning to establish farming and poultry raising, this will help me to earn little money, while my pension should be used to buy shares from CRDB bank or other organisations, by the end of the year I will get dividend. But this idea should not be implemented if there is no support from other members to put more pressure to our leaders to accept changes in our SACCOS. In fact we need leaders with future focuses”.*

SACCOS should consider providing bigger and more long term loans to members as a new vision and mission in the future. This would improve lifestyle and could potentially increase life expectancy from 45 to 55. As one NSSF-Employee SACCOS member (14) said:

*“Look, SACCOS is our spearhead in our daily life, we are depend on them to fight against three enemies; ignorance, poverty and diseases. SACCOS can do it, because to join them is very simple and affordable for low income earners, also easy to get loan when you need”.*

Nevertheless, other members want SACCOS to operate under a co-operative principle and not otherwise, one that would consider service to members first and not be business profit oriented, because membership is meant for “user owner, user control and user benefits”. Following this reasoning, many of the members wanted SACCOS to have a fixed date in each calendar year notifying of the annual general meeting. SACCOS leaders should present to each general meeting an annual report, including an audited report from COASCO, to enable members to know the position of their SACCOS for that particular period (twelve months). As one member (21) said:

*“We are so tired to hear the same story every time; ‘Audited report not ready’, this may create loophole leaders to hide some problems in future. Members want to know real situation if there is problem should be solved immediately. Provided we do not have proper calendar for general meeting is not easy members to contribute new idea for the benefit of SACCOS and all members. Annual general meeting is the only opportunity members to air views regarding their SACCOS”.*

### **5.5.0 Lumumba SACCOS - Member Participation and Empowerment**

For the Lumumba SACCOS, like the NSSF-Employees SACCOS, the ideological and philosophical foundation of the society is local people participating in development (Lumumba SACCOS Annual Report 1999). Unlike the early SACCOS for the self-employed which operated independently from other stakeholders, this co-operative embraces and shares ideological views from the current alternative development theories, particularly the people-centred paradigm as espoused by Brohman (1996). This philosophy is revealed in their general meeting report, which emphasises poverty alleviation.

One striking aspect about the SACCOS, as revealed in the Lumumba SACCOS Annual Report (2003), is its cognisance of the fact that for people-centred development to flourish amongst local communities in Tanzania, there has to be an awareness of the role of the co-operative in facilitating poverty alleviation. The co-operative's facilitative role in poverty alleviation is exemplified in the Lumumba SACCOS' annual general meeting report (2003) approach which in part states that:

*“SACCOS looks at development as a process of change which begins with and is dependent on transformation of self-help and attitude, and society in general. In all its activities, the SACCOS is working towards socio-economic and environmental sustainability and seeks to promote the values of honesty, commitment, transparency, accountability, equity and democracy and implement the programs with employed and self-employed people in Dar-es-Salaam urban and rural society's members and non members”.*

The co-operative's ultimate goal, which can be seen from the quotation above, is to facilitate savings and credit services in order to make changes and lead development in the communities. However, the philosophical viewpoint in this regard is change that transforms the individual (see Myers, 1999; Yamamori, et al., 1996; Lewis, 2001). Since the individual is part of the wider community, the effect of this transformation is the

promotion of attitudes and mindsets that value such characteristics as honesty, commitment, transparency, accountability, equity and democracy. Another important aspect that the Lumumba SACCOS addresses, and which is absent in the NSSF-Employees SACCOS, is the recognition of the importance of a savings motivation (mentality) among self-employed community members, as exemplified in the Lumumba SACCOS annual general meeting report (1999) which states that:

*“This SACCOS is designed to help the poor people deal with problems of under development, poverty and the meager resource base through involvement in development projects initiated and implemented by the members themselves. By doing so, the problems of ignorance, illness and poverty as the main enemies in our society will be history to our new generation”.*

Effecting change at a local level requires considerable understanding of local knowledge, a view which many anti-modernisation theorists (White, 2000; Ajulu, 2001) embrace as a stepping stone for effecting member participatory development. The appreciation of the importance of local knowledge is demonstrated when the beneficiaries are viewed as “whole human beings” with a range of needs, both social and economic, all of which are mentioned in the SACCOS constitution.

Another dimension, which is equally important in holistic development, is the recognition that the communities which development organisations target must be treated as “whole entities” composed of the rich, the not-so-rich, the poor, the leadership, and all their structures and institutions. This view resonates with Thomas and Allen’s (2000) argument that alternative development should not be in constant opposition to state or local development infrastructure. Rather, the local institutions could constitute part of the whole process. The preceding quotations not only provide a broader picture of SACCOS’ holistic approach to mitigating underdevelopment but also demonstrate the vision the

society has for effecting change based on co-operative values. In other words, while the SACCOS espouses alternative and autonomous development perspectives (Thomas, 2000), it embraces holism rather than reductionism, with much emphasis on empowering the beneficiaries. The promotion of transformative participation and the desire to foster sustainability, as alluded to above, partially reflects the current government's policy (GoT, 1998, 2002a) of active participation of local people in development and policy dialogue, not only in matters of credit services but development in general, in order to alleviate poverty.

Concerning member participation, as with the NSSF-Employees SACCOS the Lumumba SACCOS provides conflicting messages regarding participation of members in the monitoring and evaluation of savings and credit services programs. From a documentary perspective, monitoring and evaluation constitutes part of the co-operative's overall approach. "We therefore act as facilitators to communities as they identify their problems, make appropriate decisions, implement their development activities and evaluate the outcomes" (Lumumba SACCOS Annual Report 1999, p.2). The commitment to engage beneficiaries in evaluation activities remains a contentious issue. Theoretically, while the visions or policies provide opportunities for engaging beneficiaries in participating in the monitoring and evaluation, it takes considerable effort for program implementers to effect the policies.

### **5.5.1 Lumumba SACCOS - Co-partnerships**

There are claims and counter-claims as regards the manner in which the Lumumba SACCOS collaborates with other co-operatives. A critical documentary analysis of the 1998 and 1999 Annual Reports for the Lumumba SACCOS provides a better picture of the degree of co-partnerships. Despite a detailed description of how development through credit services was implemented during the two years, there is hardly any evidence in the two reports that suggests that other co-operatives were involved in joint planning, implementation, monitoring and evaluation of the development through the credit services program. However, the documents report that there is a “lack of strong coalition of co-operatives in credit services in the country” (Lumumba SACCOS file 1999, p.3).

There is emphasis on transformative participation and ownership of the programs in the Lumumba SACCOS’ development approach, but the fact that there is no mention of the term “partnership” in its overall development goal, signifies a departure from the underpinning principles of alternative development theory (Luvanga,1996). According to Luvanga (1996), collective action is a desirable factor in order to break the dependency cycle. Therefore, the absence in the overall vision of development through SACCOS of engaging other co-operatives in the program is a signal of the limited understanding of the interconnectedness of the notions of co-partnerships and participation. As already discussed in section 5.3.0, participation has an implicit assumption that as the members participate in co-operative development processes, they develop a sense of togetherness. They also learn to communicate and establish co-partnerships (Voorhies, 1996). More evidence of minimal partnerships between the Lumumba SACCOS and other co-

operatives is clearly explained in the impact evaluation report which notes this as one of the major challenges the organisation is facing at the moment. According to the document from the Lumumba SACCOS office file (2001, p.17 & 20), it is noted that, due to lack of linkages with other SACCOS offering similar programs, the development through credit services is informed by very few other SACCOS in the same area.

### **5.5.2 Lumumba SACCOS - Government Partnerships**

The nature and extent to which the Lumumba SACCOS collaborates with the government can be explained from various angles. First, it has to be noted that, out of the three cases, Lumumba SACCOS is the only one heavily involved in savings and credit services to both employees and self-employed people. However, this program's impact on its savings and credit society is beyond the scope of this study. As observed in section 5.5.1 above, one of the weaknesses of the Lumumba SACCOS is its failure to establish collaborative mechanisms with other SACCOS in the same area. Similarly, the linkages with government institutions or departments are said to be equally limited, as one of the committee members (5) in the Lumumba SACCOS pointed out:

*“Actually there is some kind of partnership but it is not as smooth as one would have expected it to be. The major problem with us is the bureaucracy of government in dealing with issues and some of the government officials are corrupt and not honest”.*

There is a number of perceived barriers within the government system that affect partnership efforts between SACCOS and government. Despite efforts to decentralise the management of the co-operative which, in essence, was to facilitate information access and dismantle excessive bureaucratic tendencies, these still exist and, while opportunities for other junior government official staff to interact with the SACCOS sector are there,

the tendency in Tanzania is that such opportunities are hijacked by senior officials who sometimes attend meetings and conferences without communicating the outcomes to their junior government official staff, because they are getting a sitting allowance. It is not surprising therefore that these views about bureaucratic barriers to information access, which are also reflected in many of the government's operational routines, bear resemblances to other views emerging from the three SACCOS. While the SACCOS argue against the government's excessive bureaucracy, data from the three cases confirm that bureaucratic excess also exists in both SACCOS and government.

Frustration among the SACCOS towards the government's lack of speed in dealing with matters is exemplified by the registration and accreditation process. From experience while working for the District Co-operative Development Office, co-operative societies have to wait for a year or more just to get their registration or approval to enable them to become functional. Despite calls from various quarters for the government to expedite the process, little has changed. This could be linked to the government's lack of co-operative policy and of a Co-operative Act that is accepted by the co-operative stakeholders. Likewise, these practices have also proliferated in various departments, for example, co-operative education. The data above provide another dimension to the debate about decentralisation and theory versus practice. Despite the fact that the government has enacted a decentralisation policy to facilitate decision-making, in practice, the status quo has changed little.



### 5.5.3 Lumumba SACCOS - Co-operative Officials' Views

The development approach articulated in the SACCOS office documents analysed above includes a number of fundamental principles in development discourse, namely, co-operatives as facilitators, project ownership by local communities, utilisation of local knowledge, local community empowerment and program sustainability. Covering all regions of Tanzania, development through the credit services program is offered in loans to low income people in different functional credit centres where 95 percent of the beneficiaries are self-employed people. The means by which the program was initiated remains a subject of conflict among the various sources. Unlike the NSSF-Employees SACCOS, whose approach is predominantly top-down, the development through the savings and credit service's inception, as argued by one of the co-operative officials (4), emanates from the grassroots, as he said:

*“ This SACCOS was initiated in 1992, when the self employed of Dar-es-Salaam region complained to the regional commissioner that they were not able to participate fully in the development due to lack of initial capital. From there it's when the SACCOS was initiated. The need was really for the self-employed people who could not participate yet they constitute over half of the population of the region. This problem hindered them from preaching, taking up positions within society, running a small business, operating a small -scale industry such as carpenter, tailor, since they lacked the necessary initial capital.”*

These views on the identification of development through savings and credit services programs resemble those of one of the area credit services facilitators. The co-operative throughout the region mobilises itself in tandem with local elders and other members of the community. This initial stage is a consultative stage, basically to identify needs before presenting them to the development project committee board through the credit services local facilitator who acts as a point of contact. The process begins with the area elders calling for a meeting where they discuss their needs. And if savings and credit services is one of the needs, they usually appoint two or three representatives who pass on the

request to the co-operative official, who in turn passes that to the SACCOS officer. A District co-operative official (1) said that the approach followed by the project office differs slightly from that of the NSSF-Employees SACCOS. Before the co-operative official hands over the application to the SACCOS care committee members, he first goes back to the area for a brief assessment of their readiness for the program.

Another important issue emerging from the SACCOS office's approach is the role of the Co-operative Development Department in facilitating SACCOS and other types of co-operative. The current enabling environment has opened up many opportunities for active participation of the co-operative based SACCOS in savings and credit services of their members without interference by the state. To make this clearer, the co-operative official (15) explained that "the SACCOS office, through elder leaders, promulgated the message to the potential members that any community members in need of savings and credit services are welcome. When I receive the applications, I usually attach my comments and send them back to the District co-operative official for consideration".

The views of the co-operative official (15) and others are similar with respect to the way participation in the establishment of the SACCOS is carried out. What remains unclear is to what extent the initiators are from within the area or not. Furthermore, it is not clear as to how far it is the self-employed of the area or non-members led by the male and female elders who initiate the process. One thing is clear though: the evidence above does strongly suggest a reasonable presence of a coordinated consultative process at the grassroots level, which the organisation's mission of facilitating people-centred

development reflects. There are two factors that contribute to the co-operative office's success at this stage. One of the precursory programs of development through to SACCOS is led by the Co-operative Development Department which, according to the documentary evidence, seeks to support local communities by explaining to them what their role in the development process is. It is through the Co-operative Department that the process of awareness and empowerment, as noted by Voorhies (1996) and Yamamori et al. (1996) and the Lumumba SACCOS annual report (1999) is achieved. As earlier stated, although the Lumumba SACCOS is a SCCULT-based co-operative, its beneficiaries include those outside the SCCULT. According to one of the Lumumba SACCOS staff members (5), there are various issues considered during evaluation. Also this comment is from a co-operative official (2) who said that:

*“As regards monitoring, our office does the auditing books and training for the SACCOS committee members, sometimes for the SACCOS members. Regular monitoring is our responsibility, but due to shortage of staff we are not able to practice accordingly. But this is not an excuse if members want to know the progress of their SACCOS through a meeting”.*

As already alluded to in the documents above, the SACCOS office embraces the concept of empowerment and participation. How empowerment and participation are fulfilled in practice is debatable. While one of the stages in the process of monitoring involves the training for people involved in the program, such as co-operative leaders, SACCOS committee members, and members in general, the manner in which the trainees participate at each and every level of the process is not made clear. In some instances, it appears that “evaluation” is tokenistic and is far removed from the underlying principles of participation as noted by Lewis (2001), Fowler (1997), White (1995 in Lewis, 2001) and Myers (1999). However, this mode of monitoring bears a resemblance to the NSSF-Employees SACCOS where evidence of participatory monitoring and evaluation by the

committee members is virtually absent except for an over-reliance on supervisory team assistants. Although there are numerous claims of engaging SACCOS leaders (chairman, secretary, treasurer, and committee members) in the monitoring and evaluation facilitated by the Co-operative Development Department, these claims seem to be unsubstantiated.

Another aspect which is becoming popular in co-operative intervention, which SACCOS adopt and is also exercised to a certain degree in the Lumumba SACCOS, is capacity building. Training committee members in monitoring and evaluation is part of awareness building and empowers SACCOS' members to sustain the process in the event of donor pullout. Sustaining savings and credit services through co-operatives requires a concerted effort. According to some of the co-operative officials (2), development through savings and credit services, monitoring and evaluation also engages government officials, especially from the District Co-operative Development Office as noted by one of the Lumumba SACCOS staff (2), who pointed out that “we also involve the government in the monitoring through co-operative development assistance and they give us advice”.

#### **5.5.4 Lumumba SACCOS - Staff Views**

Regarding participatory management, as noted by Joseph (2001), locally initiated development programs can succeed if the local people are part of the management. This not only ensures sustainability but also creates opportunities between both SACCOS and members to learn from each others' experiences. Member participation and empowerment as a process is not exclusively limited to identification, development, implementation, monitoring and evaluation. There are contradictory claims about how development

through SACCOS is managed at the grassroots level. As earlier noted by one of the Lumumba SACCOS committee members (4), very little collaboration takes place between the members and the committees, hence affecting the degree of member participation. However, one of the co-operative officials (7) opposed this view, by saying that:

*“The first recommendation we make, is the first general meeting of SACCOS. When this is done and that there are sufficient potential initial members, we advise them to elect a care taker committee members (chairman, secretary and five committee members). When the chairman and secretary are verified by the office, they can undergo in-service training”.*

While the documentary evidence and views from this co-operative official (7) seem to be inextricably linked, suggesting the presence of a people-centred development practice, there are considerable contradictions emerging from the interview data from the local community members. When I asked one of the SACCOS committee members (3) in one of the development through savings and credit services about how the co-operative engages them in participating in the identification and implementation of development through savings and credit services, another Lumumba SACCOS committee member (1) quickly pointed out that “there are hardly any development activities. Because when we talk of real development, you are talking of good houses and other essential facilities or common needs of human beings. But these structures are absent in our area, therefore making it difficult to determine that there is real development”.

Despite the fact that these views are slightly alienated from the real question, that is, about development through savings and credit services, they do provide an important clue regarding their participation in the identification and implementation of development through savings and credit services. A combination of dissatisfaction and frustration with

the role of the co-operative in facilitating participation is ubiquitous in the views quoted above. According to this view, development is seen as something that is provided by outsiders rather than something that one participates in. In addition, infrastructure, or something tangible, seems to be equated with development. The views above clearly demonstrate that while the co-operative considers credit services as development, to some members of the community they are not. It is in view of this revelation that questions arise as to whether what the co-operative is implementing in the area was participatory or if it was decided upon by the providers rather than the beneficiaries themselves.

As noted by Freedman (1992, in Lewis, 2001), while there may be some degree of participation in the identification of the program activities, the inability of the facilitating SACCOS to elevate their beneficiaries as their primary focus inhibits their ability to develop a sense of ownership. Furthermore, the inability of the beneficiaries to control the resources intended to improve their wellbeing makes it hard to appreciate any progress. In sharp contrast to the co-operative's vision and approach, these findings demonstrate the dichotomy that exists between rhetoric and reality. There are two trends emerging from this which Burkey (1993, in Lewis, 2001) has constantly argued against.

Firstly, the documentary evidence seems to romanticise the development landscape, yet according to Burkey (1993 in Lewis, 2001 p.21), there has to be enough knowledge for any meaningful development to occur. Secondly, the co-operative has not fully utilised and integrated the theoretical orientation to implement the program, hence the gaps. Structurally, there appear to be barriers, for example, the area elders do not have the

courtesy to consult even with the co-operative committee members. While some of the local community members are on the co-operative committees, their influence on the decision-making process is limited, reflecting a representative participation which is only instrumental as described by Lewis (2001) and White (1995).

The absence of monitoring and evaluation systems at the office is a reflection of a lack of well-defined roles. “At office level it is not clear who would be responsible for credit services activities and who would be responsible for development activities. Even in the field, the role of the co-operative is not clear” (Lumumba SACCOS Report, 2000, p.17). The interplay between vision or mission and practice is a problem which continues across the board for co-operative development. Quite often, co-operatives would document a clear mission and objectives without due consideration of the extent to which they are achievable. For example, local capacity is one area that many co-operatives fail to examine.

These views, observed by the consultant in this case study, not only affirm Smillie’s (1995) and Riddell & Robison’s (1995) views which suggest that co-operative evaluation processes are minimal, discrete and marginal, but also that most of the co-operatives do not have the capacity (SCCULT, 2000), resources, time and skills (Rogge, 1997) to conduct meaningful evaluation exercises. This is why, in all three cases, an independent consultant is hired to either lead or solely conduct the evaluation, because either the organisation does not possess the technical expertise or because there are not enough well-qualified staff to undertake such challenging tasks. The overall consequence of

engaging an independent assessor, with or without the participation of program beneficiaries, is evident. Second, there is the possibility of generating a distorted assessment as a result of lack of knowledge of the beneficiaries' environment.

From a documentary perspective, further evidence of lack of effective management can be noted. It was observed from the impact evaluation that "most of the members complained that the SACCOS committee members do not visit them regularly" (Lumumba SACCOS Office Annual Report, 2000, p.20). This particular aspect, though not exclusively a management issue, provides some clues to loose management by this organisation. As pointed out earlier, co-operatives cannot be relegated to the position of passive observers. Their role should be facilitative and the Co-operative Official makes him/herself available to the SACCOS so that effective management can be achieved since the lack of frequent visits contributes to poor management, theft and misappropriation of funds.

#### **5.5.5 Lumumba SACCOS – Members' Perceptions**

The concept of SACCOS and development is not new to the Lumumba SACCOS members, where everybody has a feeling of when and how SACCOS can achieve development. In the discussions with some of the members they have shown that SACCOS should highlight the development of the members (members' development first). Member need, education, shelter, sufficient food, medical services, and all necessary services for the human being are the most important new services that Lumumba SACCOS should offer in the future. As one of the Lumumba SACCOS members (49) explained:



*“SACCOS should consider more services based on development. Gradually we are growing toward them, and need to focus the trend of members’ activities from the past ten years back to how it would be in future. For example, doing business needs capital and technical advice on how to develop business. However, our SACCOS provide savings and credit services, but also need technical education services, such as financial management, marketing, capital and investment, project management and supervision etc. The majority of us don’t know how to manage our money because we don’t have financial advice services provided to us before or after approval of loans”.*

### **5.6.0 Conclusion**

This chapter has demonstrated that the viability and roles of co-operatives (SACCOS) as agents and facilitators of participatory development in credit services and poverty alleviation are understood differently across the three cases. As argued in Chapter Three, the co-operative sector in Tanzania is relatively inexperienced in terms of applying the underpinning principles of participatory development. The three cases “involve” their beneficiaries in a much narrower sense of participation than should be the case. Taking an example of the NSSF-Employees SACCOS as an emerging SACCOS, it is clear that the co-operative is a “doer” and directly “involved” their beneficiaries by selling their plans or ideas to the community. There is a widening gap between the NSSF-Employees SACCOS’ plans and what in actual fact the beneficiaries really want. The mode of consultation, which according to the evidence is top-down, suggests that the NSSF-Employees SACCOS had to seek what Checkoway (1995a) calls “safe methods that provide information without transfer of power to the community”.

The Lumumba SACCOS and the Kilimani SACCOS have demonstrated some degree of active consultation in which the locals have been significantly engaged. The facilitative role in these two co-operative societies seems clear except, as with the NSSF-Employees SACCOS, participation was limited to a passive mode where decision-making was latent.

In both Lumumba and Kilimani, there seems to be a symmetrical approach to the manner in which they involve their beneficiaries. Generally, the process starts with consultations and is later followed by surveys and then the selection of working committees as caretakers. In this context, the members are used as a dimension of inclusion (representative participation) (Lewis, 2001; White, 1995 in Lewis, 2001) yet in essence, their voice on key issues that affect them is excluded.

## **CHAPTER SIX**

### **DISCUSSION ON MEMBER PARTICIPATION AND EMPOWERMENT IN THE THREE CASE STUDIES**

#### **6.0.0 Introduction**

In light of Brohman's (1996), Fowler's (2000b) and Voorhies' (1996) questions and critiques of participation, and the manner in which they are applied, there is a number of issues that can be raised. These issues not only refer to commonalities and differences among the three cases in terms of who participates, in what, how and why they participate, but also to the nature of participation and ways in which these various types of participation complement government policies. To begin with, it is important to cross-examine them from the perspective of policy and practice of participation in decision-making, empowerment, self-reliance and sustainability (see Feeney, 1998). The three cases have demonstrated their ability to succinctly outline their mission statements with a clear focus on local people.

These mission statements demonstrate the co-operative organisations' desire for improvement in the beneficiaries' socio-economic well-being, as stated by Chambers (1997) who argues that development is about improving people's livelihoods in a manner that will empower them as individuals who have the ability to contribute to their own wellbeing. Notwithstanding, both the documentary evidence and interview data in these cases hardly demonstrate that the co-operatives' mandates were formulated with the participation of the intended beneficiaries, despite their common focus on local community development. This particular finding raises one important question as to

whose development it is. If alternative development is about participation in decision-making and empowerment, it follows therefore that members have to have a considerable influence on the decision-making structures.

### **6.1.0 Data Analysis**

To understand the dynamics and the interplay of the collaborative partnerships between co-operatives and the government in the provision of savings and credit services in Tanzania, rigorous documentary analysis and in-depth interviews with government officials from key ministries were undertaken. This provided a valuable starting point in understanding the case studies. As argued by Tvedt (1998), there are four models of co-operative–government relationships which reflect the nature and the extent of co-operative operations, namely Government Dominant Model, Third Sector Dominant Model, Dual Model and Collaborative Model. The Government Dominant Model has emerged from the analysis. However, some of the findings of the study seem to partially reflect the Collaborative Model though not in its entirety. In essence, the dichotomy exemplified by the results seems to indicate the dilemma facing co-operatives in Tanzania with respect to their collaborative partnerships with the state. The analysis is begun from a documentary perspective.

Marshall and Rossman (1999) refer to data analysis as “the process of bringing order, structure, and interpretation to the mass of collected data” (p.150). Data analysis involves organising what has been seen, heard and read so that one can make sense of what has been learnt. To do so, the researcher must not only categorise, synthesise, search for

patterns and interpret the data collected (Glesne & Peshkin, 1992; Lincoln & Guba, 1985 in Makuwira, 2004), but also look for continuities and disruptions in the emerging issues. While searching for patterns may be considered paramount, it is also important to look for contradictions in the events, processes and issues that have relevance to the phenomena being investigated. There were two processes engaged in, in order to critically examine not only the extent to which NSSF-Employees SACCOS facilitate services to their beneficiaries in the provision of credit in Tanzania but also understanding their collaboration with other stakeholders. The first thing was to ‘immerse’ and socialise oneself into and with the data right from the outset. In addition, the core issues emerging from various sources needed to be understood. Given the qualitative and case study approaches of the present study, data analysis started at the beginning of the study. Data analysis was part of the research design. It formed part of the literature review, data collection and data ordering. Data analysis strategies were largely influenced by the sentiments of Stake (1995, p.71) and Miles & Huberman (1998), who argue that “there is no particular moment when data analysis begins”.

The analytic procedure which was preferred in this study, and which was used to analyse data from interviews, was derived from a combination of data analysis techniques developed by Miles and Huberman (1998) and Yin (1994). Miles and Huberman identify three linked sub-processes that are vital in data analysis, namely data reduction, data display, and conclusion drawing/verification. In comparison, Yin (1994) suggests two general strategies relevant to case study analysis. The first strategy relies on theoretical propositions (Yin 1994, p.103) and is similar to Miles and Huberman’s (1998) “data

reduction” model in that they are both based on the objectives and design of the study. In other words, the theoretical framework developed in the literature review, and which also resulted in developing new insights, can be used as a data analysis tool. The second strategy Yin (1994) suggests is the developing of a case description, which essentially entails developing a framework for organising the case. The description could be in the form of themes that could also further be developed to ascertain patterns of complexity, which may ultimately be used to explain or answer the research questions.

In this study, the theoretical-propositions-as-data-analysis strategy included a literature review to establish and make explicit the initial boundaries of the study. It was also through the development of the conceptual framework that the second stage, which was the exploration and identification of the research problem, was done. As more and more issues emerged from the literature review, it became clear that purposive selection was appropriate as it was envisaged that identifying suitable cases would provide an opportunity for understanding the issues in question. However, despite these processes, an extra dimension to the theoretical proposition process was a critical reflection on the divergences, contradictions, tensions and other ambivalences in the data. A critical examination of the various themes based on this strategy helped in the understanding of the emerging issues of participation and partnerships in savings and credit co-operatives.

### **6.2.1 Who Participated**

As noted above, policies do not always translate simply into practice. Regardless of the fact that there is much emphasis on involving the local people in the three case studies,

the greater proportion of the people are not actively engaged. This supports Chalker's claims (in Riddell & Robison, 1995) that most of the co-operatives spend much of their time on public relations with bureaucratic governance structures which, according to her, have very little significance for people's needs. This particular observation is clear in the NSSF-Employees SACCOS where top-down consultative processes are ubiquitous. Although this study did not initially seek to investigate gender disparity as it relates to participation of men and women, it emerged as an issue worthy of mention. By design, savings and credit co-operative societies are meant to benefit all the beneficiaries irrespective of gender. However, the reality is that not many males participate in the society. Unlike the NSSF-Employees SACCOS' services it is intended to focus on self-help from the low income employees of the National Social Security Fund. The Co-operative Office's scenario raises further questions regarding gender balance, particularly in representation in various development committees, especially at the bottom level, and sharply goes against Fowler's (2000a) and Oxfam's (Feeney,1998) assertion that meaningful participation has to be gender-sensitive, that is both men and women have to participate. For example, remarks by one of the Kilimani SACCOS staff (15), and a committee member (4) help understand the issue:

*"The initial idea for the loans is that both men and women should be provided for. Unfortunately, the loans seem to be provided to women only with the exception of the few loans where there are some men providing".*

*"One of the challenges is the question of gender. It has hit us so hard because with most of the applications we received for loans you find that the majority are women. So you ask, where are the men? One factor is that the men do not want to accept that they are low income earners so that they have to join SACCOS to save a little money to be able to get a loan after. The problem among men is that they feel shy to show that they have a shortage of money so they need to get assistance from SACCOS and if it did happen it should be a secret and not done openly".*

### **6.2.2 How Do They Participate and Empower Themselves**

It is extremely difficult to provide a definitive answer as to what decisions and activities the beneficiaries of the three cases participated in. The challenge, as noted by Voorhies (1996), emanates from the basic foundations of each organisation's mission and vision, which, according to the three cases, are not the result of growth from within. Besides this point, there is little evidence to support adherence to Fowler's (1997; 2000b) fundamental principles of participation. In all three cases, there is little convincing evidence to suggest active participation in decision-making except in the Kilimani SACCOS, where some degree of transformative participation is present. In as much as the Lumumba SACCOS and Kilimani SACCOS have demonstrated joint planning to some degree, there was also harmonised decision-making with regard to participants' roles and responsibilities. Voorhies (1996, p.125) argues that in such a situation, the beneficiaries participated as benefit recipients and not project designers.

### **6.2.3 Focus on Development**

Wilson and Heeks (2000) argue that those involved in the implementation of poverty alleviation programs should recognise the embeddedness of other social programs and their interconnectedness in other aspects of social life. Their vision sees action towards development as taking place within an integrated system where action in one area has an impact in another. The three cases have provided some insights into how SACCOS are approached from this perspective.



A comparative analysis of the three SACCOS shows that each of them has multiple areas of focus in their mission statements, which ultimately influence the type of programs to be implemented (Table 6:1). For example, transforming communities as a key aspect of the Kilimani SACCOS and Lumumba SACCOS development philosophy entails looking at improving beneficiaries' wellbeing from a wider angle. In the context of poverty alleviation, savings and credit services provision cuts across all the three cases. As observed by URT (2000b), the catalytic effect of credit services on the socio-economic aspects of life for low income earners cannot be over emphasised. If beneficiaries of such programs as outlined by the three SACCOS become receptive to new ideas, become tolerant of opposing views, and develop a sense of responsibility and ownership, it is highly likely that such communities could appreciate other facets of development. Thus, provision of such programs as agriculture, and small enterprise activities such as small scale industries, is an integral part of the development tapestry. It is from this perspective that each of the SACCOS implements more than one program so that impact can be maximised.

**Table 6:1 Cross-Case Analysis of SACCOS Program Focus (SCCULT, 1999)**

<b>Name of Society</b>	<b>Mission Statement</b>	<b>Areas of Focus</b>
NSSF-Employees SACCOS	To advance the cause of low income workers of the NSSF	-Loans for education -Loans for house building -Loans for small business
Lumumba SACCOS	To advance the cause of low income employed and self-employed people	-Co-operative education -Ethos of savings -Education loans -Development loans -Current expenditure loans
Kilimani SACCOS	To provide combined services to rural people. To improve agriculture, small scale industries, and business	-Agriculture -Industries -Business -Education -Health

#### **6.2.4 Co-operative Awareness of the Need to Consult Members**

A critical analysis of the three cases also highlights some degree of awareness on the part of the SACCOS personnel of the need to consult members as beneficiaries of development. This reflects Fowler's (1997) observations that co-operatives' success in their facilitative role is dependent on their understanding of the member settings, which should largely be drawn from their informal and personal interaction with the local people. The trend can be explained from various perspectives. As the number of SACCOS in Tanzania increases, many rural communities, self-employed people in urban areas and low income employees in both urban and rural areas are, in one way or the other, involved in the implementation of donor-funded programs, through Pride Africa or arrangements of contributing money to group members in turns known as Rotating Savings and Credit Association (RSCA) (in Swahili known as "UPATU"). As such, knowledge by the service providers, SACCOS and the beneficiaries, of the need to reach

a consensus, is becoming more common. Furthermore, consultative processes at the community level used by various stakeholders may signify the extent to which the decentralisation system of local governance in both the government sphere and co-operative structures is taking root. Despite the sporadic nature of the establishment of some of the SACCOS, the fact that there is a growing recognition of the existing development infrastructure is in itself a positive development towards an active participation by the co-operatives, government and local communities.

### **6.3.0 Models of Member Participation and Empowerment**

The three cases have revealed that participation in Tanzania is far from being a transformative process, where the local community members decide on their own what is best for them without the implementing co-operatives imposing their influence, but rather facilitating the process. The models of participation which the three cases employ are nominal, instrumental, or representative (White, 2000). For example, all three SACCOS advocate for part contribution in the form of cash, such as an entrance fee and the purchase of shares or deposit. This is instrumental participation where there is very little contribution to decision-making by the beneficiaries. The difference among the three cases is very clear in their employment of representative participation. The NSSF-Employees SACCOS and Lumumba SACCOS have both demonstrated engagement in representative participation through management procedures which are led by members of committees, with minimal interference from the co-operatives, who facilitate the process.

While transformative participation is regarded as the best in development practice (Nelson and Wright, 1995; White, 2000) due to the fact that there is little external influence, co-operatives should in no way be relegated to the role of passive observers. In the three cases, co-operatives have been involved in one way or the other, in facilitating deliberations. This facilitative role can, however, be utilised in two ways. First, as a process of offering guidance to the beneficiaries and second, as a controlling measure for ensuring that there is minimal domination by local elites. The danger remains, however, of one of the SACCOS hijacking transformative participation as previously occurred in the rural co-operative societies which were involved in buying crops from the farmers all over the country (see 4.3.0).

### **6.3.1 Impact of Member Participation and Empowerment on SACCOS**

So far the analysis of members' participation and empowerment in the establishment of SACCOS in the three cases can be described as reflecting instrumental or representative participation (Lewis, 2001; White, 1995). However, despite the lack of transformative participation (Myers, 1999; Yamamori, et al.,1996), the study has emerged with significant indications of positive impacts accrued from co-operatives' facilitation of instrumental and representative participation, namely, access to savings and credit services, community mobilisation, and awareness and general skills acquisition. Access to savings and credit services from the financial institutions in Tanzania remains one of the major challenges to achieving the vision of poverty alleviation through credit services. Where possibilities of erecting new structures have proved difficult, co-operatives, in consultation with the co-operative development department, have reverted

to using small groups as formal groups that the government, through development fund projects, should facilitate by providing small loans. Despite these co-operatives being limited due to general resource constraints (Kakatera, 2000), some ground has been made in reaching remote communities. For example, the Hon. Paul Boman, former Minister for Agriculture pointed out how the co-operative has improved access to savings and credit services for low income people who are self-employed in rural areas. This is despite the lack of active member participation in decision-making.

*“In the moulding of our low income earners into a nation, co-operatives have had and will continue to have a most important role to play. It has paved the way for our rural farmers, self employed on small scale industries and business in urban areas”.*

Development through credit services’ impact can also be noted from a documentary perspective, as well as based on the number of women who are holding important portfolios in the local community development structures, like those of the village and ward, as well as political positions, as reported by the impact evaluation. Quantitatively, the numbers enrolling for co-operative education concerning credit services before applying for loans has been fluctuating between 1995 and 2005, particularly for men attending the co-operative education sessions in order to know how they can benefit by borrowing money wisely and paying back promptly, as noted in the impact evaluation.

**Table 6:2 Trends in Applications and Loans Provided (Lumumba SACCOS)**

YEAR	APPLICATIONS		LOANS (TSh. Million)	
	Female	Male	Required	Approved
1994/95	156	17	15.3	13.7
1995/96	198	21	23.6	20.5
1996/97	267	34	38.2	32.3
1997/98	176	31	31.9	24.1
1998/99	164	39	33.7	26.7
1999/2000	251	36	40.2	35.9
2000/01	205	42	41.5	31.6
2001/02	283	54	48.2	37.8
2002/03	291	60	56.1	39.4
2003/04	353	76	68.3	41.6
2004/05	378	105	89.7	56.3
Total	2,722	515	486.7	359.9

**Source: Lumumba SACCOS Impact Evaluation Annual General Report 2006**

Unlike the NSSF-Employees SACCOS and Lumumba SACCOS whose focus is generally on savings and credit services to the employees and self-employed members, the Kilimani SACCOS differs in its impact. Purely focusing on farmers and non-farmers in the rural area, the impact has mainly been in community access, awareness and capacity building. Reporting on the achievement arising from the Kilimani SACCOS, the chairman of committee members (1) mentioned that:

*“Our SACCOS movement has continued to grow from strength to strength and by the end of this year, all aspects of our members lives have to be reached by our SACCOS. There is a lot of impact especially in terms of access. The number of members in our SACCOS attending co-operative education for the sake of getting loans has increased; as a result, the number of loan applications and approvals has increased also, a good start”.*

### **6.3.2 Members’ Awareness**

Although member awareness and mobilisation are hard to quantify, it suffices to say that the views expressed by members do suggest engaging people in representative and instrumental participation has some degree of impact. For example, in the NSSF-Employees SACCOS, members’ views support this claim. Many of the workers came to

work in NSSF without any knowledge of how they can manage to own their house, while paying tuition fees for their kids and some of them are now studying at university, sponsored by a SACCOS loan through NSSF-Employees SACCOS staff (11). There are improvements in the income aspects of the workers' lives, which are better than before (NSSF-Employees SACCOS staff (6)). Those who did not know how they can buy land for farming, or purchase house building materials now can (NSSF-Employees SACCOS member (7)). As reported by the Lumumba SACCOS committee member (3) discussing impact evaluation, who said that "self-employed and employed people who are members in the SACCOS, both men and women, are able to save up to one million shillings in their deposit account", this has increased their self-confidence and independence as shown by the sentiment:

*"We are so poor. We rely on friends when facing emergencies that need money to solve the problem, even in our business some time you need money to increase your working capital, you don't know where you can get loan. Nowadays things has changed, we are able to get loan from SACCOS to run our business and solve problem".*

The general assessment shows that many SACCOS members have acquired some skills in small-scale income generating activities, in agriculture and general household hygiene. The change in members' access to savings and credit services in the three cases and their entrepreneurial skills are evidence of the potential SACCOS have in improving the social welfare of poverty-stricken people. From the analysis of the three cases, it has emerged that the consultative processes have made an impact on a number of fronts. There is a significant improvement in the sense that all the three SACCOS have come to realise the need for consultation, although the consultative processes do not reflect transformative participation as Myers (1999, p. 120) has mentioned. The fact that a growing number of local people are in SACCOS results in increased working capital for the SACCOS which

will provide loans to members accordingly. Co-operative education has increased awareness of the SACCOS, how it is operating and the duties and rights of the members of the SACCOS. Another aspect that confirms SACCOS's effective campaign for public awareness is seen in the number of members attending co-operative education classes.

Making a comment on this, one of the co-operative officials (14) said that:

*“There is an impact, because we are seeing that many co-operative members want to undergo training in co-operative education before they apply for loans. This indicates that people's awareness is growing towards duties and rights as members”.*

#### **6.4.0 Factors Affecting Member Participation and Empowerment**

These case studies confirm that one of the major challenges which SACCOS face in their effort to facilitate participatory development and, in particular, the provision of saving and credit services to low income earners in the workplace and self-employed people and farmers in urban and rural areas, is a lack of resources (Kakatera, 2000; ICA, 2001a). This was particularly so in the Lumumba SACCOS where a lack of working capital, poor loan payback and loan delinquency from members, problems with regular monthly share contributions from their members and a lack of savings spirit were reported. As one of the loan committee members (4) at Lumumba SACCOS explained:

*“There is an issue of resources. Because you may have SACCOS which may want to provide quite a lot of loans to members but you may fail to carry out those applications of loans just because you do not have adequate working capital, that's money that comes from members' share contributions, members' deposit, interest and some times bank loans. This is what happens in our SACCOS”.*

*“Secondly, the other challenge is that the human needs are so enormous that at a certain point you begin to be overtaken by the needs of the members because we have a long list of members' applications requesting to stop reduction from their salary for some months because they have family problems etc. But the resources that are at our disposal cannot allow us to provide loans to other members, to stop reduction means to stop providing other members' service”.*

As the number of SACCOS in Tanzania increases, the likelihood of competition for scarce resources also increases. In all three case studies, one striking commonality is their



dependency on donor funding. This dependency culture, which appears to be consistent with Thomas and Allen (2000) and USAID (2001), restricts many SACCOS in achieving their plans and aspirations. While some SACCOS have the resources handy, particularly the SACCOS operating in the work place, prioritisation or allocation of the resources is an issue that has emerged among the cases. For example a Chairman of NSSF-Employees SACCOS, commenting on this issue, said that:

*“Sometimes we are running out of sufficient funds to give loans to our members immediately; in this situation we have to ask NSSF management to provide funds in order to service our members. This should be as a short term loan or overdraft from bank. In 2006 we have been given a promise from the President Kikwete Foundation Funds that we will get a grant of 50m Tsh; to date we are still waiting”.*

Often times, many SACCOS tend to scale up their members’ applications without due consideration of the resource base (see, for example, Table 6.2) where SACCOS engage with more applications for loans from members with limited capacity. This has led to scattered or localised impact, not only in credit services but in other development activities too. In addition, due to the ‘go it alone’ syndrome, as observed by Faiti (1995) and Kakatera (2000) and Makuwira (2004), the majority of SACCOS find themselves resource-stricken due partly to the fact that there is no harmonisation of efforts.

#### **6.4.1 Government Imposition of Co-operative Development on Beneficiaries**

Fowler (1997, 2000b) and Voorhies (1996) reiterate that meaningful participation is engendered where development organisations integrate co-operative members’ views and engage them in either influencing policy-making institutions or directly participating in the decision-making processes. Long-term development of credit services in Tanzania is affected by the imposition of development agendas on the intended beneficiaries. Some government officials, especially in the co-operative development sector, decried this

practice and consider it to be one of the major challenges that affects transformative participation. For example, one co-operative official (5) commented that:

*“Sometimes we have been told to register a group of people as SACCOS. The instruction comes from Regional Commissioner (RC) or Area Commissioner (AC), we have to follow them. Such types of SACCOS which have been established by political influence normally have many problems in future including poor financial management, there are many in our district”.*

It is not uncommon in Tanzania that a number of SACCOS have been accused of prescribing development activities without actively engaging the members in deciding what they consider vital to their lives (Voorhies, 1996). Although this particular issue was advanced by participants outside the three cases, the concern seems to be of vital importance so far as meaningful participation is concerned. Based on Fowlers’ (1997, 2000b) frameworks of participation as described before, the dangers of excluding the primary members from the SACCOS development process are such that people become alien to the very development issues that are intended to alleviate their poverty, hence virtually perpetuating the problems. Despite the presence of sporadic instrumental and representative participation in the three cases, the disruptions mirror some degree of weakness in SACCOS practices as noted by Cracknell (2000) and ICA (2001b).

#### **6.4.2 The Role of Politicians in Member Participation and Empowerment**

The role of politicians in SACCOS development is also one of the main factors identified as having some degree of influence on the extent to which co-operatives engage their beneficiaries in meaningful participation. The three cases studies also revealed that members’ participation is often affected by political interference. As a result of multi-party politics, many political parties have access to various constituencies. In some cases,

these politicians relay conflicting messages to the electorate which are inconsistent with what co-operatives' ideologies are.

The tension between government and co-operatives emanates from the perspective of power. Development is political; while the majority of the co-operatives seek to maintain their autonomy, government mechanisms seek to co-opt them into their system. In Tanzania, this particular situation is aggravated by the fact that, not long ago, government was seen to be the sole architect of development. Although Tanzania claims to belong to a democratic world where freedom of association is the order of the day, the current proliferation of co-operatives seems to be posing a considerable threat to the political elites as many communities seem to recognise the role of co-operatives in development. The fact is that there are many gaps left by the government's inability to provide social services and the co-operatives are seen simply as gap fillers. As a result, there are conflicting messages promulgated by politicians, both negative and positive, about co-operatives. In some cases, co-operatives are regarded as mercenaries for opposition parties. One of the co-operative officials (1) has mentioned that:

*“It becomes a big problem when a famous person, for example a member of parliament.....tells people to contribute shares for their SACCOS. They fear losing popularity, when instead they used to say, “the government will provide funds for establishment of SACCOS”.*

In his speech during the 2006 Parliamentary Budget Session (Budget Speech, 2006), the Minister of Finance noted the gravity of politicisation of development and echoed the remarks that support the argument. He said that:

*“There is a need for political leaders to change the terms of political discourse, which create the expectation of material gains in return for political allegiances and reinforce the excessive expectations placed on government from the people”.*

Due to the increasing awareness of the freedom of expression, many political leaders, even at the grassroots level, have resorted to political discourses that propagate tension. This has resulted in the erosion of the spirit of oneness and hence lack of joint implementation or planning of SACCOS among the stakeholders.

The conflicting political discourses as referred to above are a devastating tool against development because it appears that community members in those areas that are affected by such political rhetoric tend to lose the will to participate voluntarily, hence they engender a widespread passive receiver mentality which ultimately aggravates the magnitude of poverty. In essence, what this situation entails is a battle fought on two fronts. First, by SACCOS who have to strive to change the attitudes or mindset of their members towards development issues. This basically means that both government and SACCOS have to establish a common framework that will ultimately facilitate the participation of the intended beneficiaries and prevent them from being oppressed, converting them to the development of socio-economic and political life. Secondly, both government and SACCOS have to battle against the dependency culture (Thomas, 2000). Crucial to all these is the aspect of civic education of stakeholders about the need to edit their political discourses as already mentioned.

The political decision to encourage the formation of SACCOS and to support them as a means for national development greatly helped to put the SACCOS approach into the limelight and to elevate the status of the idea in the minds of the nation. It also facilitated the mobilisation and direction of resources to the sector. This political will has had a significant impact on the development of SACCOS. Among them are NSSF-Employees

SACCOS, Lumumba SACCOS and Kilimani SACCOS whose establishment originated from the political environment. For example, in the 1960s and 70s politics in Tanzania seemed to have a positive effect on the number of co-operatives and their volume of activities, as pointed out in section 4.3.0. Co-operative business grew rapidly with the help of politically influenced, co-operative-biased legislation and regulations. By the 1980s it began to appear that some of the political intervention had led to under development and in many cases failure of the co-operatives in Tanzania (see 4.4.0).

The most undesirable effect was that members of co-operatives had ceased to own and be responsible for these organisations. Those within the movement, and the public in general, perceived co-operatives as government institutions to be taken advantage of. Loans were not repaid (over 27 billion Tshs), participation by members fell, there was little accountability or transparency, economic performance suffered and general acrimony and despondency began to set in. This led to the clamour for a review of the relationship between politics and the government versus the co-operative movement, particularly for the revision of the Co-operative Societies Act (see 4.5.0). As a chairman of NSSF-Employees SACCOS explains:

*“The history of our SACCOS was involved with political force. The management was instructed by the board of directors to establish SACCOS in organisations which would help all employees to save and also get loans once they have problems. At the beginning, this SACCOS had been operating under the supervision and control of the NSSF management, but gradually members were demanding their right to control everything, and now we have committees elected by members and also we have managed to employ a manager and a chief accountant”.*

#### **6.4.3 Degree of Member Participation and Empowerment in Co-partnerships**

Carroll & Steane (2000) argue that partnerships are built for joint problem-solving, resource exchange, co-operation, and coalition building. They also argue that a healthy

relationship is only conceivable where both parties involved in a partnership deal share common objectives. The development of an enabling environment, as explained in section 6.5.1, differs markedly from the way such expectations translate into practice. There has been a consistent development of policies advocating co-operative/government collaboration. Based on the findings from the NSSF-Employees SACCOS and the Lumumba SACCOS, there is little doubt that despite having sound policies, the nature and degree of collaboration between the two SACCOS and government institutions in the localities are limited. Furthermore, there is a growing concern about how civil society in general is viewed by the government. Co-operatives are regarded as participants as opposed to being partners, despite all the rhetoric displayed in the policy documents. As the Lumumba SACCOS chairman's speech at the annual meeting in 2003 said:

*“SACCOS as a civil society should form functional platforms for action and involvement in government program planning and implementation. We should not wait to be invited or taken on board by government, that time is over and we must show creativity”.*

In practice, the process of policy formulation, especially when it is of national importance, is dominated by government and high-ranking officials, as observed by Bisika, et al., (1995). The under-representation of the grassroots organisations not only contradicts some of the claims in the policy statements canvassed in section 4.7.0 but also nullifies the very basic purpose of partnerships, including joint commitment to long-term intervention (Fowler, 1997; Lewis, 2001). Having sound policies is not an end in itself. The challenge rests in translating the policies into practice, which, from the evidence presented here, has varied success. These remarks underscore the segmented nature of development practice. Policy dialogue is often carried out either hastily or by a few influential people without due consideration of those whose lives will ultimately be

affected by the policies. This could be a partial reason why organisations like the Lumumba SACCOS find it hard to cope with the government. The lack of representation from the grassroots organisations, as noted above, unequivocally signals how weak the government/co-operative collaborative partnerships can be, not only on issues of credit services, but also on issues linked to other sectors of development.

#### **6.5.0 SACCOS Co-partnerships**

Ball and Dunn (1995) argued that the effectiveness and efficiency of co-operatives' contribution to development depends on their relationships with other co-operative organisations. While the proponents of co-partnership and/or collaboration paint a rosy picture of its impact, co-partnership suspicion remains one of the highly critical issues among co-operatives in Tanzania. There are three fundamental domains that have emerged from the three cases and their impact influences the success of effective collaborative partnerships, namely, what the SACCOS goals and objectives are; the manner in which the SACCOS envisages achieving its goals and objectives; and how it determines progress towards achieving the objectives. Besides these, lack of appropriate government policy on co-operatives also has some significance. Each one of these will now be looked at.

The three cases claim to be involved in partnership, but the operationalisation of their co-partnership appears to be shallow. The major reason is that the co-operation is neither systematic nor subject to any formal agreement. Each SACCOS appears to stick to its

own goals and objectives. One of the committee members (3) of NSSF-Employees SACCOS admitted this and said:

*“We know that our SACCOS have its own target group (NSSF-Employees). As such we try to work according to the constitution. As a SACCOS we have a mission to accomplish, we have the right to sue or to be sued according to the law of registration. We have the right to enter into contract with other organisations as partnerships or business. At the moment our SACCOS has no partnership but we have a relationship with others such as Maktaba SACCOS”.*

In other words, regardless of the increasing recognition of the important role other co-operatives play in savings and credit services, there are limited attempts towards harnessing their efforts on the basis of shared purpose. Besides, the views cited above have another important dimension. Notwithstanding the fact that development activities have to be focused and geared towards achieving the intended objectives, the results do also suggest that flexibility among the three cases is limited, hence, contradicting claims of co-operatives’ comparative advantages as explained by Riddell & Robison, (1995). The interview data also provides another dimension that reflects the role of external influence in the development process. As Thomas and Allen (2000) argue, due to donor dependence and the conditionalities they attach to the funding, many co-operatives have been coerced into abandoning their initial missions and objectives and have become accountable to their donors for their grants or to government for their assistance.

The co-operatives in Tanzania are not interested in an integrated approach because they differ in economy and ideology.

*“It is a common belief that “economy and ideology” should be combined in co-operative performance; economy and ideology should constitute a unity. Co-operation stands for a system to carry out economic activities in a democratic way within a framework of co-operative values. Co-operators might have differing views on the interpretation and the relevance of the basic values, but basically agree on integrated outlook. Members, employees and management should have economy and ideology integrated in their minds, as was the case in the beginning and still is the*



*case in small co-operatives, and in the formation of new co-operatives” (Najan, 1996, p.342).*

Since 1992 when the government introduced the multi-party political system, Tanzanian society, and particularly in its political activities, has changed. The system continues to experience problems related to political ideology in the co-operative movement and other sectors.

### **6.5.1 SACCOS Co-partnerships on Member Participation and Empowerment**

A factor that has emerged from the three cases and affects co-partnerships' collaboration is the process of the SACCOS. Although this piece of evidence seems to interrogate issues pertaining to the purpose, it equally stresses the problem of rigidity in co-operative program implementation, which is essentially about process. As noted earlier, the process of establishment of savings and credit services cannot be excluded from the goals and objectives. They are inextricably linked. It would seem, therefore, that while there is a continued debate about the effectiveness and efficiency of co-operatives' development interventions, the challenge of this particular type of co-partnership remains acute due to competition among co-operatives, particularly co-operative unions who normally want to extend their influence on the societies' scene. Rigidity in co-operative implementation has been mentioned by Book (1992, p.113 in Davis, 1995) and Narman (1999) as being the problem because;

*“the main co-operative contributions must be applied in a step-by-step way in approaching the very poor. The first co-operative steps must be taken within contexts where the preconditions are fairly good. And then, when these co-operatives have reached a viable stage, they should open up to and orient their activities for the poorest part of the population and promote the proper co-operative applications. However, the trends towards mature primary co-operative societies, have also invented methods to encourage member identity and member participation within these mature or larger structures. Perhaps the most systematic experience of recent decades is with the famous Japanese ‘HAN’ groups, which are found in many types of co-operative. These were started when Japanese co-operators were experiencing weakening participation at the grass-root level and were not viable but were considering*

*ways of revitalisation. The 'HAN' groups became successful instruments with activities today covering a wide range of areas in Japan" (Book,1992, in Davis, 1995).*

In Tanzania co-operatives have a different story, as one of the co-operative officials (4) explains:

*"The problem we have noted is that co-operatives which are existing in Tanzania are working competitively. Instead of working as a partner, they work competitively in terms of not sharing much information. I think the government as a policy maker can take advantage of this situation. Individual co-operatives find it so hard to achieve what they want... Like now, these co-operatives working in savings and credit services, they do not come together and work together, that's a challenge. Coming to primary co-operative society, if you work with them, they expect money, of course yes, we can donate money but we have to know if the co-operative is credible as far as credit services are concerned".*

The tendency of secrecy as noted by Faiti (1995) is not only common to Tanzanian co-operatives. While there is nothing wrong in ensuring that these organisations achieve their intended objectives or mission, their rigidity affects our co-operatives' development processes, especially the process leading to negotiating partnerships with other stakeholders because rigidity denies them the opportunity to learn how to understand the dynamics, not only of co-partnership but participation as well, and how they cope with any challenges that may emanate from such partnerships.

Many of the issues raised in the preceding sections highlight some of the core problems that affect co-operatives' monitoring and evaluation of process. One crucial aspect to note is the interconnectedness of the three domains; purpose, process and progress. As mentioned earlier, any flaw in one of the three is likely to affect the other domains. Referring to one of the results of a joint study by Oxfam and Action Aid, one of the co-operative officials (7) sets out the reasons which, according to the study, affect co-partnerships:

*"One of the findings was that the role of co-operatives in poverty alleviation was disjointed in terms of how they approach the whole thing and influence it. Most of*

*the co-operatives would go it alone and as a result they fail to achieve their goals”.*

This observation, though not directly emerging from the three cases, has some significance to the overall picture emerging throughout the analysis of the results. As noted in section 6.1.2, the problem of “disjointed approach” (Kalemba, et al., 1996) has persistently recurred. Hence, collaborative partnership from the perspective of joint monitoring and evaluation is defeated when co-operatives consider other co-operatives as mere participants and not partners.

As can be seen, it is clear that ‘inviting’ and ‘taking advantage of’ are phrases that imply passive partnership as espoused by Lewis (2001). The invitees are, in most cases, viewed simply as contributors, even listeners, which suggests that the partnership does not have a strong foundation. The problem for the poor village farmer, the self-employed, and low income employees that have been discussed in the three cases is that lack of “the plan for increased participation and motivation which should cover all the basic functions from a member perspective”.

### **6.5.2 SACCOS Co-Government Partnership in Savings and Credit Services**

When the third phase government assumed power in 1995 through a multi-party democratic election, a new wave of development discourse echoed throughout the country. Discourses of poverty alleviation, privatisation, participation, and partnerships dominated most of the government’s policy agenda. Tanzania’s transition period from a single party and Mwalimu Nyerere’s socialist regime provided an impetus to open a new window on the political landscape. This state of affairs resonates with Giridon’s (1992, in

Tvedt, 1998) assertions that collaborative partnerships between co-operatives and government or other organisations can be influenced by the type of government in power. Events leading to the creation of what is popularly known as an “enabling environment” in Tanzania can be traced from a wide range of documentary evidence, of particular relevance being policy documents. The government’s effort to create a collaborative partnership not only with the co-operatives in particular, but with the whole civil society in Tanzania, is also traceable from various documents. One piece of evidence is identified in the President’s speech at the State opening of the Parliament of Tanzania on 16th December 1995 (URT, 1995c, p.18), in which the newly elected state President of the multi-party democracy, former President Benjamin Mkapa, said:

*“Mr Speaker Sir, Honourable Members, the government is committed to the goal of providing good environment for all low income people who are employed, self-employees and farmers as a means of establishing small activities that will increase their income. In an earnest desire to wipe out poverty in the country, the government will review the co-operative and all state enterprise policy with the intention of reorienting the free market economy in Tanzania towards the improvement of both nation and people. In an attempt to achieve these goals, several policies will be put in place at each level of the free market economy system”.*

This speech set the scene for an enabling environment in two ways. First, as head of both state and government, Mr Mkapa made a commitment to an aspect of free access to market economy which, in the previous government, was virtually absent. Secondly, there is recognition of the need for a review of co-operative policies. As stated earlier (URT, 2000a; URT, 2004), the rapid changes in social, economic and political forces in Tanzania towards the late 1980s and early 1990s necessitated an overhaul in economic policy so that such policies could help tackle the issue of poverty. Co-operatives were and continue to be seen as vital instruments in achieving the goals of poverty alleviation. It is not surprising such policy statements were produced by the new government. Other

evidence from the President's parliamentary opening speech (URT, 1995c, p. 16) consolidates the rhetoric towards creating an enabling environment. Apart from raising concern about aspects of access and policy review, the President further acknowledges the role of co-operatives in development in Tanzania.

*“Co-operative societies have, over the years, been involved in the provision of agricultural facilities in rural areas during the colonial period and after independence. It is the intention of the government to encourage these co-operative organisations to get more involved in this sector. In doing so, they should not only look at primary agriculture co-operative society but more importantly also consider SACCOS in rural and urban areas. SACCOS should be a source of financial help to low income earners”.*

The remarks above do strongly suggest a positive environment for co-operatives. This discourse of collaborative partnership suggests the willingness of government to engage other stakeholders in the provision of savings and credit services at all levels. However, these sentiments, though occasionally mentioned by the previous government, lacked practical and policy application. One of the government's landmarks in the fight against poverty has been the development of the “Policy Framework for Poverty Alleviation in Tanzania”, a document that explicitly outlines the government's goals and strategies for alleviating poverty in Tanzania (URT, 1996, p. 45-47; 2000c, p.9.2.1). The Presidential Address has been followed by its interpretation in policy documents, as noted by a policy (see 4.7.0), which states:

*“Co-operative organisations will participate in the development at all levels from the rural to urban areas. They will facilitate development activities at the community level. The co-operative development department, Co-operative Union of Tanzania (CUT) and Savings and Credit Co-operative Union League of Tanzania (SCCULT) will be involved in day to day activities to monitor. The capacities of co-operatives to integrate poverty alleviation concerns in their development activities will be strengthened through training activities. The government will continue to support and protect co-operatives as important organisations for achieving national goals and objectives”.*

The policy statement above clearly outlines three major areas of concern that have already been mentioned: programs at all levels, a facilitative role played by co-operatives

in development endeavours particularly at community levels, and capacity and institutional building for institutions that are working in concert with community organisations. The President's remarks, and the policy statements that call for partnership, reflect Smillie's (1995) views that it is only when government sends positive messages to the public about co-operatives that an enabling environment can be secured. Also unique in the policy statement cited is the recognition of the role played by the co-operative coordinating body, SCCULT (see Appendix B). It represents a realisation that effective partnerships have to emanate from a concerted effort by those engaged. SCCULT emerges, in this case, from its role as a coordinating body between and among SACCOS co-operative societies and government.

Although it is not the intention of this study to dwell much on SCCULT as an organisation, the manner in which it facilitates partnerships between and among other co-operatives has a bearing on co-operative–government partnerships. Since 1991, this organisation has been making attempts to establish a vibrant SACCOS sector based on shared values, transparency and accountability, which eventually culminated in the initiation of the Co-operative Law. In 2003, Parliament enacted the Co-operative Societies Act, 2003 (Act. No 20 of 2003), which stipulates that co-operatives in Tanzania should not be established or controlled directly or indirectly by the government. It further stipulates that the Co-operative Board should function without political interferences by donors, the government, or any political party (Co-operative Societies Act, 2003).

As mentioned in Chapter One, the liberated co-operative sector in Tanzania is relatively new and becoming increasingly diverse. Of the many co-operative organisations in

Tanzania, SACCOS in particular are experiencing rapid growth. The implementation of the Co-operative Act, whose objectives, inter alia, include facilitation of “relationships between co-operatives and the government involving constructive collaboration and partnerships in furtherance of public interest” (Co-operative Societies Act, 2003, p.5) has sparked a heated debate, and SACCOS in particular have reacted bitterly because of the anticipation that the Act intends to limit SACCOS’ freedom to operate and, consequently, result in victimisation of innocent co-operatives who speak out against government malpractice. For example in the field notes (2006) the Executive Secretary of the SCCULT publicly explained that:

*“SCCULT would mobilise all co-operative unions in the country to fight the implementation of the new Co-operative Act, which was passed during the last sitting of parliament. We know the Bill was passed in an unfair manner and that it was passed as a way of victimising individual co-operatives. The clause in the Act that requires all SACCOS to be affiliated to the SCCULT after they are registered is a violation of the constitutional right of freedom of association”.*

The preservation of credibility and integrity of co-operatives through good policy backed by principles of accountability and transparency (Co-operative Societies Act, 2003) is an issue of contention, especially because co-operatives are also supposed to be accorded freedom of association. These remarks raise fundamental questions about the role of SCCULT, particularly about whether SACCOS should be coerced into associating with institutions that they are unwilling to collaborate with and about who should monitor co-operative programs. From the government’s perspective, the advancement of democratic culture rests on the principles of accountability and transparency.

*“Since Tanzanians have subscribed to democracy and the rule of law 1992, it is imperative that both the government and civil society institutions, including co-operatives, must be transparent and accountable to the people of Tanzania and our development partners” (Government Report, 2004).*

Public scrutiny, which has become popular practice in Tanzania as a result of endemic corruption, is proving to be a difficult practice not only for co-operatives but for government too. Sporadic incidents have been reported about missing funds earmarked for development projects and, as has emerged from the study, there have been cases where some co-operatives have been reported for mismanagement of funds. Former President Benjamin Mkapa pledged to strengthen co-operatives to improve low income people's welfare in rural and urban areas. Addressing leaders at Ruvuma Region he said:

*“We need to remind ourselves that civil institutions including co-operatives are custodians of the moral values of our society and all of us, especially the government and members and leaders of the organisations, have an onerous duty to help uphold the integrity of these organisations. The Co-operative Act is intended to safeguard the dignity and integrity of the co-operatives”. (Government Report, 1997)*

There is a number of fundamental issues emerging from the remarks above. The first concerns the lack of trust between government and co-operatives. There is no doubt that co-operatives' development interventions occupy a political space whose custodian is the government. Thus, it is not an easy scenario for both government and co-operatives to understand the symbiotic nature of collaborative partnerships in a democratic environment. The tension exemplified above seems to suggest that the partnerships lack balance and understanding. The government wants to exercise its prerogatives and monitor co-operatives' resource allocation, while in practice it hardly allows co-operatives to equally monitor or express discontent about government failures to account for its public resource allocation (The Banking Financial Institutions Act, 1991, see The Financial Co-operative Societies Regulations, 2005, p.168-176). The demand for public scrutiny appears one-sided. Secondly, the remarks also depict a vertical resource-based partnership rather than a horizontal and mutual partnership not only based on principles



of equity, shared vision, mission, objectives and interest but also on accountability and transparency (Brehm, 2001; Fowler, 2000b; Wazir, 2000).

### **6.5.3 Co-government Partnership From Policy Perspective**

It was noted in section 6.5.0 that the establishment or creation of an enabling environment for the operation of any co-operatives is extremely important. The numerous statements uttered by the President in his presidential address, which are also reflected in some of the policy documents, have resulted in linkages between these discourses and policy. From a policy perspective, collaborative partnership is highly valued. Some of the government policy documents, for example, the Ministry of Agriculture, Marketing and Co-operative Development's Co-operative Development Policy (2002), and Poverty Reduction Strategy Paper "The Policy Planning Process" (2000b), fully acknowledge the supportive role of co-operatives with government organisations, and also with the private sector.

The Poverty Reduction Strategy Paper for Tanzania has numerous examples of ways to address access, equity, relevance and efficiency in financial institutions. The policy urges that the government "Encourage private sector, co-operatives and community participation in the provision of savings and credit services at all levels for low income people" (URT, 2000a, p.14). The Ministry of Agriculture and Co-operative Development's "Co-operative Development Policy" is another document with numerous discourses on partnerships. Two of the statements are of vital importance to the study because, from a

documentary perspective, they sound rosy yet in practice, turn out to be different (see 6.5.0).

*“Our co-operating partners have also increased their support to the co-operative sector significantly. Meanwhile, the government has sought and encouraged partnerships with other organisations including financial institutions, most notably, co-operatives and other organisations. The critical roles of local communities and the private sector are also being recognized”. (URT, 2000b, p.vii)*

*“Successful implementation of the Poverty Reduction Strategy will require the close co-operation between the Ministry of Co-operative Development and the full range of financial institutions and stakeholders, including members of co-operatives, employees of co-operatives, and affiliated unions all of whom will be called upon to assume significantly larger roles in credit services, finance and governance ...Such partnerships will be guided by clear guidelines on the respective roles and responsibilities of these stakeholder groups and thus call for relevant collaboration, liaison, consultation and consensus building”. (URT, 2000c, p. VII)*

It is vital to notice that there is also recognition of the pivotal role played by local communities as facilitators of savings and credit societies provision in Tanzania. The fact that there is a considerable recognition, from a policy perspective, of the important role played by a cross-section of development stakeholders is reminiscent of the government’s efforts to engage in a collaborative partnership towards poverty alleviation. However, their practical manifestation remains a topic of heated debate. Furthermore, not all government officials understand policy issues, especially those at the district level where such policies have a direct bearing. With poor consultative mechanisms on policy issues, it means the co-operative officials in the district assemblies are ignorant of what is expected of the districts as regards partnerships with other stakeholders. The response of co-operatives to government initiatives for collaborative partnerships will be discussed in the following section. So far, an analysis of how the government has attempted to create space for negotiation, formally or otherwise, for effective partnerships has been presented. The subsequent presentation examines how the three cases have responded to the various policy discourses and related narratives.

#### **6.5.4 The Role of SACCOS in Improving Access to Saving and Credit Services**

SACCOS in Tanzania are serving many people, particularly low income earners in rural and urban areas. For this reason the Tanzanian government through the Bank of Tanzania (BoT) has recognised SACCOS to operate under the Banking Law (see Appendix D). A Kilimani SACCOS member (36) explained this issue when he said that:

*“We had travelled long distance, spending the whole day when we wanted to deposit or withdraw money at the bank, actually it was very risky. However, the bank didn’t provide credit services to small farmers and businessmen because we have no long term assets (house/land) with a title certificate to mortgage. Since we established our SACCOS we have access to all services provided that we have membership”.*

Many members of SACCOS had shown that through SACCOS they had managed to borrow money for development. For example, the Co-operative Official Annual Report (2006) outlined that:

*“There has been an unambiguous and perhaps large increase in the proportion of borrowing by members who take out loans with their SACCOS rather than with other financial institutions. For example, the number of members reporting that they had house loans or home improvement loans with their SACCOS increased from 12 to 86 in ten years (1995-2005), and from 10 to 120, respectively. The number of members with personal loans from their SACCOS increased from 10 to 231, while the number of members with education loans from their SACCOS increased from 12 in 1995 to 341 in 2005. These results probably indicate that SACCOS have improved their general capacity to lend, and in particular, have improved their capacity to make larger longer term loans such as house loans since 1995. Because of this good result our department is working to encourage more people to join or establish new SACCOS”.*

#### **6.5.5 SACCOS Members’ Perceptions**

The most important new services SACCOS should offer in the future for members may differ from one SACCOS to another but in general, savings services are already provided by these three cases. Members who had been borrowing money from their SACCOS said that SACCOS have improved their lending capacity. SACCOS are more friendly and more conveniently located than other financial institutions in Tanzania. Members are satisfied with these general services provided by their SACCOS, because SACCOS pay

higher interest rates on savings and on demand deposits than banks do. However, many of the members accept that their SACCOS now always has enough funds available to make loans and members have improved their livelihood through loans from SACCOS. This has been explained by one Lumumba SACCOS staff (4) and Kilimani SACCOS committee member (10) when they said:

*“You know it seems entirely possible that many people (members and non-members) were not aware that SACCOS are paying higher net interest rates on savings than banks and other financial institution, but now they know. The number of new members has been increased, the majority were moved from banks to our SACCOS and ordinary members have increased their shares and open deposit accounts in order to get more opportunity for dividends at the end of the year”.*

*“Our SACCOS has improved its publicity program which could be improving its ability to mobilise members’ savings, as individuals with money to save cannot respond to economic incentives that they do not know about, so through this program the number of new members coming in is doubled compared to the previous year”.*

Throughout the entire period of SACCOS financial services development in Tanzania, the commercial banks have been poor competitors. They lack the motivation, attitudes and techniques to provide for the type of services low income employees need most. For example, their rules on minimum savings balances, at present TShs 25,000 (US \$23.08), have made it very difficult for a low income employee at the NSSF Organisation to become a customer with a commercial bank and other formal financial institutions, because their salary per month is Tshs. 60,000/= (US \$ 46.15) (see Appendix M). One of the NSSF-Employees SACCOS members (28) explained this problem when he said that:

*“Formerly I had an account at NBC, I have closed it because it was hard to maintain the minimum balance required which is Tshs 25,000. To me is not affordable, my salary is Tshs 60,000 per month, I have a family of six people, renting house, cost of transport and other expenses should be paid from my salary, therefore I have decided to join SACCOS in which share contribution is Tshs 5,000/= per month and also I can borrow money at any time; if I have problems no collateral is needed by SACCOS”.*

The three case study organisations have shown that SACCOS could achieve their goal if there were more efforts from members and other stakeholders and also that the government should provide a fair participatory policy. But also that members should consider changing the system of borrowing money individually, instead of which they could organise into groups in order to reduce the risk of default. The Kilimani SACCOS has introduced such a system (see 5.2.0 and Table 5.1).

Above all, many SACCOS have targeted women as one of the most vulnerable groups, those who live in households owning few or no assets. Lumumba SACCOS has more female than male members (see 5.2.2 and Figure 4). This is what is happening in the Tanzanian community, as one of the Lumumba SACCOS members (34) explained:

*“I was employed by the government from 1982 to 1993 when I was retrenched and paid a terminal benefit of Tshs 1.5 million (\$2,500). I used the money as initial capital to establish a business. In the year 2000 I joined SACCOS because it is very simple to get a loan, which would be used to improve my business. In 2003 I was granted a loan which amounted to Tshs. 8,000,000 (\$6,400). Actually I was so happy, now I am able to support my family and improve business and also I have paid first installment for house land. Nowadays women are not lazy like our grandmothers, normally they used to depend on their husbands, but this is a new generation, and we want to survive. I am married with five children, two are at high school, two at primary and one at University. Me and my family we are proud that our SACCOS has been providing many different services for all members without gender issues or requirements, as commercial banks do”.*

The majority of members in the three case studies have shown that most of the SACCOS have no security for members or employees who are not honest enough to repay their loan at the right time. Outlining the cause of this problem, a co-operative official (6) said:

*“Many occupational SACCOS in 1980s and 90s said some “employers were not honest”, so most of them refused to submit members’ contribution to SACCOS, instead they used them for their organisations’ administration. This situation resulted in members wishing to withdraw their shares and deposits. The problem was not happening in SACCOS operating in rural and self-employees areas. They had a problem of loan delinquency which resulted in shortages of funds to provide loans to other members. After that period people were not interested to join SACCOS, and it was so hard to persuade them, now things have changed, members know*

*their rights and many people are joining SACCOS in order to improve a bad life. So the opinion of members on safety issues is correct, they know the consequences, because some of them had been affected by them. And also members are trying to practice the concept of "members participation" which seems to be a new "Ideology" in the co-operative movement in Tanzania".*

### **6.6.0 Conclusion**

One way the three case study organisations have made an impact is in facilitating awareness. It has been revealed in the course of the analysis that despite co-operatives' failure to engage in transformative participation based on the models of partnership and demand as noted by Rugh and Bossert (1998), the degree to which the three have attempted to engage in consultation with their beneficiaries has raised some level of awareness among them.

The potential for the communities to mobilise support depends on their members' awareness of the roles and responsibilities of the leadership, and development structures and instruments of leverage. Likewise, despite some contradictory evidence of the methods used by SACCOS to establish themselves in local communities, when it comes to identification, development and implementation of credit services, there is an awareness of the need for consultation. One explanation is offered, based on this research and the researcher's experience both as a civil servant at one point, and as a co-operative activist, as to why there is a sporadic bypassing of government development structures by the co-operatives.

Building large bureaucratic systems has been a natural predisposition of governments. This practice, coupled with centralised governance, has led to a snail-pace development

progress. Tanzania has been, over the past three and half decades, a state whose governance has been marred by the legacy of tight bureaucracy and centralisation under the socialism (Ujamaa) system. The newly instituted decentralised governance, which is largely implemented by a similar-minded workforce, could be a salient reason why some participants from government institutions view co-operatives as being insubordinate and, conversely, co-operatives avoiding the bureaucratic and centralised tendencies try to operate according to the International Co-operative Alliance principles.

It has also been noted that the degree to which the three organisations studied engage beneficiaries in the monitoring and evaluation varies. While evaluation exercises have been conducted by the three, consultants have been preferred as leading agents in the exercises with the beneficiaries as providers of the information sought. In essence, this defeats the centrality of the purpose of evaluation which, according to Myers (2000, p.181), “is an opportunity to learn”. However, these results do support the findings of the studies conducted by ICA (2000), and Kakatera (2000), that the co-operative sector in Tanzania sometimes lacks appropriate capacity to execute credit services effectively. The learners, in this case the beneficiaries, are ultimately excluded from the monitoring and evaluation processes.

One of the most evident issues emerging from the various participants, especially from the government departments, is their awareness and call for a concerted approach to development programs. The State President himself, on a number of occasions, has made this state of affairs clear, when he has plainly conceded that “the government cannot

tackle poverty alone”. This statement came when he was announcing over 21 billion Tanzanian shillings that should be allocated in all 26 regions for credit services to low income people. One such instance occurred when he had an audience with members of the parliament, and remarked:

*“As I’ve said several times this program of poverty alleviation cannot be tackled by the government alone. We need organisations like SACCOS to assist the government and I am very happy indeed, because I have gone to a number of constituencies to find SACCOS and to be told that this was done by the means of self-help and was established in order to provide loans to local members, it’s very good. So I would encourage members of the parliament to educate people in your constituency to join together and establish SACCOS and the government will work together”.*  
(Presidential Address to the Members of Parliament in June 2006, aired on Radio RTD)

The State President’s remarks are persuasive and clearly indicate Tanzania’s current vision of working in partnership with various stakeholders. Yet the state of partnership among the various stakeholders in the implementation of credit services by SACCOS in Tanzania remains relatively unknown.



## **CHAPTER SEVEN**

### **CONCLUSION**

#### **7.0.0 Introduction**

This chapter synthesises the results from the three case studies and draws conclusions based on the issues which have emerged. It outlines the implications both from theoretical and practical perspectives, as well as making recommendations largely drawn from the analysis of the interview data. This conclusion also explores the relationship between co-operative organisation and member participation. The essential ingredients for success in promoting co-operatives are then identified, as is the question of how the co-operative organisation process could be carried out for the benefit of low income earners in rural and urban areas in Tanzania. Recommendations have been made on how the co-operatives can be improved in Tanzanian development. The chapter ends with suggestions for areas for further research.

#### **7.1.0 Focus and Purpose of the Study**

The study focused on concepts critical to development, namely member participation and empowerment in savings and credit co-operative societies (SACCOS). The manner in which these concepts are used in development discourse has resulted in a heated debate. Thus, on the theme of member participation in SACCOS, the study was guided by one major research question that focused on understanding the extent to which the three SACCOS in Tanzania work with the various stakeholders in the process of identification, implementation, monitoring and evaluation of co-operative principles, and the

supervision of savings and credit services by members' SACCOS operating in the workplace, with farmers in rural areas, and with the self-employed in urban settings.

Another area of focus was on empowerment and co-partnership. The role of co-operatives in development in general has raised a number of questions about the degree to which co-operatives build and sustain empowerment and co-partnership, not only with their beneficiaries, but also with other financial stakeholders. Therefore, the theme of empowerment and co-partnership was guided by a research question that focused on understanding the extent to which co-operatives facilitated partnership building in savings and credit services at three levels, that is, between and among co-operatives, between co-operatives and government, and between co-operatives and members in the workplace, members who are self-employed (in the informal sector) in urban areas and members who are farmers and non-farmers in rural areas. The implications derived from the co-operatives' facilitative role in engaging (empowering) their members as beneficiaries and enhancing co-partnerships led to further understanding of related dynamics. Thus, not only did the study focus on member participation and empowerment co-partnerships in SACCOS, it also focused on examining the strategies the three organisations employed in the whole process and whether such strategies reflected their visions and objectives. In addition, the challenges that impede progress as well as the impact the three case study organisations have made in the area of savings and credit services were examined.

## **7.2.0 The Main Findings**

The source of data for the study was documentary evidence as well as interviews with staff of the three SACCOS, the Co-operative Development Department officials and members of the SACCOS. Policy, research, evaluation and monitoring documents were elicited from the SACCOS, the Co-operative Development Department and SCCULT, and the analysis of these and other related documents was based on a range of models found in the literature based on Brohman's (1996) and Voorhies'(1996) principles of participation. Similarly, data analysis of items related to co-partnerships was in the light of Fowler's (2000a), and Lewis' (2001) theories of co-partnerships. Thus, the analysis centred on examining the relationship between policy and practice within the context of how the SACCOS, as self-help financial organisations, facilitate member participation, empowerment and co-partnership building in savings and credit services for low income communities.

### **7.2.1 Member Participation and Empowerment in SACCOS**

The investigation as to who initiates the process of formulating Savings and Credit Co-operative Societies (SACCOS) in the three cases revealed little active involvement by the members. This aspect is more prominent when due consideration is placed on the need for closeness of the organisations to their intended members. The disparity is clearly seen when the organisations formulate policies without the participation of those to be affected by these policies. In essence, the results demonstrate that none of the organisations was genuinely owned by the societies but rather established outside the control of the members. This major finding reaffirms and supports Nyamugasira's (1999) assertion that

many of the co-operatives, including SACCOS, are not established by people who have a common bond and felt a need in that particular area, but rather are influenced by external forces.

Despite a minimal involvement of the common beneficiaries (members) in the policy formation of the co-operatives as an organisation, fundamentally, the questions to ask were who participated, in what and how. According to White (2000), there is a high probability of a positive impact when the members are empowered through transformative participation because they take control of the process with guidance from the co-operatives' principles. There is little evidence of this scenario from this current study. More often than not, SACCOS initiators involved the potential members only in a narrow way, as explained by Feeney (1998). The model that all the three cases adopted is a combination of largely instrumental and representative participation (Nelson and Wright, 1995; White, 2000) where the potential members were passively involved in co-operatives initiated by outsiders with very little influence on the decision-making process.

Despite the fact that all three SACCOS engaged in a consultative dialogue with the intended members, the process was largely a means of legitimising their presence without truly capturing the aspirations of their members. The significant experience gained by the established and international co-operatives and then passed on proved to be an asset which resulted in two cases employing representative participation as opposed to instrumental participation. In all three cases, however, the findings do not conform to Myers (1999), Yamamori, et al., (1996), Fowler (1997, 2000a) or Voorhies' (1996) views

because the priorities that are embraced by the implementing co-operatives are not representative of those of the members.

### **7.2.2 Member Participation and Empowerment in Savings and Credit Services**

The study also revealed that the extent to which the members are involved in active monitoring and evaluation of savings and credit services depends to a large extent on their involvement in the identification and implementation process. There is a clear indication that monitoring and evaluation is a prerogative of the co-operatives, with emphasis placed on impact rather than ongoing evaluation. Where monitoring and evaluation is conducted by the co-operative itself, emphasis is placed on self-praise rather than a critique of what works and what does not and why. This particular evidence supports Cracknell's (2000) assertions that co-operative reporting is less than objective and lacks critical reflection on negative aspects. As a result, the employment of an independent consultant as an evaluator of the co-operative society has been used as an alternative means. In both cases, the members have mostly been reduced to a source of information rather than an equal partner in the whole process.

### **7.2.3 Co-Partnership Dynamics**

This study has revealed a number of issues that affect the development and nurturing of co-partnerships in SACCOS. Inter-co-operative partnerships (co-partnerships) are minimal and characterised by rhetoric rather than reality. Differences in purpose, modus operandi and assessment of progress determine the nature of partnerships. Despite their recognition of the advantages of forging partnerships between and among co-operatives

(Kakatera, 2000), the three case study organisations rarely employ this practice and only to a limited extent engage others in joint planning and implementation. This major finding is in sharp contrast with Tendler's (1982, in Makuwira, 2004) co-operative comparative advantage claims but closely supports UNRISD's (2000) findings.

Where partnerships have existed with respect to savings and credit services, they have been specific to a particular activity and, as Lewis (2001) puts it, passive, largely because of the absence of long-term joint commitment as well as the lack of shared responsibility. In addition, further evidence points to the conclusion that, due to the lack of shared concerns and purpose, co-partnerships are narrowly viewed from the perspective of resources without due consideration of power balances. For example, SCCULT find it easier to impose their influence on the primary societies because of their healthy resource base and, under such circumstances, the partnership, according to Fowler (2000b) could be skewed in favour of those who have more.

Findings relating to co-operative/government partnerships have revealed a number of fundamental issues in relation to both theoretical and practical issues in SACCOS. The first of these is what could be the emerging civil society politics in Tanzania and concerns the interface between co-operatives and government development politics and power relationships. The second issue is policy versus practice and the third issue is the misconceptions of the concept of co-partnerships and empowerment in relation to the development discourse of SACCOS.

The establishment of an enabling environment by government as a platform for developing co-operative/government partnerships has been noted to be a significant factor but not exclusively responsible for effective partnerships. The major finding on this aspect reveals that it is not enough to have a democratic government that allows freedom of association and expression but rather that such democratic practices should be supported by sensitising people on the role of co-operatives in development, and in this case, SACCOS. Furthermore, having sound policies on paper is not enough to secure effective partnerships (Smillie, 1995). Where policies have not been fully implemented, the progress of the intervention has been minimal.

The study has concluded that, despite having a myriad of positive policies on collaboration with co-operatives, the Co-operative Development Department at the national level is yet to develop mechanisms which facilitate collaboration. Partnership is a two-way process and is dependent on whether or not the government is willing and able to dialogue on matters of common concern. One remarkable piece of evidence affecting co-operative/government relationships is the government's attempt to engage co-operatives in policy dialogue without a proper understanding of the implications of such moves. For example, the government needs to understand the dynamics of partnerships, which are commitment and power balance. The government interactions with co-operatives should strive to overcome the policy-practice dichotomy as well as implement those aspects which underpin an effective partnership. As has emerged from this study, where co-operatives have been unaware of the government's credit services priorities, the impact has not only been minimal but the relationships between the two entities have

been strained and ultimately the co-operatives are seen as operating outside the government's priorities.

The study has also highlighted that co-operatives' movement into government space is inconsistent with the basic principles of effective partnership as argued by Fowler (1997), Lewis (2001), Malhotra (1997) and Mohiddin (1999). The consultative processes between co-operatives and the Co-operative Development Department are simply temporary and unsustainable. The results consistently point to the fact that, as soon as the co-operatives establish themselves in their respective constituencies, the degree of consultation drops substantially. This was noticeable with NSSF-Employees SACCOS and, to a larger extent, Lumumba SACCOS. In NSSF-Employees SACCOS, as a new co-operative society, lack of experience may have accounted for this. Lumumba SACCOS, despite their clear focus on an alternative development philosophy, were constrained by a thin resource base and dependence on an external consultant (SCCULT). Despite the government's decentralisation of credit services management, the study revealed that collaboration between those decentralised structures and the co-operatives is far from ideal. One major explanation is that co-operative operations differ markedly from those of the government, which are marred by excessive bureaucracy. This has resulted in most co-operatives bypassing government development structures not only at the national but also at the lower levels.

The major finding relating to the degree of partnership between co-operatives and their members who are beneficiaries is mainly contained within the parameters of participa-



tion. As earlier noted, there is a close link between members' practice and partnership. Where co-operatives have engaged their members in the process of identification and implementation of savings and credit services, the level of collaboration has been good. Verhagen (1994), in his report on the status of SACCOS in Kenya, concluded that "SACCOS do not appear to need any grants or cheap loans from outside the co-operative sector for on-lending". To the surprise of many, he argues that almost one million Kenyan small farmers have succeeded in mobilising KShs.4 billion (US\$ 67 million) through their SACCOS. Moreover, with few exceptions, they finance the credit needs of their members from funds generated in the financial system they have established (SACCOS in Kenya). The experience of SACCOS in Kenya has had very little impact on the development of SACCOS in Tanzania. These countries are both members of the revived East African Community (originally founded in 1967, collapsed in 1977 and revived in 2000), but many of their organisations, including co-operatives, have diverged in their policies due to the different ideological histories of the two countries.

This is very different from the three cases in Tanzania which are operating within the dominant orientation of the rapidly developing microfinance industry, which sees "accessing funds from commercial banks", and even international money markets, as its ultimate goal to satisfy the credit needs of their poor members in urban and rural areas. In this study, the overall picture is one of an unbalanced partnership where co-operatives have basically imposed their views on development issues without properly seeking ideas and then consensus from the members. This finding is consistent with the assertions of Kakatera (2000), and Kashuliza & Ngailo, (1999) who observe that, often where

participation is less than transformative, the members who are beneficiaries of development interventions tend to be used as a resource just to generate information.

#### **7.2.4 Co-operative Savings and Credit Services Impact**

The impact of co-operative intervention in savings and credit services was examined, in order to cross-examine the effectiveness of participation and partnership on the overall co-operative activities in savings and credit services as self help financial organisations. Generally, the results from the three cases reveal that where members have been fully engaged in all activities and the process of decision making, the potential to develop a sense of ownership becomes high (see 5.2.0 - 5.2.2 and 6.3.2). This is why the three co-operatives-SACCOS have the potential to improve access to rural areas, urban and workplaces provided that their resource base, as well as adequate support, are enabled by some form of coalition.

Despite the limited involvement in the process of making decisions in matters related to the development of savings and credit services in various co-operative (SACCOS) constituencies, the study has concluded that the societies' members seem to be aware of the importance of credit services. In particular, the role played by committee members is indicative of the fact that development is understood as a collective responsibility and can be achieved if the societies work in harmony and collect their small resources together.

The study has also demonstrated that co-operative savings and credit services can improve the standard of living in those areas where the program (society) involved

members in the activities, since there was a significant indication of improvements to low incomes by providing loans (see Table 5:1-5:5). Although on a very small scale, the impact realised from the programs implemented provides a glimpse of the potential of co-operatives in improving savings and credit services to members (farmers in rural areas, the self-employed and employees in the workplace) in Tanzania.

Conversely, while the study has registered a number of positive developments within the area of credit services, there is clear evidence that co-operatives' activities are limited partly due to lack of resources. Their dependency on donor funding affirms Thomas and Allen's (2000) claims that co-operatives' impacts are minimal, largely because of lack of local resource mobilisation. It is also ascertained that the co-operatives' approach to development is paternalistic, adopting a top-down approach. Another major finding of this research is the role played by politicians in facilitating co-operative development, particularly participation and partnerships with the evolution of co-operative policies and changes of co-operative development department structures. This study has revealed that the co-operatives' efforts of social mobilisation are often affected by political intervention. Where co-operatives have operated with minimal consultation with local government structures, influential politicians have viewed their operations with suspicion. This development seems to affirm the findings of Fauti (1995) which basically point out that tensions between co-operative organisations and government can arise due to differences in approach to development and the influence of local political elites.

### **7.3.0 Theoretical Implications**

This study drew on a number of theoretical perspectives for its analysis of the role of co-operatives in facilitating participation and co-partnership building in savings and credit services for low income people in Tanzania. The study examined the concept of participation contained within the alternative development theory of Peet and Hartwick (1999), Brohman (1996) and alternatives to the development theory of Escobar (1995) and confirmed that, while the literature advocates the participation of members at every stage of development intervention, the practical implications of the concept of participation are followed up differently by different co-operatives and lack practical impact.

Similarly, the study also drew on several theoretical perspectives in its analysis of the extent to which co-operatives develop and sustain partnerships with other stakeholders (in our case financial institutions). It examined partnerships from the perspective of Fowler (1997, 2000a, 2000b), and Lewis (2001) and confirmed that the accomplishment of an effective co-partnership is dependent on a sense of trust and the willingness to work together in order to achieve a common objective. The study further confirms that, once the partnerships have been established, their success should not be assumed to follow, because of the interplay of a number of factors that may require adaptation and readjustment by the organisations engaged. Continual redefinition and negotiation requires patience and commitment from the members of the co-operative.

Where the three cases have employed instrumental or representative participation, the nature of partnership with other stakeholders, especially the members of the co-operative, has been poor because of the fact that there is minimal decision-making by the members themselves. The findings reaffirm Fowler's (2000a, p.22) concept of depth, breadth and timing in that the manner in which co-operatives influence decision-making, stakeholder involvement, and the timing of such involvement, is crucial in empowering the members.

The disjointed approach to savings and credit services by the three cases and the ad hoc consultations between co-operatives themselves, and between co-operatives and government through the Department of Co-operatives, and indeed the co-operatives and their members, are symptomatic of a number of problems. First, the study confirms the view of Fowler (2000a, p.26) that the notion of partnership camouflages aid-related relationships that are unbalanced, dependency-creating and based on compromises in favour of the powerful. Theoretically the concept of partnership sounds rosy but the practical realities differ markedly, because often times the rural primary co-operative societies who depend on the co-operative unions in the workplace have to dance to their (union) tune in order to sustain the cash flow. Second, the study has also found that co-operative staff's lack of theoretical knowledge in matters of development contributes to the poor approach in development interventions. This deficiency is not only with regards to development theory but also knowledge about co-operatives in general. This affirmation of Chambo et al.'s (2005) assertion, that the lack of both theoretical and local knowledge may lead to minimal development impact, implies that co-operatives'

potential as facilitators of the development process has to take into consideration the interplay between theory and practical knowledge.

#### **7.4.0 Implications for the Future of SACCOS in Tanzania**

The research reported in this study has emerged with implications that challenge the future of savings and credit services in Tanzania. Most importantly, the implications reflect on the role not only of the co-operatives but also of the government in facilitating participation and partnership, in building a good environment among different stakeholders in providing loans to low income people in the workplace, rural and urban areas, and the self-employed.

#### **7.4.1 Enabling Environment for Co-operatives/Government Partnership**

The shift from state-controlled development to a free market economy system of delivery in all development sectors has shown the vital the role of the state. It has become apparent from the findings of this research that the Tanzanian government needs to aggressively build authentic partnerships (Fowler, 2000b; Brehm, 2001, p.11) in order to realise the goal of savings and credit services as outlined in section 4.11.0 and Appendices P1, P2 and P3. To establish this co-partnership, not only will the government need to engage co-operatives in the formulation of policies both at the macro and micro levels but also implement full recognition of the entire civil society, of which co-operatives are a part, as authentic partners in the overall development of a savings and credit services framework. In other words, the government needs to share its overall vision of the mission of savings and credit services with other partners and stakeholders.

Although the three co-operatives in this research have tended to operate within a limited scope, their potential to refine their approach and replicate their models further depends on a reciprocal enabling environment to be created by both the state and the co-operatives. The government ought to acknowledge the limitations co-operatives have in their development endeavours and gradually come to a balanced acceptance of co-operatives as potential professional resource centres which, given the culture of collaboration and a savings spirit, can contribute to larger scale credit services provision to low income people. For their part, co-operatives ought to recognise their limitations and strive to understand the macro and micro picture and the framework of the government's plans before entering into any new operations or extending their services. This ensures that their complementary role is realised and, based on the prime principle of collaboration, this reduces duplication of effort and resources.

#### **7.4.2 Collaboration at the Different Levels**

While most of the government's policy documents embrace the notion of the participation of members and partnerships with co-operatives in credit services, this study has revealed that policies rarely translate into practice in a straightforward manner. Participation and partnership between co-operatives and other stakeholders (financial institutions) in providing loans to low income borrowers should be facilitated at all levels, especially when the co-operatives involved in savings and credit services are focusing on the marginalised sectors of society. This implies that all government departments, community based organisations, other related grassroots organisations and different associations in rural and urban areas, and especially in workplaces, should share their

visions and missions. Reaching a common platform on matters of common concern should form part of the savings spirit culture.

An important aspect of collaboration at different levels in the districts and wards, which this study has revealed and which is fundamental to the operations of co-operatives in credit services, is capacity building. Capacity building can take many forms. In regard to co-operative work, the co-operatives themselves can provide such support to the Co-operative Development Department as training, staff exchange or visits programs, collaborative documentation and other activities, the focus of which is to close the gap between co-operatives and government organisations such as the Co-operative Development Department (CDD) and SCCULT. Likewise, the Co-operative Development Department, Co-operative Union of Tanzania (CUT) and the Savings and Credit Co-operative Union League of Tanzania (SCCULT) can facilitate co-operatives' capacity building through sharing skills in information management, supervision and monitoring skills in savings and credit services, encouraging joint planning and implementation of savings and credit society programs, and joint research. All these efforts should focus on low income people in rural and urban areas, and the workplace, where the need is acute.

### **7.4.3 Networking**

Given their limitations of size and scope, co-operatives in Tanzania need to build networks or coalitions not only among themselves but also networks that could transcend and cut across other sectors under the international co-operative principle. Savings and credit services implementation among co-operatives in Tanzania should be seen as in the



members' interest, and not just a means to fulfill government requirements. Now that there exists a co-operative coalition providing credit services to members, further action is imperative in order to maximise impact for the communities/societies surrounding the co-operative. First, the co-operatives engaged in this coalition need to guard against the risk of taking on advocacy issues confrontationally with government or other leaders who are not committee members. In a similar manner, networking towards providing better credit services to the members should be revitalised and be geared towards building the capacity of the resource-stricken member-based organisation. In addition, while efforts toward building and sustaining sector networks are vital, the co-operative sector in Tanzania needs to move beyond the current civil society boundaries, operating freely under co-operative principles. By implication, the findings of this study leave no doubt that the co-operative sector in Tanzania will be far from being a vibrant entity until its links with other stakeholders are strengthened.

#### **7.5.0 The Need for Change and Future Action**

SACCOS can be the steering wheel for economic growth in rural and urban areas in Tanzania. These are the only financial institutions that poor people can easily have access to and, if well managed, can be able to compete in the global market. However, in spite of the favourable policy environment for SACCOS, they are still lagging behind. SACCOS have not yet met the needs of the people in Tanzania. The principal agent problem is rampant and it leads to a lack of best practice in governance and business. SACCOS lack creativity and innovation and thus are not able to do good business in the competitive environment or add value to their services that will improve the livelihood of

their members. It is only the integration of good governance, good business practices, member participation and co-partnership that can lead to sustainable SACCOS that will in turn develop strong social, financial, and physical capital for the members.

The preceding section concluded that there was little seriousness in the co-operative reform movement in Tanzania. Implicitly, the need for change has already been established, however, let us be more explicit here, and say that many co-operative organisations in Tanzania have disclosed that they are not able to compete in the free market economy. Therefore, the conclusions are as follows.

First, the importance of the co-operative movement in Tanzania is declining rapidly due to the free market economy policy imposed by the government, and in order to rectify this situation, quick and dramatic changes are needed in the co-operative environment and in member affiliation. Secondly, changes are also needed in order to exploit the opportunities created by disengagement from the state and by the free market economy policy. This study is the most important of its kind delving into the role of co-operatives in facilitating a participatory approach to savings and credit services, implementation and co-partnership building in rural and urban areas and workplaces in Tanzania. It has explored a number of fundamental issues regarding the involvement of members, who should be participants and beneficiaries at every level of the program that a particular society is engaged in, and on how partnerships can be developed and nurtured. These areas could benefit from further research. The study investigated the extent to which co-operatives involved their members in the identification, implementation, monitoring and

evaluation of savings and credit services. Despite the significantly differing methodological approaches by the three co-operative SACCOS in this study, the overarching issue was that there was a vertical (top-down) approach engaged in by the co-operative SACCOS.

This finding could further be examined more fully through a well-planned longitudinal study which would determine the influential factors (positive or negative) influencing this particular practice. Such factors would include, but not be exclusively limited to, power relations between co-operatives and their beneficiaries (members), the influence of expatriate staff in the Co-operative Development Department or SCCULT and the implications of these practices or their interplay on the members and the co-operatives, and the misunderstandings of the local culture or lack of cultural awareness and its implications for members. At times, development programs have been introduced into an environment without due consideration of the cultural milieu. Therefore a study that would attempt to link some of these aspects would make a valuable contribution, not only to the understanding of the interplay between government and SCCULT influence on the society's beneficiaries but also to the broader co-operative development paradigm.

The study was limited to three case studies under the categories of emerging, established and internationally-supported SACCOS. It would be of benefit to the co-operative sector and also to Tanzanian policy makers to institute a study that would examine and identify what good practices among the three categories of co-operatives are most beneficial to enhancing low income people's wellbeing and participation in Tanzania. In particular,

this kind of study would further explore and analyse how the structures of participatory development in savings and credit co-operative societies include, exclude, protect, or secure the interests of marginalised people.

In other words, the ideals of member participation as an end (Nelson & Wright, 1995), as a transformative process, collegiate, self-mobilising and interactive and empowering (Chambo, et al., 2005) were far removed from the whole process. In a similar vein, the findings not only demonstrate how complex the concept of the participation of members in co-operatives is in development discourse, but also support the view that field experiences are not enough unless they are complemented by theoretical knowledge. Whether or not the employment of instrumental and representative participation models is consciously or unconsciously deployed in the three cases, one thing remains clear: that is, that there is limited understanding of what constitutes transformative participation in savings and credit co-operative societies (SACCOS).

The current research has also focused on the extent to which co-operatives develop and nurture their relationships with other co-operatives, financial institutions, government, SCCULT and their members in the process of implementing credit services. As has already been observed, the nature and degree of co-partnerships among the three categories varies considerably. There is a number of further studies that would be beneficial to the co-operative sector and government of Tanzania. First, such studies could look at the dynamics of networking systems between and among co-operatives in Tanzania, beyond Chambo's (2000), and Banturaki's (2000) work which involved a

short-term study. Such studies would probe into networking with respect to policy and practice, culture and local knowledge and the ramifications for credit services. Although there is some degree of networking, its functioning remains weak and requires further scrutiny.

Likewise, Tanzania's new policy on the free market economy brings new challenges for the development of the co-operative sector as for other sectors. The government's relationships with private or civil society sectors constitute an area requiring examination and re-culturing. It would therefore be useful to conduct a comprehensive study into factors affecting co-operative/government partnerships referred to in the structural setups in the Ministry of Agriculture and Co-operative Development. The study would also make a deliberate attempt to assess the effectiveness of decentralised government savings and credit co-operative society structures and the extent to which they facilitate the engagement of low income people in rural and urban areas, employees and self-employed at the workplace, and decision-making and empowerment of low income people on issues that affect them. Not only would the study be informative if it took into account process documentation and how to resolve conflicts between government and co-operatives, but it would also provide an understanding of consensus building within such partnerships. In a similar vein, it would also be vital to understand the role of co-operative umbrella organisations, including SCCULT's intermediary role, in facilitating authentic partnerships between its members and government.

One of the current emerging themes is self-help and the politicisation of development. A study of the role of co-operatives, especially for poor people in development, would be beneficial as it might unravel the intricacies of the interdependence of such structures and the overall political landscape formed along party lines of savings and credit co-operative societies, participation and partnerships.

### **7.6.0 Summary**

From the findings, the following are recommended for consideration for future action:

First, member-based SACCOS are important but the organisational structures have a great influence in their daily operations. It has been revealed that SACCOS use a pyramid system which enhances non-accountability and reduces transparency, while according to co-operative principles they should have a network system that reflects accountability and transparency, reduces bureaucracy and facilitates a good management information system. The network system seems to reflect the best practices of good governance and democracy as compared to the pyramid system. Thus it is recommended that SACCOS change to a network system that generates social capital and interconnectivity to all members on the basis of participation and co-partnership.

Secondly, SACCOS, especially members, should be creative, innovative and form profitable forward and backward linkages at all levels. It is not a necessity to wait for the 'Acts' to change. Changes can always be instituted by the people (members) themselves from the grassroots. Members and leaders should institute ways of diversifying business and forming linkages to add value to the services and also emphasise the targeted use of

experts who could develop strategies to encourage members in more savings, borrowing wisely and paying promptly. Such changes would transform the business of SACCOS. Member participation and co-partnership may act as valued additions in SACCOS, and are always the best incentive for members. They not only increase individual income but also lead to SACCOS that have reduced transaction and search costs for their members.

Thirdly, financing in any business is essential. It enables SACCOS to become innovative and sustainable. Therefore it is recommended that SACCOS should form linkages with other financial institutions and stakeholder-based credit services that can continuously assist in financing the activities that low income earners (poor people) participate in.

Fourthly and lastly, SACCOS are essential instruments for assisting low-income earners in rural and urban areas and thus reducing poverty. SACCOS are the only social and economic networks in the rural and urban areas that can encourage women, men, and youth to have easy access to, and be able to share, their ideas and generate social capital. Thus it is recommended that low income earners (women, men and youth) at all levels in rural and urban areas should be encouraged to join SACCOS and fully participate and contribute to the development of SACCOS, not only participating in theory. Truly co-operative SACCOS have much to contribute to the poor of Tanzania.

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