



# Industrializing East Africa through Co-operatives

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Conference on Harnessing East Africa's Industrial Potential

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### Introduction

1. The Government of Kenya in collaboration with the International Co-operative Alliance Africa (ICA) and the Ambassador Francis Muthaura Foundation (AFMF) is organizing the first cooperative leaders' forum for East Africa for February 29<sup>th</sup> February to March 2, 2016 in Nairobi, Kenya. The forum will discuss the space for co-operatives in industrializing East Africa within the framework of the Treaty establishing the East African Community, the African Union Agenda 2063 and the respective Partner State national development visions (Uganda Vision 2035, Kenya Vision 2030, Burundi Vision 2025, Tanzania Vision 2025 and Rwanda Vision 2020).
2. While the Partner State visions and strategies were prepared separately and independently, they are in line with the objectives of the EAC, which is meant to develop policies and programmes aimed at widening and deepening cooperation among the EAC Partner States in political, economic, social and cultural fields, research and technology, defense, security and legal and judicial affairs, for the Partner States' mutual benefits. All the Partner States share in the dream of achieving a middle income status by 2030 and being industrialized by 2032.

### The Second East African Community

3. The Treaty signed on November 30, 1999 was to enhance cooperation among Partner States with a view to maximizing benefits to the region in the political, economic and social fronts. It adopted an enterprise rather than a political-led development approach so as to enable Partner States to manage the competitive challenges posed by globalization. It is for this reason that the EAC has made it its business to widen and deepen economic, political, social and cultural, research and technology integration at regional and global levels<sup>1</sup>, in the process opening up opportunities such as increased market access, trade levels and sustainable development<sup>2</sup> which the Partner States should take advantage of.
4. The Community has made significant progress during the last 15 years of integration. In particular, there is a much desired shift from the initial negative mind-set and little excitement on the integration process to strong political will that has catalyzed business confidence and improved people's awareness about the benefits and costs of integration. The Customs Union and the Common Market have in particular catalyzed remarkable development in education, trade expansion and movement of people. Given the ultimate goal of regional integration in East Africa is the attainment of long term high economic growth that can achieve and sustain human development, in 2005 the Partner States committed themselves to maintaining an economic convergence criteria in which each Partner State was:
  - To achieve middle income status,
  - To achieve sustained economic growth rates in excess of 7 per cent,
  - To Maintain budget deficits of less than 5%,

<sup>1</sup> Article 5, The Treaty Establishing the East African Community

<sup>2</sup> Society for International Development (SID), East African Integration: Dynamics of Equity in Trade, Education, Media and Labour. Nairobi: SID, 2011

- To maintain 4-months import cover,
  - To achieve sustainable public debt and single digit inflation rates.
5. The EAC is implementing the EAC Industrialization Strategy 2012-2032 underpinned by national industrialization policies and strategies and draws lessons from best regional and international practices. The Strategy is seen as being instrumental in realizing the objectives of the EAC Industrialization Policy (2012-2032) which include:
    - a) Diversifying the manufacturing base and raising local value added content of resource based exports to 40% from the currently estimated value of 8.62% by 2032;
    - b) Strengthening national and regional institutional frameworks and capabilities for industrial policy design and implementation; and delivery of support services to ensure sustainable industrialization in the region;
    - c) Strengthening Research and Development (R&D), technology and innovation capabilities to facilitate structural transformation of the manufacturing sector and upgrading of production systems;
    - d) Increasing the contribution of (i) intra-regional manufacturing exports relative to total manufactured imports in to the region from the current 5% to about 25% by 2032 and (ii) increasing the share of manufactured exports relative to total merchandise exports to 60% from an average of 20%;
    - e) Transforming Micro Small and Medium Enterprises into viable and sustainable business entities capable of contributing up to 50% of manufacturing GDP from 20% base rate.
  6. Successful implementation of the Strategy presupposes sustained regional convergence, in accordance with the EAC Common Market agenda. The Strategy identifies six strategic regional industries in which the region has potential comparative advantage. These include
    - Iron-ore and other mineral processing;
    - Fertilizers and agrochemicals;
    - Pharmaceuticals;
    - Petro-chemicals and gas processing;
    - Agro-processing; and
    - Energy and Bio-fuels.
  7. The strategic regional industries will be promoted through collaborative efforts among the Partner States and the private sector. They will ensure diversification of the industrial base and stimulate value-addition of local resources in the region; promote upgrading of production structures; address trade imbalances; and ensure increased intra-EAC trade as well as export expansion.
  8. To realize Africa Union Agenda 2063 aspirations, African agenda calls for actions:
    - a. Transform, grow and industrialize our economies through beneficiation and value addition of natural resources:
    - b. Consolidate the modernization of African agriculture and agro-businesses, through scaled up value addition and productivity
    - c. Address Climate change and Preserve the Environment, through implementation of the Programme on Climate Action in Africa
    - d. Connect Africa through world-class Infrastructure, with a concerted push to finance and implement the major infrastructure projects in transport, energy, and ICT
    - e. Support Young people as drivers of Africa's renaissance, through investment in their health, education and access to technology, opportunities and capital, and concerted strategies to combat youth unemployment and underemployment.
    - f. Strengthen domestic resource mobilization, build continental capital markets and financial institutions, and reverse the illicit flows of capital from the continent, with view to by 2025:
      - Reducing aid dependency by 50%;

- Eliminate all forms of illicit flows;
- Double the contribution of African capital markets in development financing;
- Render fully operational the African Remittances Institute;
- Reduce unsustainable levels, heavy indebtedness and odious debt; and
- Build effective, transparent and harmonized tax and revenue collection systems and public expenditure

### Co-operative Support Systems for Industrialization of East Africa

9. East Africa is characterized mostly as rural, where most people are engaged in agriculture. In the five Partner States most of the farmers are still in the subsistence class. These subsistence farms produce barely enough for the basic requirements of the family. Subsistence agriculture is characterized by extremely limited capital resources, using of traditional production methods, low land and labor productivity. These characteristics tend to perpetuate the existing situation with agriculture producing barely enough for survival, and cannot therefore make a substantial contribution to economic growth. According to the EAC Secretariat the agricultural shares of GDP in all the Partner States have been declining. At the same time industrial share of the gross domestic product (GDP) has also declined and is expected to continue with mixed results. There are marginal increases in the services sectors for all the Partner States. There have been remarkable increases in the services sectors for the same period (Table 1.2).

Table 1.2: Sectoral Shares of GDP

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

Source: EAC Secretariat, EAC Facts and Figures 2014

10. The industrial sector has been stagnant, an indication that there is very little value-addition in the manufacturing sectors in particular. The industrial share of GDP in Uganda increased from 22.6 per cent in 2006 to 26.2 per cent in 2013. Tanzania's share increased from 20.8 in 2006 to 23.4 per cent in 2013. The industrial share of GDP in Kenya stagnated at 16-17 percent between 2006 and 2013. Similarly Rwanda's industrial share of GDP remained constant at 14 to 15 per cent over the same period.
11. EAC potential to produce diversified and value-added manufactured exports still remains untapped. The region can stimulate production of diversified and value-added exports to enhance export-led or trade-led economic growth and development. The region exports mostly primary commodities and limited range of

value added commodities. The EAC members states therefore need to expand their manufacturing sector to enhance value added exports.

12. Prevailing challenges in the rural areas are not only affecting the rural life, but also the life of whole society. Development challenges can be solved successfully only by creating non-agricultural employment possibilities through the establishment of small-scale industries not only agricultural based but also non-agricultural industries and services. This movement can be named co-operative industrialization which helps to decrease the rate of population engaged in agriculture through creating new employment opportunities either in non-agricultural industries, and service sectors, with emphasis on the important role and share of the processing, marketing and supply co-operatives.

#### *Situation of Co-operatives*

13. International Co-operative Alliance (ICA) defines 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 based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. The earliest co-operatives were established among the weavers, workers in cottage industries, who were grieved by moneylenders and mercantile economy during the industrial revolution.
14. In Great Britain, Robert Owen (1771-1858) established self-contained semi-agricultural, semi-industrial communities. This was real industrialization through involvement of the masses. In 1844, 28 people began the Rochdale Co-operative consumer store in North England, marking the first serious steps towards a real co-operative consumer movement. Early in the twentieth century, the co-operative movement spread to India and gradually to other Asian and African countries; mainly courtesy of the colonial administrators. Today, there are over 1.0 billion co-operative members throughout the world.
15. The co-operative movement in Israel is unique in character. Unlike most co-operative moments, it is not engaged in transforming an existing economy, but in creating an economy and society from the beginning. The co-operative sector is 70 per cent of the Israel's entire agricultural output, whereas that of the private sector is only 30 per cent. Co-operative farming and living was adopted in Israel because of a desire of mutual aid actuated by national affinity, pioneering zeal in the immigrants to uplift their homeland, lack of technical and farming knowledge in the immigrants, lack of resources and experience necessary to reclaim large areas of barren land and mutual protection from hostile environment.
16. Since then the cooperative movement has developed along six distinct fronts, which also define the co-operative industrial clusters: **Agriculture Co-operatives, Consumer Co-operatives, Savings and Credit Co-operatives, Housing Co-operatives, Worker Co-operatives, and Health and Social Care Co-operatives**
17. The most considerable volume of co-operatives in East Africa are Primary Co-operative Societies in agricultural and financial service societies. These societies are having direct influence upon the region's economic health. After so many years of Cooperation, these societies are still in the process of development to create economic security and stability of the East African's rural populations, the main contributor to the region's economy. Still there are enough scopes of reforms in this sector. Value addition is an essential part of transforming East African agriculture. Agro Processing is considered necessary for (a) development of industry to provide employment to the unemployed/under employed rural youth; (b) sustainability and productivity management in farm produce and value chain management; and (c) processing of produce to ensure marketing as well as maintaining price levels.

18. The conference whose theme is “**Industrializing East Africa through Co-operatives**” will start with a key note presentation session on the sub-theme “**How should the East African Community Partner States harness the region’s industrial potential for driving socio-economic development through the co-operative enterprise model?**” The resource persons for this session will consist of Prof. Bwisa Henry of Jomo Kenyatta University of Agriculture and Technology, Dr. Mohammed Kerre of PERC-PACE International, Dr. Peter Davis of Leicester University and Prof. Suleiman Chambo, retired Principal of Moshi University College of Co-operative Studies. This session will be followed by a presentation and discussion of Partner State experiences and lessons.
19. The presentation will then be followed by two round table discussion sessions, each of which consisting of three groups that will engage in dialogue on specific sub-themes relevant to the objectives of the Conference as follows:
- i) Round Table Discussion Group 1:  
**Mobilizing Co-operatives for a Higher Regional Development Impact** - Prof. Faustin Bee, Co-operative University Moshi
  - ii) Round Table Discussion Group 2:  
**An Enabling Environment for Co-operative Growth in a knowledgeable Society** - the Commissioner for Co-operative Development, Kenya
  - iii) Round Table Discussion Group 3:  
**Leveraging Regional and International Cooperation for Co-operatives in East Africa** – Prof. S. Chambo
  - iv) Round Table Discussion Group 4:  
**Building the Co-operative Message and Securing the Co-operative Identity in East Africa** - Dr. S. Chiyoge (Mrs.)
  - v) Round Table Discussion Group 5:  
**How should the co-operatives sector engage with the academia in promoting research and innovation leading to industrial and socio-economic development?** - Prof. J.K. Imungi –University of Nairobi
  - vi) Round Table Discussion Group 6:  
**Co-operatives and the Post 2015 Development Agenda** –Dr. M. Kerre
  - vii) **Quality Research and Industrial Co-operative Development in East Africa: The Kenyan Case** – Dr. C. Moturi
20. This section offers conference agenda and program, including time scheduling and where appropriate description of workshops, plenary and networking receptions, and speaker information.

**Sunday , February 28, 2016: Arrivals****1400 - 1800 hours: Registration and Accreditation****1800-2000 Hours: Welcoming Session**

- Dinner
- Entertainment
- Statement by Organizers

**Day 1: Monday February 29, 2016**

0800 -0900Hours Registration Opens

**0900-10.30 HOURS OPENING SESSION**

Chairperson:

Rapporteur:

Statement by Organizing Institutions: CAK, CO-OP BANK, CIC, KUSCCO

Welcome Statements

- Minister, Industrialization and Enterprise Development

Opening Address by the Guest of Honor

10.30-10.45 Hours Group Photograph

**11.00-13.00 HOURS: KEYNOTE PRESENTATIONS**

Theme 1: **Harnessing the region's industrial potential for driving socio-economic development through the co-operative enterprise model: The People's Ownership and Mobilization – Dr. Peter Davis**

The determination, participation, self-reliance and solidarity of the East African peoples and leadership are preconditions for the industrialization of the region, and hence the need to develop the critical enablers of regional transformation. This includes the continuous mobilization of the East African people and the Diaspora in various formations; employment of modern communication applications and outreach; co-operative research, innovation and development; and sustained and inclusive social dialogue on industrializing East Africa through co-operatives.

Chairperson: **Uganda**

Rapporteur:

Theme 2: **Unlocking Human Enterprise Potential to realize the industrialization dream – Prof. Henry Bwisa**

Across the region, co-operatives operate within constrained natural resources and inequitable operating conditions. They represent more than 40% of the population and do two-thirds of the work needed to sustain livelihoods, yet controls less than 10% of the regions capital and

8.5% of the income and own less than 3 percent of the region's property. To solve regional industrialization and value-addition challenges we must access the innovation and business acumen of co-operatives. There is growing evidence that when this happens, the potential for change is significant and the payoff is huge. The panel explores how leading co-operatives in East Africa and individual Partner States are recognizing the business case for empowering co-operatives to overcome social, environmental, political and economic challenges, unlock innovation and unleash economic potential to transform the livelihoods of their constituents and kick-start and sustain the industrialization process

1.00-1400Hours LUNCH BREAK

**14.0 15.00** KEYNOTE PRESENTATIONS

**Theme 3: Co-operatives and the Post 2015 Development Agenda – Dr. M. Kerre**

1500-1800Hours ROUND TABLE DISCUSSION GROUPS 1-3

Discussants:

1900-2030 NETWORKING COCKTAIL HOSTED BY AFMF

**Day 2: Tuesday March 1, 2016**

0800 -19.300Hours KEYNOTE PRESENTATIONS

**Theme 4: Leveraging Regional and International Cooperation for Co-operatives East Africa - Prof. S. Chambo**

9.30 – 12.00 ROUND TABLE DISCUSSION GROUPS 4-6

1200- 1300 Hours Presentations from Roundtable Discussions Followed by Plenary Discussion

Chairperson

Rapporteur

1300-1400Hours LUNCH BREAK

1400-1600Hours Forum Resolutions and Way Forward

Chairperson Hon. Kanimba

Rapporteur

1600-1630Closing Session Hon. A. Mohamed

Chairperson

Rapporteur

1800-2100 Hours Conference Gala Dinner - MOIED

**Day 3: March 2, 2016**

**8.00 – 14.00** **Field Visits** - Secretariat

**14.00** Departures