INDUSTRIALIZING EAST AFRICA THROUGH 
CO-OPERATIVES

Conference on Harnessing East Africa’s Industrial Potential

Mobilizing Co-operatives for a Higher Regional Development Impact

By Faustine K. Bee
Moshi Co-operative University (MoCU)

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Abstract

Co-operatives are unique economic and social and enterprises that are established by humankind based on co-operative principles, values and philosophy from time immemorial. However, as modern form of enterprises, co-operatives history can be traced back to the founding of Rochdale society of Equitable Pioneers in 1844 in the United Kingdom. In Africa, co-operatives were introduced during the colonial administration, primarily to modernize and commercialize colonial economies. Unlike other forms of enterprises, they are member-owned, member-driven, and democratically managed organizations.

Co-operatives are ideal organizations for an all-inclusive socio-economic development, especially in developing countries like those in East Africa. Their contributions in many developed economies such as those of the USA, Canada, Japan, Spain, Finland, Sweden, among others are remarkable. As capitalism and socialism have failed to address human miseries – socially and economically - the feasible development approach remains that based on co-operative models. Co-operative business model promotes healthy societies, caring communities, and promotes personal wellbeing. Today the world is witnessing increasing inequalities – socially, economically, regionally, and sex-wise. Co-operatives are capable of redressing inequalities as they promote economic and political democracy, promote co-operative business enterprises, increase peoples’ control over local economies and natural resources, manage environment friendlier, and provide equal access to opportunities. Co-operative entrepreneurship promotes innovation among members hence bringing higher impact on business growth.

East African countries can realize their individual dreams – declared through Visions (Uganda Vision 2035; Kenya vision 2030; Burundi Vision 2025; Tanzania Vision 2025; and Rwanda Vision 2020) that are in line with the EAC objectives, AU Agenda 2063, and UN Sustainable Development Goals (2015 – 2020) – of achieving middle income economies; if they pursue an all inclusive socio-economic development strategy based on co-operatives. Since co-operatives are both social and economic enterprises, they have higher regional development impact if promoted vigorously and given appropriate environment to operate – policy, legal and relevant support framework.

Keywords: co-operatives; regional development; higher impact; and East Africa
1.0 INTRODUCTION

1.1 Background Information

There is a general consensus that co-operatives play a significant role in socio-economic development globally and in Africa too. Co-operatives are essentially private self-help organizations that uphold the fundamental human rights and principles of equality and equity. They promote social integration and inclusion which create a society that is safer, more stable and more just – the necessary conditions for sustainable socio-economic development. Researches have shown that co-operative development model provides an alternative approach to dealing with the contemporary socio-economic development challenges (Birchall, 2004; Khumalo, 2014). The foundations of successful co-operatives, however, are self-determination, self-responsibility, and collective action.

Countries worldwide have continued to search for best strategies for advancing their development agenda. Subsequently, there are variety of approaches employed from time to time among countries and regions. In East Africa, for instance, each of the five member states of the East African Community (EAC) have developed their country Visions - Uganda Vision 2035; Kenya vision 2030; Burundi Vision 2025; Tanzania Vision 2025; and Rwanda Vision 2020 that are in line with the EAC objectives, AU Agenda 2063, and UN Sustainable Development Goals (2015 – 2030). All these have one thing in common – how to conduct business in order to promote economic growth, protect the environment, and create a vibrant community. In other words, how to end poverty, protect planet, and ensure prosperity for all humankind.

Since development centers on humankind, it is appropriate to consider the contribution and participation of citizens through their organizations in determining their future. Thus, this paper attempts to discuss strategies for mobilization of co-operatives for higher East African regional development impact.

1.2 The Scope, Aim, and outline of the paper

The aim of this paper is to contribute to the discussions on the how to mobilize co-operatives for higher regional development impact in East Africa. The focus of the discussion is industrializing East Africa through co-operatives. Thus, the paper addresses the following questions:

(i) What roles co-operatives play in promoting sustainable and inclusive socio-economic development in East Africa?
(ii) How can co-operative be mobilized to contribute to promotion of ethical business that promote economic growth, protect planet, and ensure prosperity for all East African citizens?

(iii) Suggest ways of improving co-operative impact on enhancing livelihoods among households in the region.

In this discussion the paper appreciates the various definitions of co-operatives. Considering the co-operative principles, values and purpose of co-operatives and their connection with communities, the following definition by the International co-operative Alliance (ICA) is adopted:

*A co-operative is an autonomous association of persons united voluntarily to meet common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity.*

The paper is based on secondary data obtained through review of literature on the subject matter and discussions with experts on co-operatives. The paper is organized into five sections. Section one provides the background information, the aim and scope of the paper. In section two, the paper provides an overview of regional integration in Africa and section three outlines the role that co-operatives play in socio-economic development. Section four contains discussions on how co-operatives can be mobilized for higher regional impact is made. Finally, section five contains the concluding remarks.

### 2.0 East African Regional Integration: An overview

Regional integration is a global development strategy that most African states have adopted since independence. During the 1960s, the Economic Commission for Africa, championed for the establishment of regional blocks in Africa as a response to difficulties faced by a continent with many small national markets and landlocked countries (Hartzenberg, 2011). As a result, the Organization of African Union (OAU), the forerunner of African union (AU), adopted the establishment of African integration and continental industrialization based on regional integration. It was envisaged that regional integration will create a united African Economy and finally create the African Economic Community (AEC) modeled along the European Economic Community (EEC), while political integration under the *Pan Africanism* drive would foster the establishment of the United States of Africa – a replica of the United States of America.
Consequently several regional groupings were established – Economic Community of West African States (ECOWAS) to serve West African states; A Preferential Trade Area (PTA - 1981) to serve East and Central Africa – later in 1983 it was replaced by the Common Market for Eastern and Southern Africa (COMESA); the Economic Community of Central African States (ECCAS - 1983); and the Arab Maghreb Union (AMU) in the north. Others were the West African Economic and Monetary Union (WAEMU) within the ambits of ECOWAS and the Economic and Monetary Union of Central Africa (CEMAC) within the ECCAS region. In the COMESA area, there are the Southern African Custom Union (SACU) and its associated monetary union – the Common Monetary Area (CMA); the Southern African Development Community (SADC); the East African Community (EAC); and the Inter-governmental Authority on development (IGAD) in the Horn of Africa.

In East Africa, the East African Community (EAC) was first founded by three East African states of Kenya, Uganda and Tanzania in 1967 but collapsed in 1977 for economic and political reasons. The Treaty for the “New” East African Community was signed on the 30th November, 1999 and entered into force on 7th July, 2000 following its ratification by the founding member states – Kenya, Uganda, and the United Republic of Tanzania. Burundi and Rwanda acceded to the EAC Treaty on 18th June, 2007 and became full members with effect from 1st July, 2007 (http://www.eac.int..visited on 22nd February, 2016). The aim of the EAC is widening and deepening cooperation among the partner states in, among others, political, economic and social fields for the mutual benefits of the member states and their peoples. The EAC member states established a Custom Union in 2005; and a Common Market ratified by member states in 2010 for goods, labor, and capital within the region; with the goal of creating a Monetary Union, and eventually a full political federation of the East African States.

The EAC region has a total land area of 1.85 million square kilometers; with a combined estimated population of 153.3 million people. A GDP at market value of US $ 298 billion; and a literacy rate of 73%. The Table below summarizes some basic statistics for the EAC member states.
Table I: Profile of the EAC member states, 2016

<table>
<thead>
<tr>
<th>No.</th>
<th>COUNTRY</th>
<th>POPULATION</th>
<th>GDP (PPP) (Billion. $)</th>
<th>GDP (NOMINAL) Billion $</th>
<th>LITERACY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Burundi</td>
<td>10,395,931</td>
<td>7.884</td>
<td>2.723</td>
<td>67.20</td>
</tr>
<tr>
<td>2.</td>
<td>Kenya</td>
<td>45,010,056</td>
<td>125.770</td>
<td>55.300</td>
<td>87.40</td>
</tr>
<tr>
<td>3.</td>
<td>Rwanda</td>
<td>12,337,138</td>
<td>17.362</td>
<td>7.431</td>
<td>71.10</td>
</tr>
<tr>
<td>4.</td>
<td>Tanzania</td>
<td>49,639,138</td>
<td>84.884</td>
<td>42.300</td>
<td>67.80</td>
</tr>
<tr>
<td>5.</td>
<td>Uganda</td>
<td>35,918,915</td>
<td>61.891</td>
<td>22.926</td>
<td>73.20</td>
</tr>
<tr>
<td></td>
<td>EAC</td>
<td>153,301,178</td>
<td>297.791</td>
<td>122.672</td>
<td>73.34</td>
</tr>
</tbody>
</table>

Source: EAC – Wikipedia, visited on 22\textsuperscript{nd} February, 2016

Generally speaking, the performance of various regional blocks in Africa has not been very encouraging. Some of the explanations are: First, intra-regional trade in Africa is still low compared to other regions, hence making groupings not very effective. Second, African countries have experienced macroeconomic imbalances, as well as foreign debts. Third, design of integration is based on inward-looking industrialization strategy that is still underdeveloped. Fourth, the region is experiencing some institutional and infrastructural weaknesses. Fifth, low participation of citizens as regionalism is largely based on public sector and top heavy and full of bureaucracies.

Since the motto of the EAC is “One People, One Destiny” – the right path to sustainable socio-economic development geared towards realizing this motto is through mobilization and promotion of co-operatives. Co-operatives, as people owned, people centered and democratically governed business organizations, stand a better chance for the realization of the institutional building and strengthening; harmonization of external relations; and improved governance that are the tenets for improved livelihoods of citizens expected to be realized through regional integration.

3.0 The role of co-operatives in Socio-economic Development

Co-operatives are unique business and social organizations that have been in existence from time immemorial. However, as modern form of enterprises, their history can be traced back to the founding of Rochdale Society of Equitable Pioneers in the United Kingdom in 1844. Thereafter, co-operatives expanded in Europe and later spread to other parts of the world. The history of co-operatives across the world indicates that co-operatives are established by members to address their common needs. The history indicates that early co-operatives were established among weavers, workers
in cottage industries, who were grieved by moneylenders and mercantile economy during the industrial revolution.

In the developing countries in general, and Africa in particular, modern co-operatives were introduced during the colonial period; partly as a drive to commercialize the economies through support of cash crop production – that were needed by the colonial administration (Bee, 1996; Khumalo, 2014). It was for this reason that early co-operatives in Africa were associated with cash crop production – mainly coffee and cotton. With the emergence of independent governments, co-operatives were found suitable for delivery of multifaceted development objectives including modernizing agriculture and transformation of the rural sector (Bee, 1996; Birchall, 2004). It was during this time, the era of state controlled co-operatives emerged, which partly led to failure of co-operatives in many African countries.

The rise in global markets and fair trade response, democratization and the resurgence of civil society, and the demise of socialism have led to a co-operative recovery in many parts of the developing world, including East Africa. In most African countries, the post-liberalization era has witnessed revival of co-operatives based on global best practices on co-operative development. Subsequently, there were state withdraws from their traditional supportive roles and controls over co-operative affairs. The co-operative development policies and legal frameworks were reviewed to give co-operatives more autonomy and market competition ushered in through liberalization policies adopted. These member based co-operatives are appropriate community development strategies that make co-operatives appropriate institutions for socio-economic development. Furthermore, the features that define co-operatives make it an attractive model for local economic development.

It is undisputable fact that co-operatives have played and continue to play significant roles in socio-economic development. Countries such as the United States of America, Canada, Finland, Spain, Japan, Sweden, United Kingdom, and many more have successful stories on roles played by co-operatives in promoting sustainable and inclusive development that puts man at the centre.

In East Africa, co-operatives are highly concentrated mainly at the primary society level especially in areas of finance and agriculture. Their performances after trade liberation have not been very impressive. Many of them have experienced various challenges ranging from limited access to capital, poor governance and management; limited co-operation among themselves; lack critical skills such as entrepreneurship; among others.
### 4.0 Co-operatives for the East African Regional Development

East African countries, like other most developing countries, have promoted co-operatives in their respective countries. These have undergone series of turbulences from state controls to autonomous and independent co-operatives at varying degrees in each country. Although they are expected to be in almost all sectors of the economy, they are mostly concentrated in finance and agriculture. Perhaps this scenario is explained by the nature of the economic structure of East African member states, which is dominated by a smallholder agriculture – mainly subsistence farming. Subsistence farmers are constrained by limited access to finance, technology, extension services, and marketing, among others. Consequently, the problems of food insecurity and environmental degradation are prevalent in almost all countries.

Table II below provides the contribution of agriculture, industry, and services to GDP from 2006 to 2013. Despite the fact that there is a significant contribution of agriculture to GDP in almost all countries, it cannot bring substantial economic growth if not modernized as most developed countries did. On the other hand, the table also shows that the contribution of agriculture to GDP is declining over time signifying that other sectors such as industries and services are picking up. Thus, agriculture must contribute to the industrialization processes in East Africa.

As it can be discerned from table II, the growth of the industrial sector in all countries has not been impressive too over the period. The industrial share of GDP in Kenya stagnated at 16 to 17 percent; whereas in Tanzania the share increased from 20.8 to 23.4 percent. The industrial share of GDP in Uganda increased from 22.6 percent to 26.2 percent whereas in Burundi it declined from 19.4 to 14.4 percent. In Rwanda, it stagnated at 14 -15 percent over the period of 2006 to 2013.
Table II: Selected EAC member states’ sectoral shares to GDP, 2006-2013

<table>
<thead>
<tr>
<th>Sector</th>
<th>Partner State</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture Share of GDP%</td>
<td>Burundi</td>
<td>48.5</td>
<td>48.4</td>
<td>46.9</td>
<td>47.0</td>
<td>43.9</td>
<td>44.0</td>
<td>38.5</td>
<td>36.1</td>
</tr>
<tr>
<td>Kenya</td>
<td>23.8</td>
<td>22.0</td>
<td>22.7</td>
<td>23.9</td>
<td>22.0</td>
<td>23.8</td>
<td>24.6</td>
<td>25.3</td>
<td></td>
</tr>
<tr>
<td>Rwanda</td>
<td>38.0</td>
<td>36.0</td>
<td>32.0</td>
<td>34.0</td>
<td>34.3</td>
<td>34.9</td>
<td>34.7</td>
<td>35.2</td>
<td></td>
</tr>
<tr>
<td>Tanzania</td>
<td>26.2</td>
<td>25.8</td>
<td>25.7</td>
<td>24.6</td>
<td>24.1</td>
<td>25.0</td>
<td>24.9</td>
<td>25.3</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>22.6</td>
<td>20.7</td>
<td>21.6</td>
<td>23.6</td>
<td>21.1</td>
<td>22.7</td>
<td>21.9</td>
<td>22.1</td>
<td></td>
</tr>
<tr>
<td>Industry Share of GDP%</td>
<td>Burundi</td>
<td>19.4</td>
<td>16.4</td>
<td>16.9</td>
<td>16.3</td>
<td>17.5</td>
<td>18.3</td>
<td>12.9</td>
<td>14.4</td>
</tr>
<tr>
<td>Kenya</td>
<td>16.4</td>
<td>16.3</td>
<td>17.4</td>
<td>16.9</td>
<td>17.3</td>
<td>17.0</td>
<td>16.8</td>
<td>17.2</td>
<td></td>
</tr>
<tr>
<td>Rwanda</td>
<td>14.0</td>
<td>14.0</td>
<td>15.0</td>
<td>14.0</td>
<td>15.3</td>
<td>14.4</td>
<td>14.9</td>
<td>14.2</td>
<td></td>
</tr>
<tr>
<td>Tanzania</td>
<td>20.8</td>
<td>21.2</td>
<td>21.0</td>
<td>22.0</td>
<td>22.3</td>
<td>23.1</td>
<td>23.1</td>
<td>23.4</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>22.3</td>
<td>23.9</td>
<td>24.0</td>
<td>23.8</td>
<td>24.9</td>
<td>26.8</td>
<td>25.9</td>
<td>26.2</td>
<td></td>
</tr>
<tr>
<td>Services Share of GDP%</td>
<td>Burundi</td>
<td>32.1</td>
<td>35.2</td>
<td>36.3</td>
<td>36.9</td>
<td>38.7</td>
<td>37.7</td>
<td>48.6</td>
<td>49.5</td>
</tr>
<tr>
<td>Kenya</td>
<td>49.7</td>
<td>50.8</td>
<td>48.8</td>
<td>48.3</td>
<td>48.9</td>
<td>59.2</td>
<td>58.6</td>
<td>57.5</td>
<td></td>
</tr>
<tr>
<td>Rwanda</td>
<td>42.0</td>
<td>45.0</td>
<td>46.0</td>
<td>46.0</td>
<td>50.4</td>
<td>50.7</td>
<td>50.4</td>
<td>50.6</td>
<td></td>
</tr>
<tr>
<td>Tanzania</td>
<td>43.3</td>
<td>43.3</td>
<td>43.8</td>
<td>43.6</td>
<td>43.9</td>
<td>51.9</td>
<td>52.0</td>
<td>51.3</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>49.1</td>
<td>49.0</td>
<td>48.0</td>
<td>46.2</td>
<td>47.7</td>
<td>50.5</td>
<td>52.2</td>
<td>51.7</td>
<td></td>
</tr>
</tbody>
</table>

Source: EAC Secretariat, EAC Facts and Figures 2014

East African region is endowed with plenty of natural resources including fertile land, waters, and other forms of natural resources. Modernization of agriculture will provide the basis for establishment of agriculture based manufacturing. The EA countries are yet to tap these potentials – especially in agro-processing sub-sector by adding values to agricultural exports. Currently, the region exports mostly primary commodities with limited range of value added commodities. Promotion of industrial co-operatives will increase involvement of citizens in managing their economies by creating avenues for value addition of their agricultural commodities but also creating employment opportunities.

**How can co-operative be mobilized to contribute to promotion of ethical business that promote economic growth, protect planet, and ensure prosperity for all East African citizens?**

There is a general consensus that co-operatives have a role to play to social economic development of East African region. The question remains: How? Here are some strategies on how to improve the contribution of co-operatives to industrialization that will lead to economic growth in East Africa.
First, promote establishment of co-operatives in all sectors of the economy – agriculture, industries, and finance included. Since agriculture is the most dominant sector in the region, improving productivity and marketing must be given a priority. However, this has to go hand in hand with value-addition undertaking through establishment of industrial co-operatives so as to tap on the existing opportunities. Following the Asset Based Community Development (ABCD) approach, co-operatives with their member participation are relevant in leading the agricultural transformation processes and promoting value addition in agriculture. ABCD Approach concerns with how to link micro-assets to macro-environment and that community drive their development processes by identifying and mobilizing existing, but often unrecognized assets, and thereby responding to and creating local economic opportunity.

Second, improve co-operative entrepreneurship skills, knowledge and professional capacity among members, Board of Directors, and Managers of co-operatives so as to inculcate co-operative business innovation skills and professional managerial skills in the region. The movement needs to take up this challenge seriously so as to build co-operatives businesses in all sectors including agriculture, manufacturing, and finance. Currently, co-operatives are not utilizing available opportunities in building human capacity and skills required in developing and managing co-operative businesses efficiently and competitively.

Third, establish supportive business environment – policy, regulatory frameworks as well as the support services that are required for co-operative businesses to flourish. In addition, maintenance of political stability, peace and security, ease of movement across borders, building trust and confidence among people and governments, and easy access to supportive/facilitative services are required for co-operative businesses to flourish. Currently, there are no co-operative development policy and legislation for the region, although a Bill is in place that awaits accent by the Heads of States of the member countries. Once accented, it might require other instruments such as EAC Co-operative Tribunal – to handle co-operative business related matters across borders. The Co-operative training institutions – Moshi Co-operative University (MoCU); the Co-operative University College of Kenya (CUCK); Co-operative College Kigumba, Uganda; and Co-operative Training Centre in Rwanda are not fully utilized in terms of training, research and provision of advisory services to build the capacity of the movement in the region.
Fourth, promote establishment of strong, viable, competitive and efficient
coop-erative enterprises. Co-operatives are private self-help groups that
must be competitive and be able to contribute to long-term economic and
social well being of its members. For co-operatives to be competitive they
must be efficient in delivering services to its owners – the members; must
be economically viable and socially effective; and must meet and satisfy the
interests of members, clients, partners/collaborators, so as to be able to
attract more support including funding but also have a community impact.

Fifth, co-operative businesses must have a stable funding and access to
modern technology. Improvement in co-operative businesses calls for an
improved access to capital. In order to improve access to capital, co-
operatives must come up with innovative funding strategies. These could
include improving operational efficiency and increasing member patronage,
but also attracting more member capital as well as new members. In most
cases, co-operatives have three main sources – members as users and
investors; retained surpluses (especially unallocated funds); and loans from
commercial sources in the form short-term, medium or long-term as well as
suppliers’ credit especially in case of equipment financing or leasing
arrangement. In addition, grants from donors, partners, or government may
be sought. Co-operatives must also strengthen financial co-operative
institutions – co-operative banks, SACCOS, and insurance that may help to
mobilize the needed funding from within the sector nationally or regionally.

Apart from improving access to funding, the access to technology is required
for co-operatives to invest in manufacturing – including agro-processing.
Technology may be bought by importing machineries and expertise or
acquired through joint ventures. Alternatively, co-operatives may partner
with other co-operatives especially from developed world with strong co-
operatives such as Finland, USA, Sweden, Canada, and the Netherlands.

Sixth enhance partnerships, joint ventures, or co-op to co-op businesses.
This is emerging co-operative business scenarios that need to be explored
and embraced as it provides easy access to capital and technology. Whereas
governments are encouraging direct foreign investments, co-operative may
take advantage of investing jointly through partnerships with foreign co-
operatives, companies, or other partners in projects that they may not be
able to handle individually. Alternatively, can co-operatives take the
advantage of the region – by identifying activities they can be invest e.g.
milk processing; maize floor; processing oilseeds; among others.
Seventh, involve co-operatives in addressing environmental protection, the inclusion of socially disadvantaged groups, and promote ethical businesses. Co-operatives businesses focus on humankind and not for profit makes them unique in how they do business. In addition, the principle of “concern for community” shows how co-operatives care for others. It is for these reasons, co-operative businesses are more ethical and includes in their memberships even those excluded and marginalized such as the disadvantaged groups – women, poor, and disabled. Co-operatives have higher potential to create and develop income generating activities and can provide decent, sustainable employment; reduce poverty, develop human resource capacities and knowledge; and contribute to sustainable human development.

Environmental protection is a global concern today, to which co-operatives must contribute. There are many ways by which co-operatives may contribute. Some of the ways include addressing the causes of environmental degradation through human actions, and others by taking necessary actions to redress the situation. Co-operative members as part of the community have the responsibility to address the problem as well as their organization – the co-operative society.

5.0 Concluding Remarks

Regional integration is one way to promote sustainable economic growth globally and regionally. East African countries have revived the once collapsed community. There are all signs that this time round, it will succeed in achieving its goals. Through the regional integration, co-operatives have a role to play to bring out rapid economic growth through industrialization and transformation of agriculture from subsistence to commercial agriculture.

For co-operatives to have impact, transformation and institutional reform in the sector is required. These include promotion of co-operatives in all sectors nationally and regionally. Co-operative businesses to cross borders – but there must be some enabling instruments such as policies, legal framework and tribunal to oversee conflict resolution.

For the role of co-operatives to be more visible and sustainable in socio-economic development, the paper recommends the following:

(i) Co-operatives must engage governments and other partners in a comprehensive manner to address local economic and social challenges that relates to poverty reduction, environmental protection, food security, peace and security,
(ii) Governments to provide the necessary policy and regulatory framework prerequisite to sustainable co-operative development; and

(iii) Development partners to provide necessary support to co-operatives in areas such as research and innovation; promotion of human capacity development and acquisition of knowledge; address cross cutting issues – HIV/AIDS; environment, gender and disadvantaged groups,
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