Synergy between the Cooperative Sector and the Academia in Promoting Research and Innovation to Enhance Industrial and Socio-Economic Development in East Africa

By Prof. Jasper K. Imungi
University of Nairobi, Kenya

Paper for presentation in the First East African Co-operative Conference on 29th February to 2nd March 2016, Nairobi, KENYA

ABSTRACT
Attempts have been made to use cooperatives to enhance socio-economic status of communities in East Africa for the last five decades or so. The mainly producer marketing cooperatives have been mainly the initiative by Governments, but also to some extent by some Non-governmental organizations (NGO). So far the cooperatives have had the primary objective of marketing primary products. The success rate of these co-operatives in meeting the cardinal objective of enhancing the socio-economic status of the members has, however, been very and in Kenya for example, the term “cooperative” carries a negative connotation. It is, however, still strongly believed that in a non-centrally organized economy such as those of East African states, the cooperative movement, if properly managed can play a major role in facilitating socio-economic development. East Africa and the entire African continent in general have woken up to the realization that industrial processing rather than marketing of primary products is an option to increase revenue generation and therefore enhance the socio-economic prowess. This is embodied in the individual member country development visions. Industrial processing will however, require more key expert players than primary production and will include experts in science, technology and innovation for advanced value addition, besides marketing experts. This paper explores the possible avenues for synergy between co-operatives and academia in promoting science, research, technology and innovation, to enhance the function of co-operatives to manufacture quality marketable products.

INTRODUCTION
A cooperative or cooperative society is a commercial enterprise owned collectively and run by customers or workers, in which the owners share the profits. It can also be referred to as a cooperative organization. A cooperative allows the owners to enjoy economy of scale, which is better than if they operated alone. Cooperatives are operated all over the World.

Kenya and even East Africa has had a long history of cooperatives. The first cooperative was established in Kenya in 1908. The Lumbwa Cooperative was established as the preserve of white settlers to develop their agriculture. It took more than 50 years before this changed. By 1963, about 1,000 cooperatives had been registered in which black Kenyans had a stake. The cooperative movement had emerged as a dominant player in the economy. The movement picked up a fast-growth path in the 1960s and 1970s. Cooperative activities were evident in almost all sectors of the economy, and indeed, co-ops had freedom to venture into any economic activity. They continued to be active in marketing of agricultural produce, agro-processing, property ownership and investments, banking and insurance.
Since then, cooperatives have made remarkable progress in sectors, such as agriculture, banking, credit, agro-processing, storage, marketing, fishing, housing and transport, among others. Emerging sectors, such as Information, Communication and Technology (ICT), are leveraging on the demands of the traditional cooperatives to infuse innovation and technology in their operations. Transport, technology and youth are among the new sectors making tremendous strides in giving enterprising Kenyans an opportunity to create wealth and jobs.

Today, Kenya boasts of a vibrant and dynamic cooperative movement – the strongest in Africa – a key player in the economy, controlling about 43 per cent of Kenya’s gross domestic product (GDP). The Cooperative Societies in Kenya employs more than 300,000 people, besides providing opportunities for self-employment to many more.

To safeguard the gains achieved this far, the Government has taken various measures to ensure the movement operates according to international best practice. These include the establishment of the Sacco Societies Regulatory Authority (Sasra) through the Sacco Societies Act 2008, which introduced prudential regulations covering all deposit-taking Saccos to enhance transparency and accountability in the fast growing sub-sector. It is anticipated that the move will also spur economic growth through mobilization of domestic savings. Kenya’s cooperative sector is reputed to be one of the most regulated in Africa and the best in East Africa.

One out of every five Kenyans is a member of a cooperative. This means at least eight million Kenyans are members of cooperatives while 20 million depend on the movement indirectly.

The cooperative movement is organized into service and producer entities that cut across various sectors focusing on both private and public enterprises. The greatest contribution attributed to cooperatives in Kenya’s social and economic development has been in the financial sector, where Saccos and national financial cooperative organizations, Cooperative Bank and Cooperative Insurance Company (CIC), hold substantial savings portfolio accounting for more than 31 per cent of Kenya’s gross national savings. About 10 years after Kenya attained independence from Britain, the cooperative movement emerged as a dominant player in the economy.

The movement picked up a fast-growth path in the 1960s and 1970s. Cooperative activities were evident in almost all sectors of the economy, and indeed, co-ops had freedom to venture into any economic activity. They continued to be active in marketing of agricultural produce, agro-processing, property ownership and investments, banking and insurance. Information technology has been a major driver in the sector’s growth in recent years with the adoption of international accounting and management standards.

Among the controversial policies that came on board around this time was to directly link producer cooperatives with parastatals. This move made the government appear to be shielding the cooperatives from competition. This happened with cooperatives such as the Kenya Cooperative Creameries (KCC), the Kenya Planters Cooperative Union (KPCU), the Pyrethrum Board and others. Unfortunately, the path trodden by these cooperatives has not been very rosy. While the pure private cooperatives in the manufacturing sector have always thrived, the parastatal cooperatives have always had faltering development sometimes ending up on
receivership. The Government has always had to bail them out. See KPCU, KCC, Pyrethrum Board for this. This scenario earlier on started giving the cooperative owners misgivings and the term “cooperative” was beginning to have a bad name.

As a result of Kenya’s success, other countries including Uganda, Tanzania, South Africa, Malawi, Namibia, Botswana, Rwanda and Southern Sudan got inspiration and started taking cooperatives seriously.

The producer entities of the cooperatives were mainly concerned with the marketing of primary production. However, in the last two decades or so, it has been realized that the producers could be able to get more revenue from value added products. For that matter therefore, the Vision 20/30 places emphasis on value addition of the primary production for the local and export markets as means of industrialization. Government and Non-Governmental Organizations are busy trying to promote this initiative among small cooperatives and unions especially in the rural areas. The Government for example has set up some funds such as the Youth Development Fund, the Women Development Fund, as well as liaising with the credit organizations such as the banks and microfinance institutions to facilitate this development.

**THE KENYAN ACADEMIA**

Academia refers to members of the teaching or research staff of a college or University.

At independence in 1963, Kenya did not have a national university. The Nairobi University college was a constituent college of the University of East Africa by then. In 1970, the three colleges of the University of East Africa split and were the starting point of the three universities, University of Nairobi in Kenya, Makerere University in Uganda and University of Dar-Es-Salaam in Tanzania.

Nairobi University College by the time it became a University was graduating hardly 2000 graduates. This number, even added to those who were coming back after studies abroad were not adequate to fill the void created by the departure of the Europeans after the Country gained independence. This situation was particularly critical at the secondary school teaching level, and of course the university and the few technical colleges. The Government therefore embarked on an exercise to expand the graduate and diploma training by increasing admission and expanding the infrastructure in the universities and colleges in order to meet the demand for qualified manpower. The University was training mainly in humanities and social sciences, and education, but also and most needed in science, agriculture and engineering. The universities and colleges were then treated as government training institutions. This perception went on until the mid-1980s, when the Government seemed to have trained enough manpower in such areas as Agriculture and engineering. These graduates would no more straight enter government employment. At this point also university expansion seemed to be in full gear, and some private universities were opened. The universities turned into education institutions than training institutions. The funding of the universities from the treasury dwindled tremendously the institutions were therefore forced to develop innovative ways of funding themselves to keep afloat. Many public universities and tertiary institutions therefore established a business wing, to
help generate income to fund their many operations. The largest income generation activity for all these universities is the so called module II or self-sponsored students, besides other projects.

The other perturbing issue was about the graduates from the universities who were not getting salaried jobs because they are simply not there. The universities have had to rethink their mode of teaching to be proactive and experiential rather than the earlier mode of pure academic. Many universities now have business centers, production units which fall under the umbrella of the business wing, but also help to train the students to be practical. Research for development including science, technology and innovation are now common. For example, the University of Nairobi established a position of Deputy Vice-Chancellor, Research, Production and extension to man this aspect of paradigm shift in the university. The Department is concerned with innovative research, production and technology transfer. The Universities therefore have since come down from the ivory tower of pure academic research and teaching to a level of innovative research, experiential teaching and transfer of technologies to the end user. There is currently consultation between the private sector manufacturing industry and the universities on specific aspects of science and technology.

MANUFACTURING SECTOR AND THE PERCEIVED PROBLEMS
The manufacturing sector in East Africa is still quite young. However all the development visions of the countries of the Region have identified this as the way to enhance development. The cooperatives seem to be the choice tool for realizing this. This manufacturing is in both agricultural and nonagricultural products. But since the countries of the region have agriculture as the mainstay of the economy, agricultural production would seem to lead the way. An establishment of Small-Micro enterprise in the rural areas, by group cooperatives/societies is advocated as a way to accelerate this achievement.

A baseline survey to establish the needs assessment of the producer cooperatives in carrying out manufacturing of various horticultural products was carried out in six provinces in 2011. The study was carried out among 14 cooperatives in the Coast, Eastern, Central, Rift Valley, Western and Nyanza provinces. The problems were established as follows:

1. Scientific and technological
   - Lack of technology (processing equipment, processing technologies)
   - Lack of knowledge in technology
   - Lack of skilled manpower in technology
   - Quality testing and quality assurance
   - Product development
   - Hygiene and sanitation
   - Inability to integrate primary production to processing and value addition

2. Humanities and social sciences
   - Management (both finance and personnel)
   - Marketing
   - Group dynamics
   - Product branding
   - Certification
COLLABORATION WITH ACADEMIA

The academia can collaborate with the cooperatives in manufacturing, through their institutions. Best mode of collaboration will be that of win-win situation, where the academia sign memoranda of collaboration with the cooperative/group of cooperatives. The universities will benefit by having their students trained, and revenue generation as they get paid for the consultation, and the cooperatives will benefit from being able to manufacture quality and marketable products. The areas of collaboration will be:

- Designing or development of the appropriate technology (plant and equipment design, production protocols and demonstrations)
- Training and capacity building in technology, quality control and assurance, hygiene and sanitation (through visits to the production units in the institutions)
- Analysis of the products (physico-chemical, microbiological) to meet quality standards and specifications
- Training to achieve international standards and certification
- Product development (specific new products, niche market products and line extension)
- Marketing and market identification and sourcing
- Branding

This is a case for establishment of public private partnerships and linkages between the cooperatives and other stakeholders, and the universities and tertiary institutions.