

# **Leveraging Regional and International Cooperation for Cooperatives in East Africa**

**Presented by**

**Prof. Suleman Adam Chambo**

## **1. BACKGROUND**

Co-operatives have existed in East Africa for approximately one hundred years, claiming greater successes when measured against trade, training and financial access indicators in their home countries. Most of the East African countries have co-operative education and training centres, colleges and universities, to carry out research, consultancy and design work for re-creating the cooperative enterprise in the region. But despite all the successes at policy, business, institutional development, education and training, co-operative business, has not yet gone beyond the borders of their home countries. On the other hand, what agricultural marketing co-operatives have accomplished as part of their historical success for example, has always been at the level of exporting raw material, trading on commodity value migration (Slywotzky, 1995) than domestic integration in their local economies and their members.

This paper will be guided by two important questions:

1. How can the East African co-operatives, operate their business beyond the borders of their home countries and connect themselves regionally and internationally and at the same time address poverty alleviation at home?
2. In the framework of the process of internationalization, how can the co-operative movement, participate in the industrialization of the East African economy?

## **2.0 INTRODUCTION**

The traditional outlook of the co-operative enterprise in the East African region, is confined to agricultural marketing and financial services in the name of Savings and Credit Co-operative Societies or SACCOs. This tradition, came with a vertical structure, building on where primary cooperative societies, were formed in order to channel traditional exports to Europe through district or regional/provincial co-operative unions. The co-operatives targeted coffee, cotton, cashew nuts, tobacco and cocoa. Food production and marketing was disqualified by the vertical structure to date in all the East African countries except Rwanda, where cassava, rice, maize and potatoes, are accepted by the co-operative structure. As such, the agricultural marketing co-operative movement in our countries is inherently and historically, hijacked from our countries and members.

The structure of the co-operative movement, has been on the unified mode (Wanyama, 2008) and distributive channel (Carlsson,1992), serving the interests of global buyers of the crops, and exporting raw material as agents of value migration. Though earning foreign exchange, the net effect of such a co-operative movement, is sustaining poverty of the members, because while farmers could produce their own' food commodities, they continued to be kept at the level of subsistence production. Coffee and cotton, were commodities where members generated cash income for meeting their tax obligation and supporting social services such as paying for education and health services. It is however important to recognize three important outcomes of our traditional export commodity co-operatives in the region; First, co-operatives ended up collecting raw material for the industrialization of Europe. This means, that value addition agro processing and its industrialization, employment and income effects, were realized outside Africa. Second, African co-operators had no choice of what crops to grow, but produce commodities demanded by European industry and hence playing the role of a receiving end on the value chain. Third, the unified structure of the tier system, deprived the primaries the opportunity of their democratic rights, to make independent decision making on what to produce and market. It created conditions of dependence as well as sustaining high union costs by the members and placing them into income poverty. Fourth, the Savings and Credit co-operative movement and co-operative banking, started their unfolding journey from the cc urban areas. As such, rural based co-operatives, were established without the internalization of cooperative financial services. As such, agricultural marketing co-operatives, were running cooperative business with capitalist banks. This contradicted a long term ambition of an ICA Congress that met in 1897(Rhodes1982), which declared that co-operatives should aim at two important institutional arrangements; First, wherever and whenever there was a capitalistic business, cooperators should establish their own enterprise. It means that where there was a capitalist bank, cooperators should establish their own co-operative bank. Likewise, where there was a capitalist insurance business, co-operators should form their own insurance co-operative enterprise. Currently, this ICA 1897 declaration, is largely implemented by the Kenyan co-operative movement.

The main arguments of this presentation are therefore in four categories; First, can the co-operative movement reverse the destination of the agricultural economy inwardly, so that value addition of traditional crops, takes place at home than abroad. Second, can co-operatives cross to the food crop production to promote value addition in food crops, enhance food security and improve income levels of the members, with food crop production. Third, what can we do to align financial cos operatives in promoting linkages with agricultural marketing co-operatives? and fourth, is to what extent is commodity production destined for industrialization of East Africa.

The paper will cover the following areas; After the introduction, we shall move to the current structure and challenges of the co-operative movement in the East African countries. Third, we shall look at current co-operative movement in the region and its internal capability to respond to regional needs. Fourth, we shall make an analysis of leveraging the co-operative movement to contribute to the industrialization of East Africa and fifth, we shall recommend the way forward and conclude.

## 2.0 THE CURRENT CO-OPERATIVE STATUS, OPERATIONAL VISIBILITY AND CHALLENGES

The co-operative movement in the East African region, is specifically structured according to the unified model of organization. The unified model appears to be popular in Kenya, Tanzania and Rwanda. The model starts with the members forming primary societies. The primary societies, form secondary unions at district or regional (provincial) levels. The unions form national or apex organizations and the national organizations form the federation at the national levels. In the four-tier formation, decision making in the system is carried out by representation and when it comes to policy dialogue, the national federations or confederations are always involved in dialogue, although, providing feedback to the members has always been restrained. Uganda, has transformed its structure after being challenged by market liberalization policies and reflected on transforming from hierarchical to umbrella organization with different responsibilities and obligations to its members. Burundi carries its traditional model of a social movement integrating co-operatives horizontally and does not have apex or federative structures.

The current strength of the co-operative movement is shown the table 1 below.

**Table 1: Current Strength of the Co-operative Movement in East Africa**

COUNTRY	NUMBER OF CO-OPERATIVE	MEMBERSHIP
KENYA	15,000	12,000,000
UGANDA	10,746	
TANZANIA	8,500	
RWANDA	6,000	
BURUNDI		

**Source:** ICA Data Sheet 2014

The structures in different countries, have been reshaped by co-operative policy and legislation as they responded to market liberalization. But, such responses to liberalization, has always taken one of the three options; Option number one has been to re constitute a declining vertical integration mode so that co-operatives are always united. Kenya and Rwanda governments have taken this strategy. The second

option, is the one taken by the Uganda Co-operative Alliance, where the Alliance, carried out its own transformation and created a local network of co-operatives working together. The third option, has been taken by the Tanzania government where the traditional four tiers have been reduced to two -primaries and the Tanzanian Federation of Co-operatives but the representative structure is still on the drawing board although, without monitoring arrangements, the national organization, could easily off load the primary societies.

But those options, also, are guided by the nature and form of state -co-operative relations as elaborated by Dulfer and Hamm (1997) constituting four modes of relationships. The form of state - co-operative relations are categorized in the following models: Conflictive- where the government comprehensively controls the co-operative movement because the farmer members are assumed to be permanently weak and cannot stand on their own. The model is called conflictive because it is against the principles of autonomy and independence. A further analysis of this model is demonstrated where governments put comprehensive regulations, and laws, without substantial investment in education, training and entrepreneurship to the co-operative movement. The second model of relations is called Complimentary. In this model, the government recognizes the Importance of co-operatives as part of the drivers of economic development of the country. But as economic entities, they have to be on their own and compete in markets. If they succeed, we are together. If they fail, let them learn from their mistakes. The government, can assist them, only when need arises. Otherwise, they should be on their own. The third model is known as the administrative model. In this model, the government provides all kinds of support from agricultural inputs, education, training and entrepreneurship to the co-operative movement, because it an important sector for inclusive development of the country. The assistance however, is provided in the first years of growth, so that members start to stand on their own feet. After some years, between 3 -5 years, the state generates a plan of disengagement so that the co-operative movement can stand on its own step by step. The final model of state — co-operative relations is the Educational model. This model, required the state to provide education and scholarship resources to the co-operative movement and let the movement go and compete in the market place. It should be recognized that each of the above relational models, has their advantages and limitations.

A critical observation of existing state - co-operative relations in East Africa today, Kenya is seen as running the conflictive model where the government has re established the four-tier system with comprehensive regulations. But there is no evidence of substantial investment in education, training, entrepreneurship capacity building for the members of primary societies. There are training structures in the co-operative movement, but scholarships for the co-operative members do not exist. Tanzania and Uganda are running the complementary relational model. In these countries, governments recognize

the existence of co-operatives, but they should compete in markets. If they collapse, let them learn from their mistakes. Assistance can be given to them when need arises. However, given the characteristics of recent legislation in Tanzania, we observe that the government, is moving back to the conflictive mode. The 2013 Co-operative Act, has removed section 9 of the Co-operative Act which gave final powers of the members Annual General Meeting on all affairs of their co-operatives. In Rwanda, the government is running the administrative mode, in a strategic way. The government, has instituted substantial investment in education training and entrepreneurial capacity building for the members. In the policy document for co-operative development in Rwanda, the government is already instituting a disengagement process so that the co-operative movement, can start standing on their feet. For example, while the government through the Rwanda Cooperative Agency will continue with the regulatory and registration roles, the co-operative movement, will now take over education, training and governance. Auditing will be carried out by registered private companies, approved by the Rwanda Co-operative Agency.

While the above are macro environment scenarios, we observe that, the co-operative movement in East Africa, has its own shares of internal challenges as shown below:

#### **i) Subsistent Agriculture and Entrepreneurship**

The impacts of such different relational modes, is whereby, as Kenya reconstructs the four-tire system, the members are not active and remain on the receiving end by sustaining their subsistent production condition, unable to address poverty alleviation comprehensively. In Tanzania and Uganda, co-operative unions are declining and as such, the Tanzanian government, has reconstituted the tiers making use of two structures only, the primary and the federation. This allows innovations to take place at the primary society level because they have to compete. But in the absence of targeted capacity building in co-operative education, training and entrepreneurship, makes members of primary societies remain subsistent and poor in the name of co-operation. In Uganda, the Uganda Co-operative Alliance is trying to provide education and training as well as entrepreneurship capacity building, but it is alone. There is no substantial support from the government, apart from expressing support for the innovations taking place in the co-operative movement. In Rwanda, the government is working very closely with the co-operative movement is providing comprehensive support for the co-operative movement to start standing on its own feet and compete in the market place as competent private organizations. The Private Sector Federation and the Rwanda Institute of Co-operative Education, Entrepreneurship and Microfinance provide a general organizational framework for strengthening the co-operative movement in Rwanda.

## **ii) Weak Federative Structure**

Given the characteristics of the state- co-operative relations above, there is growth of the cooperative movement in East Africa, but facing the following challenges. The federative structures except Uganda's Uganda Co-operative Alliance and the Rwanda Co-operative Confederation, the other co-operative federations in Kenya (Wanyama, 2011), Tanzania (Banturaki, 2012) are weak and unable to participate in national debates concerning issues of development of their economies. The Uganda Co-operative Alliance is a national co-operative federation which responded to liberalization and competition, by transforming itself from a hierarchical organization to an umbrella organization. Such a transformation, allowed the Uganda Co-operative Alliance, to carry out structural innovations, building new structures which allow competitive performance of grassroots co-operatives in the country (Msemakweli, 2011).

## **iii) Lack of Effective Utilization of Existing Education and Research Opportunities**

In all the East African countries, there is substantial government supported education and training infrastructure which should have supported the development of competent co-operative movements in the region. Uganda has the Co-operative College Kigumba, Kenya has the Co-operative University College, Rwanda has the Rwanda Institute of Co-operative Education, Entrepreneurship and Microfinance while Tanzania has the Moshi Co-operative University with its regional network of Continuing Education and Training. It is important to note that except for Rwanda and Uganda, where co-operatives fully participate in education, training and entrepreneurship, the other co-operative movements in the region, co-operatives do not fully make use of the advanced education, training and research facilities existing in their own countries and in the region. For example, if all 24,200,000 co-operative members of the East African region contributed the equivalent of Tshs 10,000 every year, they would produce 242,000 professional co-operative managers with university degrees ready to be employed by primary, secondary and federations in the East African region. In some cases, there is even more evidence where co-operative federations and other co-operatives have given employment to people without co-operative management qualifications. There are also, co-operative federations and national apex organizations and even capable primary societies who are attracted to go and study abroad. While co-operatives are free to access education and training from any country, we want to argue that practical and appropriate education, training and entrepreneurship for co-operatives, exists in the education and training facilities in our East African region.

## **iv) Lack of Country and Regional Co-operative Financial Systems**

Except for Kenya, all other countries in the region, do not have co-operative banks and related networks. The Co-operative Bank of Kenya occupies forth position in Kenyan banking sector and 7th

position in the global co-operative banks. Kenya has the strongest SACCOs movement in Africa (Wanyama, 2012). It is however, critical that we observe three important gaps in this particular sector. First, any large scale investment in the region by co-operatives, will demand large scale financing from its own ranks. Second, except for Kenya, the other countries do not have national cooperative banks. In Tanzania, there are two regional banks, serving co-operators in the respective regions. But so far, Tanzania has started the mobilization of its co-operative banking system. Rwanda and Uganda are also in the mobilization stage of their national banking systems. Third, while country mobilization of national banking systems are on the road, East African co-operatives, need to think about the formation of the East African Co-operative Bank where the national cooperative banks are going to be the natural members. It is important also to note that the financial power house for the co-operative movement will create better conditions for sustainability, if the movement will establish a network of co-operative insurance companies and co-operative social security funds for the individual country co-operative movements and one for the East African region.

Such institutional structures of finance, will enhance the financial resource capacity of the cooperative movement.

#### **v) Lack of Human Resource Capacity Database**

For decades now, co-operative training institutions have been training the required human resources capacity needed by current co-operative movements in the East African countries and beyond. But for quite a long time, the educational infrastructure, was geared to satisfy the existing co-operative structures operating at the current periods. Secondly, there is little evidence whether the education and training programs offered by our training institutions, are based on real needs of members, staff and boards of our current co-operative organizations. Third, the relevance of education and training programs offered by our education and training institutions is appropriate for different levels of co-operative organizations. In many times, the educational and training institutions have been requested to formulate training programs, the response has been developing those programs from the shelf rather than going to the members. Fourth, is the method of delivery of such programs. There are two major perspectives of knowledge disposition to the co-operative organizations: The first approach has been the possessive approach (Tesoriero,2010), where co-operative members are given information on how to be loyal to the co-operative principles and values. Education and training based on a series of do not do not. This kind of methodology, has taken members to assume victim position and education institutions taking the savior role. Such methodologies have ended up in developing members who are loyal to the co-operative enterprise, but remain subsistent and poor all the time they are involved in co-operative activities. The other methodological perspective is the education and training for emancipation. This methodological perspective, awakens the members to question the validity and

outcome of the application of co-operative principles and values given their operational contexts. It gives the members, the opportunity to add on to the co-operative principles and values. It also challenges the members to chart a new direction of their co-operative enterprises.

All the issues above, prepare the co-operative enterprise from where they are so that they are ready to participate in national and start the journey, for participating in international engagements for the region.

### **3.0 THE CAPACITY OF THE CO-OPERATIVE MOVEMENT TO RESPOND TO THE NEEDS OF EAST AFRICAN DEVELOPMENT**

There are four important conditions which make the co-operative movement a reliable contributor to the development process of the East African economy: First, co-operatives are associated with the development of people. Co-operatives are formed with a purpose, and that purpose is the development of its members by addressing the members; economic, social and cultural needs and aspiration. Second, principle number seven of the co-operative identity, puts emphasis on concern for the community. Co-operatives are concerned with doing current business but conserving the ecology for the use of future generation. That is why co-operative business, whether in agriculture, mining, livestock marketing, industrial manufacturing and the supply of inputs has to fulfill the ecological conditions of sustainability. Third, co-operatives are about poverty alleviation. Cooperative organizations are member owned, member controlled and member user organizations. Their contribution to economic development, is because they are involved as participants and players of economic development in their own countries.

However, the co-operative role in economic development depends on how they are prepared to respond to regional needs. At the moment, co-operatives in East Africa are inward looking into their own countries, responding to national policies and country legislative arrangements. Existing international co-operative structures are those driven by the International Co-operative Alliance., Regional Office for Africa and the global ICA.

With this background about the purpose of the co-operative enterprise, we have three positions calling for analysis of the role of the organization in international engagements They include lack of regional economic policy and legislation, Lack of regional co-operative structures and absence of regional organizational mechanisms to link structures and policies.



### **i) Lack of Regional Economic Policy and Legislation.**

Now that we have the East African Community, we see that we have the East African Co-operative Act, targeting mainly trade among co-operatives in the region. But we do not have a comprehensive co-operative development policy for the region. While we congratulate the East African Farmers Union for pushing the region towards a Regional Co-operative Act, we need a policy framework for East Africa for the co-operative sector. Such a policy will provide the enabling environment guide and framework to be implemented by the East African Cooperative Act.

We also, need to prepare major economic policy frameworks for economic development of East Africa, taking into account major traditional sectors of our economies including agriculture, industry, tourism, minerals, specialized services, including the emerging sectors of oil and gas. Apparently, all East African countries have discovered oil and gas resources. There are country policies on all those traditional and emerging sectors in our economies. But proactively we need East African policies and legislative arrangements which will indicate the role of different regional institutions including co-operatives on how such institutions can play their role in the development of such sectors at the East African regional scopes. Co-operatives have a role to play in the economic development of the East African Region, but such a role, need to be anchored in regional policy and legislation framework.

### **ii) Lack of Regional Co-operative Structures**

Most co-operative structures are drawn from national systems of tiers. They include primary societies where most natural members are linked operationally and organizationally. From primary societies, we have regional or district co-operative unions and thereafter, we have national federations which are finally linked nationally by national confederations. We have also noted that, in each member country, there are co-operative structures, but the economics of liberalization and competition, has introduced major changes in the traditional structures. While we still maintain four tier structures in Kenya and Rwanda, we have a two-tier mixed with a three-tier structure in Tanzania .In Uganda, we have a mixture of a network structure where the Uganda Co-operative Alliance, plays the role of a national hub for all types of so-operative organizations. But at the same time, the UCA is the federative organization for financial, transport and consumer national co-operative organizations. It was also earlier noted that except for the confederation of co-operatives in Rwanda, and Uganda, the confederations in Kenya and Tanzania, are currently being strengthened or weak (Wanyama, 2012 *ibid*). On the other had, the national co-operative structures in Kenya and Rwanda are very active but some national organizations in Uganda are not active. In Tanzania, national cooperative structures do not exist at the moment.

The picture depicted above shows a number of structural and organizational gaps which need to be addressed as we prepare the co-operative movement for the internationalization of co-operative business development in the East African region. First, we need strong national confederations for linking national co-operative structures. Second, we need an integrated co-operative structure at the local level. Country co-operative policies and laws, will need to promote the integrated co-operative model (IDRC/CCA,2016) where members of existing co-operatives are prepared to form different types of co-operatives to serve members better in an entrepreneurial way, than the traditional single co-operative mode. At the centre of the integrated co-operative model, research has confirmed that members of agricultural marketing co-operatives, become more economically successful, if they also managed to form Savings and Credit Co-operatives. In this way, members are transformed from continued subsistence and drive for surplus production. The integrated mode also does not thrive on the traditional single commodity modes, but they become inclusive of a number of commodities or members can form specialized commodity co-operatives when such commodities cannot be carried by the current agricultural marketing co-operative. The third line is innovation and improvement, where the strengthened national confederations are destined to deal with lobbying, advocacy education and training facilitation, but also linked with a proposed special department of Cooperative Development at the East African Community Headquarters. They at the same time advance and maintaining their membership their membership with the ICA Africa Office.

As far as high level management training and research are concerned, the Co-operative Department at the EAC, will also host a clear linkage with co-operative universities and colleges, to co-ordinate professional co-operative management and research. On the business side, the national organizations need an international business framework reflecting a regional perspective the performance in all their specialized areas. From the national co-operative business organizations, we will need the East African Co-operative Union as a facilitator of international co-operative business in the non financial sectors such as agriculture, minerals, fisheries, housing, consumer and services such as health, education, transport and input distribution. On the other hand, the financial co-operative sector will need to be linked by the East African Co-operative Bank, the East African Insurance Company and the East African Social Security Co-operative Union. The formation of such international business organizations will need to be assessed on the basis of their economic viability.

### **iii) Absence of Organizational Mechanisms and Programmes for East African Cooperative Business Development**

Both the national and organizations and federations, are inward looking. While the ICA Africa has always provided a platform for co-operative discussions and strategies, at the international level, member country

representatives have always discussed issues of co-operative relations with governments. National federations do not have their own platform to discuss East African development issues. It is therefore important that there are specific co-operative institutions and programs which can be used to stir international co-operative business and development.

#### **4.0 OPPORTUNITIES FOR LEVERAGING THE CO-OPERATIVE MOVEMENT IN THE INDUSTRIALIZATION OF EAST AFRICA:**

As pointed above, co-operatives have had wide coverage of activities in agriculture, fisheries, minerals, consumer goods distribution and financial services. On commodity production however, there is a definite history that co-operatives have been escorting values to European countries and industry. But co-operatives are people's organizations which can be established in any human economic activity. As such therefore, co-operatives can take their effective role in the industrialization of the East African region. Co-operatives can be involved in the supply and demand sides of industrialization in East Africa as follows:

##### **4.1 CO-OPERATIVES AND THE SUPPLY SIDE OF INDUSTRIALIZATION**

The supply side of industrialization, constitute the push factors of industrialization including natural resources, labour supply and technology.

###### **i) Co-operatives and Value Adding Industrialization**

Co-operatives have traditionally been formed by small farmers for the marketing of agricultural commodities. They have also been formed in the livestock and fisheries marketing. But as marketing organizations, traditional agricultural co-operatives were separated from value adding industrialization. In this way, all traditional co-operatives are a source of supply for industrialization in East Africa. The co-operative movement in Rwanda, is structured vertically, for the purpose of guiding the co-operative movement towards industrialization. The co-operatives in Rwanda, are commodity specialized from maize to potatoes All these, provide opportunities for industrialization. The co-operative promotion policy in Rwanda, has testified that all commodities can be developed through the co-operative model. East African people in different areas of commodity production including agriculture, minerals, fisheries. Agro forestry, can form integrated primary co-operatives, but linked with national specialized co-operatives where value adding industrialization can take place and distribute final industrial products regionally and internationally.

The East African economy is also endowed with livestock such as cattle, goats, lamb and chicken. They provide opportunities for the development of Producers Processing Co-operatives where cooperative beef

processing and milk industries are established by members to control a bigger share of the value adding process.

## ii) **Co-operatives and Industrial Investment**

Traditionally, co-operatives have been treated as service organizations which are not heavily involved in large scale investment. As such, traditional co-operatives, have always avoided risky investments in industry. But, given current economic behavior of competition and globalization, co-operatives cannot seat on the sidelines, posing as organizations of the poor. Taking the position of the poor, means they will not be part of globalization and there is no government that will continue supporting permanently poor groups in society. Government policy will need to take co-operatives on the road out of poverty through constructive engagement using the Kaplan (1999), Capacity development cycle with co-operative organizations. The cycle starts with government investment into co-operative development showing dependence. But the dependence will always have an end where co-operatives Stan to stand on their own. The independence phase will be left to grow until the co-operatives and the government have reached a stage of interdependence with the government when both the government and co-operatives are partners in development. That is why current research has to carry out a thorough investigation into the concept of subsistence agriculture. We must ask ourselves the question as to why small farmers and co-operatives have existed for more than 80 years as co-operative members and today, they are still poor and subsistent. The way we view our co-operatives, has to change from centres of assistance to institutions which drive group entrepreneurship.

In this particular analysis, we take national co-operatives organization, as investor organizations promoting sustainable group entrepreneurship in the East African region. In Canada for example, the national federations like the Federated Co-operatives, uniting 365 member consumer cooperatives, apart from the wholesale supply of consumer goods to their member primaries, has invested in oil and gas production and distribution to its member organizations (Aupers,2007). The Alberta Co-operative Federation also in Canada is investing in the production and distribution of gas, petroleum and electricity to its members. As investor co-operatives, they carry out different kinds of investment such as sea foods, forest products production and many other economic activities as dictated by their members. Like wise, our national non financial co-operatives should not be locked in their traditional co-operative ventures. The fact that housing co-operatives were started for consumer housing, should not bar the Housing Co-operative Union from investing in cement production and distribution to its members and the larger community.

### **iii) Labour Supply, Industrial Co-operatives and Off-Farm Activities.**

As economies in the East African region climb the ladder towards middle income economies, the contribution of agriculture to the Gross Domestic Product will be declining. This will be a result of rising agricultural productivity as the economies move towards industrialization and services. In 2014, the Malaysian economy was in the middle-income category and the contribution of agriculture was 11.2% while that of industry was contributing 40.6% and services, 48.1% (TOGY, Malaysia, 2015). The East African economy, is not deferent from the dynamics going on in other developing countries. Co-operatives have a role to play where the enterprise offers opportunities for self employment in the formation of industrial co-operatives where the youth have acquired specific technical skills in the production of different kinds of industrial commodities. It is also important to recognize that as agricultural contribution to GDP declines, the co-operatives in the rural areas can be involved in the establishment of rural off farm enterprises including the promotion of industrial co-operatives in the processing of agricultural commodities such as fruit processing, carpentry mining, engineering and forest product co-operatives.

The availability of different skills in the East African economy, should also provide opportunities for Industry led Local Environmental Co-operatives. The general industrialization that is planned for East Africa, should also attract environmental co-operatives like the Area T Oil Spills Co-operative in Alberta Canada. (Aupers,2007 *ibid*). Such co-operatives will respond to issues of sustainable development and implementing principle number seven on the concern of the community.

## **4.2 CO-OPERATIVES AND THE DEMAND SIDE OF INDUSTRIALIZATION**

The demand side of industrialization considers the pull factors of industrialization which in principle, include income levels, transport infrastructure and management capacity.

Higher levels of income will attract industrial investment. The integrated co-operative model, working within national boundaries, if well managed will increase the size of the market for industrial goods to be produced through the co-operative movement in The East African region. The concern of all co-operative members is about how they can improve their incomes and reduce income poverty. As co-operatives become part of the industrialization of East Africa, the size of the market will grow as co-operatives expand their network at the East African level than working in different country or national markets. Working with the East African market, we are talking about 24.2 million co-operatives as members who are owners, controllers and users as part of the market. But also, we are talking about the larger East African market of more than 100 million people. This is a greater opportunity than if co-operatives were confined to their national boundary markets.

But such demand and market development for co-operatives and industrialization, will be enhanced if the member countries have permanent transport networks and communications. The status of road network in East Africa, is not yet connected with fast delivery systems. The railway network is also too old to haul modern volume of business. Air transport is with Rwanda and Kenya. The other member countries are still on reconstruction. An important government input to the contribution of co-operatives to industrialization is for the East African governments to give priority for the strengthening the transport and logistic networks in the region.

## **5. FUTURE STRATEGIC INTERNATIONAL CO-OPERATIVE DEVELOPMENT**

In this last part, we make recommendations as to what should be done at both policy and legislation, by the co-operative movement itself, the East African Community Secretariat and the International Co-operative Alliance Africa.

### **5.1 The East African Community**

The East African Community is considered the main driver of the industrialization process for the region. The community, is therefore, the opportunity for the integration of the East African economies into an efficient economic block. The East Africa Community therefore, should take a leading role in the following areas:

- i) Regional Economic Policy formulation for major investments in major sectors of the economy including industrialization, showing the different roles of institutions including cooperatives policies and respective legislations
- ii) Opening the unit or department of co-operative development for linking national cooperative federations for combined dialogue on lobbying, advocacy, programming, and selected priority areas for co-operative development in the region
- iii) Support the registration of the East African Co-operative Union as the main business link and promotion of trade and investment with the national co-operative business organizations
- iv) Support the registration of the East African Co-operative Bank as the main link of national co-operative banks from member countries
- iv) Design priority co-operative industry areas at the regional level

### **5.2 National Governments**

- i) Support the formation of strong federations and national specialized co-operatives for sustaining international co-operative business for the co-operative enterprise in the region

- ii) Support the formation and strengthening of co-operative banks in the national economies as well as co-operative insurance and SACCOS integrated to the co-operative banking bin the respective countries
- iii) Support the value adding industrialization by co-operatives in the respective countries
- iv) Improve transport and communications infrastructure by linking the national to regional networks.

### **5.3 National Federations**

- i) Strengthen the strategy for policy and legislation influence with national governments
- ii) Support the transformation of strengthening of national organizations to become competitive industrial investment agents in East Africa. They should also be guided by policy to invest in new areas such as petrol and gas as well as electricity.
- iii) Support and promote the diversification and the strengthening of co-operative activities in new areas of co-operative activity such as co-operative social security funds, Environment support co-operatives and social service co-operative organizations
- iv) Link with co-operative universities to identify areas of emerging co-operative enterprises and through collaborative research, initiate the design of new co-operative enterprise possibilities for co-operative industrialization

### **5.4 The International Co-operative Alliance Africa**

The International Co-operative Alliance Regional Office for Africa, is a critical co-ordinating office for national federations in advancing the implementation of co-operative principles and values. The office will be instrumental in guiding the member organizations in their work on lobbying.