



# Industrializing East Africa through Co-operatives

Harnessing East Africa's Industrial Potential

Cooperatives & the 2030 Agenda on Sustainable Development

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## Abstract

The 2030 Agenda for Sustainable Development builds on the Millennium Development Goals and completes what they (MDGs) did not achieve. The Agenda has 17 Sustainable Development Goals and 169 targets, which are integrated and indivisible and balance the three dimensions of sustainable development: the economic, social and environment. The Goals and Targets are designed to stimulate action over the next 15 years in areas of critical importance for humanity and planet, which are also at the core of the cooperative movement in East Africa: to end poverty and hunger in all their forms and dimensions, and to ensure that all human beings can fulfil their potential in dignity and equality and in a healthy environment.

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## Abbreviations and Acronyms

EAC	East African Community
EU	European Union
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNI	Gross National Income
ICA	International Cooperative Alliance
ICT	Information Communication Technology
ILO	International Labour Organisation
IPO	Industrial Policy Organisation
MDGs	Millennium Development Goals
ODA	Official Development Aid
RTA	Regional Trade Agreement
SD	Sustainable Development
SDGs	Sustainable Development Goals
UN	United Nations
UNECA	United Nations Economic Commission for Africa

## I. Background and Context

### 1.1 The East African Community

The East African Community (EAC) is the regional intergovernmental organization of the republics of Burundi, Kenya, Rwanda, Tanzania and Uganda. The Treaty Establishing the EAC was signed on 30th November 1999 and became effective on 7 July 2000 following its ratification by the original three Partner States: Kenya, Tanzania and Uganda. The republics of Burundi and Rwanda acceded to the Treaty on 18 June 2007, becoming full members of the Community with effect from 1 July 2007.

The Treaty envisages a prosperous, competitive, secure, stable and politically united East Africa. It seeks to widen and deepen economic, political, social and cultural, research and technology, defence, security and legal and judicial integration among and between the Partner States with the ultimate aim of improving the quality of life of the citizens through increased competitiveness, value addition, trade and investments. This shall be done by developing and implementing policies and programmes.

In pursuance of these objectives the EAC has established a Customs Union, and a Common Market. It is due to establish a Monetary Union, and is ultimately moving towards Political Federation. The Customs Union commenced operations on 1 January 2005. Just over five years later, on 1 July 2010, the Protocol on the Establishment of the East African Community Common Market was launched, expanding the Customs Union and moving towards economic integration in the region to be attained through removal of restrictions on the movement of goods, persons, labour, services and capital, and the rights of establishment and residence.

Effective EAC integration and its resultant benefits are hinged on the extent to which the aspiration for the free movement of workers can be actualized. Article 10 of the EAC Common Market Protocol guarantees the free movement within the region of workers who are the citizens of the member states. It also requires the Partner States to ensure that workers do not face discrimination in employment, remuneration and other conditions of work because of their citizenship. Within this framework, the EAC Partner States committed (in Article 12) to harmonize their labour and employment policies, national laws and programmes so as to facilitate the free movement of labour across the region. This commitment extends to national social security policies, laws and systems in the region. At the same time, Article 39 of the Protocol obliges the member countries to coordinate and harmonize their social policies so as to promote and protect decent work and improve standards of living of the citizens. Delays have been experienced in the harmonization of the relevant policies, laws and programmes undermining effective EAC integration and the achievement of the anticipated benefits.

The EAC has as the main aim, for the next two decades, to create a globally competitive and dynamic, knowledge-based economy, which would ensure sustainable economic growth, more and better jobs and increased social cohesion. The significance of the education, labour and employment sectors in attaining the EAC objectives of integration cannot be gainsaid. Attainment of regional competitiveness and improvement in the standards of living of the population hinges greatly on how the region nurtures and utilizes its human resources. In return, promotion and sustainability of the EAC integration depends on the degree of efficiency and equity of the region's labour market. A critical issue in any regional integration process – and particularly in the promotion of free movement of labour as envisaged under the EAC Common Market Protocol – is the degree of equity and level of competence, perceived or real, of the region's labour and employment sector. At the same time, equality in all facets of employment is a key pillar of the Decent Work Agenda to which all the EAC Partner States subscribe. An

assessment of skills and qualifications gaps, and labour and employment inequalities within the EAC integration process is an important ingredient in promoting integration and ensuring sustainable outcomes.

## 1.2 Context

In the middle of this Century, East Africa will have a population of about 300 million people, more than twice the current population figures. This population will include a workforce of more than 109.3 million people compared to 83.7 million in 2013. A third of these future workers have already been born. To accommodate that workforce without a rise in the rate of unemployment (23.3%), it will be necessary in the next 35 years to quadruple the number of jobs in the region, and grow and expand the private sector. The population trends reveal increased movement away from farms and rural areas to urban, so that 75% of the population will be urban residents. Unless new workers are attracted to rural areas and farms in large numbers, urban areas will be bursting to their seams with unemployment. In addition, unless those working on farms and rural areas raise productivity, the rural population will face serious uneconomic subdivision of land, migration into marginal areas, falling average income, and exposure to food insecurity. Moreover, at the current trends in higher education, which fall short of meeting required labour needs, there will not be enough skilled and qualified persons to meet the needs of an expanding and growing business and employment sector.

Of the current population of 153 million people an estimated 9.6% are members of the cooperative movement distributed across more than 37,900 registered cooperatives, mostly saving and credit cooperatives (SACCOs) 49.0% and agricultural cooperatives (34.1%) (Matrix 1.1 below). Of the registered cooperatives only 60% are actively engaged in productive activities.

Matrix 1.1: Number of Registered Cooperative Societies and Unions 2014

Partner State	Burundi	Kenya	Rwanda	Tanzania	Uganda	Total
<b>Agriculture Cooperatives</b>	841	4,988	1,617	2,809	2,688	12,943
<b>Savings &amp; Credit Cooperatives</b>	103	7,341	1,251	6,780	3,168	18,643
<b>Consumer</b>	8	190	139	201	350	888
<b>Housing</b>	-	961	16	390	102	1,469
<b>Craftsmen</b>	12	92	21	105	43	273
<b>Transport</b>	10	66	24	115	49	264
<b>Other Non-Agricultural</b>	4	1,244	145	1,019	807	3,219
<b>Unions</b>	2	108	8	124	38	280
<b>Total</b>	980	14,990	3,221	11,543	7,245	37,979

Source: national cooperative registers of individual Partner States

Since 2000, the East African region has implemented a myriad local, national, regional and global development strategies, among them national development visions, and the Millennium Development Goals (MDGs) to help overcome regional and individual Partner State structural challenges and focus on sustainable development. The accumulated knowledge and experience gained under the MDGs and other initiatives has positioned the EAC community well for crafting ambitious, yet achievable, successor agenda. The level of ambition reflected in any emerging agenda must be matched by its means of implementation.

2015 was a watershed year for global development discourse. It marked the transition from one cycle of development to another, and also the confluence of events which will inform the approaches which nations must

adopt in their transition from MDGs to sustainable development goals (SDGs), and shape the global development agenda for years to come. These events have included:

- the conclusion of the Sendai Third UN World Conference on Disaster Risk Reduction;
- the Third International Conference on Financing for Development;
- the United Nations summit for the adoption of the Post 2015 Development Agenda in September; and
- the United Nations Climate Change Conference (COP 21) in December.

These landmark events are ushering in new global agendas and defining their means of implementation.

The MDGs have helped focus the efforts of EAC Partner State governments and development partners on pressing issues in human development. The Goals have underscored the power of communication in stimulating global action and resources around a core set of development initiatives, and establishing mechanisms for harnessing the potential of global partnerships in local, national, regional and global development. Global initiatives such as the Global Fund to Fight AIDS, Tuberculosis, and Malaria; the Global Vaccination Alliance; and Education for All have had a measurable impact on combating diseases specified in MDG 6, and facilitating immunization and primary school enrolment respectively, with visible development impact for EAC Partner States.

As the MDG era comes to an end and the new development agenda is launched, it is timely to reflect on the lessons learned from the MDG experience to inform our next steps. It is in this context that this Paper: [Cooperatives and the 2030 Agenda for Sustainable Development](#) is prepared, as part of the contribution to [Industrializing East Africa through Cooperatives](#).

An important lesson from the MDG experience is that initial conditions influence the pace of progress a country can make on global development agendas. Thus it is not surprising that the East African Community as a whole was not able to achieve all the MDGs by 2015. Nevertheless, substantial progress was achieved on a number of goals and targets. Significant achievements in increasing women's representation in national parliaments, reducing infant and HIV-related deaths, and enrolling more children in primary schools owe a lot to the effort and commitment of the East African people and their governments to meet the Goals.

Sustaining and advancing beyond the gains made under the MDGs require new approaches which embrace all three dimensions of sustainability – the environmental, economic and social. Therefore, progress under the SDGs will be assessed not only by the results achieved, but also by considering how they were achieved. Method will assume greater relevance in the post-2015 development paradigm.

The situation in Burundi reminds us how quickly progress can unravel when political and governance systems are not resilient to shocks. It has underlined the importance of complementing targeted governance interventions with integrated approaches which strengthen political and institutional systems overall. Tackling all three dimensions of sustainability will require rigorous development planning approaches underpinned by strengthened capacities, integrated approaches to the region's development challenges, and access to reliable and quality data.

The MDG experience has exposed data challenges facing the EAC Partner States national statistical systems and this has underscored the importance of strengthening statistical and analytical capacities. The data requirements for tracking SDG progress will, therefore, be greater than those for the MDGs, reflecting the SDGs' broader scope and the emphasis on disaggregation of data. Confronting this challenge will require strengthened human and financial capacities, bringing more stakeholders on board, together with new approaches and methodologies for harnessing the wealth of information which can be obtained from 'big data'.

## II. The 2030 Agenda for Sustainable Development

The 2030 Agenda for Sustainable Development is a plan of action for people, planet and prosperity. It is fashioned on the premise that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development. The Agenda has 17 Sustainable Development Goals with 169 associated targets which are integrated and indivisible<sup>1</sup>.

### 2.1 Sustainable Development Concept

In 1987 the United Nations released the Brundtland Commission<sup>2</sup> Report, which included what is now the most widely recognized definition of sustainable development (SD): “development which meets the needs of the present without compromising the ability of the future generations to meet their own needs”. This definition was informed by development cycles between 1950 and 1980, which brought into focus the importance of integrating environmental concerns in the development agenda.

- a) In the 1950s and 1960s, development mainly focused on economic growth and increases in output based on theories of production efficiencies.
- b) In the 1970s, witnessed growing gap between the rich and the poor in and between regions, resulting in the shift to focus on equity issues with emphasis on social development and income distribution as key elements.<sup>3</sup>

The Brundtland Report also identifies two driving forces:

- The concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given
- The concept of 'limitations' imposed by the state of technology and social organization on the environment's ability to meet present and future needs.<sup>4</sup>

A useful expression of the values and principles of sustainability can be found in the Earth Charter.<sup>5</sup> The Earth Charter offers an integrated vision and definition of strong sustainability.<sup>6</sup> Economic Sustainability popularly referred to as [Agenda 21](#) clearly identified information, integration, and participation as key building blocks to help countries achieve development that recognises these interdependent pillars. Agenda 21:

- Emphasizes that in sustainable development everyone is a user and provider of information;
- stresses the need to change from old sector-centered ways of doing business to new approaches that involve cross-sectoral co-ordination and the integration of environmental and social concerns into all development processes; and

<sup>1</sup> Transforming Our World: the 2030 Agenda for Sustainable Development. Resolution Adopted by the UN General Assembly on 25 September 2015 United Nations A/RES/70/L.1 UN General Assembly 21 October 2015.

<sup>2</sup> The Brundtland Commission, formally the World Commission on Environment and Development, known by the name of its Chairperson, former Norwegian Prime Minister, Mrs. Gro Harlem Brundtland, was convened by the United Nations in 1983. The Commission was established to deal with the growing concern about “the accelerating deterioration of the human environment and natural resources and consequences of that deterioration for economic and social development”. In establishing the Commission, the United Nations General Assembly recognized that environmental problems were global in nature and determined that it was in the common interest of all nations to establish policies for sustainable development.

<sup>3</sup> Economic Commission for Africa, Africa Regional Report on Sustainable Development, May 2012.

<sup>4</sup> [http://en.wikipedia.org/wiki/sustainable\\_development#cite-World\\_Commission\\_on\\_Environment\\_and\\_Development-9](http://en.wikipedia.org/wiki/sustainable_development#cite-World_Commission_on_Environment_and_Development-9)

<sup>5</sup> <http://www.earthcharterinaction.org/content/pages/read-the-charter.htm/>

<sup>6</sup> The Earth Charter is an ethical framework for a sustainable world, was developed over several years after the Rio Earth Summit in 1992 and launched officially in 2000. The Charter derives its legitimacy from the participatory process in which it was drafted, which included contributions from hundreds of organizations and thousands of individuals, and from its use since 2000 by thousands of organizations and individuals as an educational instrument and policy tool.

- brings into focus broad public participation in decision making as a fundamental prerequisite for achieving sustainable development

## 2.2 From MDGs to SDGs

The idea of SDGs surfaced in 2011 during various preparatory meetings for the 2012 Summit on Initiative by the governments of Colombia, Guatemala and Peru, it was officially introduced in the first draft of the Rio Outcome Documents, launched in January 2012. In this document SDGs are mentioned in paragraphs 105 to 110, which call for the establishment of SDGs by 2012 in order to “reflect an integrated and balanced treatment of the three dimensions of sustainable development”. It is not clear however at this point, how the SDGs relate effectively to the MDGs. Further paragraphs only provide for limited clarification on this. Paragraph 107 details the potential issues to be reflected by the SDGs, including sustainable consumption and production patterns, food security and sustainable agriculture, sustainable energy for all, water access and efficiency, sustainable cities, green jobs and others. Paragraph 108 calls for an integrated approach.

The articulations of the Rio Outcome Document have since been shaped into an overall strategy – the 2030 Agenda on Sustainable Development or SDGs. The SDGs are designed to bring about marked changes by 2030, building on the gains made by the MDGs. The Millennium Declaration broadened the focus of development to include human-centred, sustainable and equitable development, and expanded the concept of poverty from income poverty to multidimensional human poverty. The process of MDG formulation was also informed by the growth, aid and governance agendas. It could be argued that within the mainstream economic discourse, development is perceived as growth driven, aid-mediated or, governance-guided.<sup>7</sup>

- The growth agenda argues that trade liberalization, privatization and deregulation of the economy are required in order to achieve MDGs;
- the aid agenda maintains that an injection of external resources into such sectors as health, education and agriculture is crucial for achieving MDGs; and
- the governance agenda argues that to foster development, it is essential to reform the institutional structures of developing countries in line with a global set of institutional values and practices.<sup>8</sup>

The growth agenda’s strong focus on macro-level growth has tended to ignore the problem of structural inequalities within and between countries, which militate against efforts to advance people’s well-being. This approach has also tended to rely on external resources for financing reforms, with little attention paid to issues of distributional equity. Recent efforts, such as the emergence of ‘inclusive growth’ or even “inclusive green growth”<sup>9</sup> as a strategic framework and the new focus on ‘multidimensional’ poverty<sup>10</sup>, have moved the debate towards a more socially focused agenda, even if policy-level activities still tend to focus on issues such as income poverty.

Another major challenge that needs to be addressed is the gradual decline in the levels of developmental and infrastructural aid and a rise in ‘softer’ areas of assistance, including institution-building and governance reforms.<sup>11</sup> Since the 1980s, for example, Official Development Aid (ODA) to agriculture and industry has declined sharply.

<sup>7</sup> The 2005 Millennium Summit agreed to incorporate new targets to the MDG framework, dealing with reproductive health, HIV treatment, employment and biodiversity. In 2007, the framework was revised to include 21 targets and 60 indicators, which became effective in January 2008. The new framework also recommended that all indicators be disaggregated by sex and urban/rural areas as far as possible.

<sup>8</sup> In January 2008, Goal 8 was revised to include 6 targets and 16 indicators.

<sup>9</sup> See United Nations, 2003

<sup>10</sup> Poverty Reduction Strategy Programs (PRSPs) were required by the World Bank and IMF to consider the provision of debt relief to low-income countries.

<sup>11</sup> The Millennium Project was commissioned by the Secretary-General in 2002 to develop a concrete action plan to achieve MDGs

Some analysts have also argued that the adoption of MDGs has accelerated this trend since this framework has tended to put the emphasis on basic education as opposed to tertiary and vocational education and has placed little emphasis on developing productive capacities or basic infrastructure in developing countries. Some critics have provocatively called this approach “a promotion of welfare and aid dependence over growth and self-reliance”.<sup>12</sup>

### 2.3 Sustainable Development from the Co-operatives Development Perspective

Within the cooperative development framework sustainability and development success are mutually dependent. It implies a paradigm shift in future design of society, to ensure that nations avoid wastage in exploitation and application of resources, environmental degradation and in addressing inequities. The International Cooperative Alliance (ICA), in its Blueprint for a Cooperative Decade has recognized sustainability as one of the five pillars to position cooperatives as builders of economic, social and environmental sustainability by 2020.

Today cooperatives in East Africa have made remarkable progress in agriculture, agro-processing, dairy, credit, banking, insurance, produce marketing, fishing, storage, and housing among other activities. Despite this good progress, the movement continues to miss opportunities of enhancing the social and economic status of its membership. There is a need to refocus and re-assess cooperative capacity not just to mobilize human and financial resources, but to manage them well for general and faster economic growth and more so to improve the living standards of its members. This can only happen when cooperatives become knowledge creating institutions by embracing the management of information, and the enablement of knowledge, the two critical aspects in the future direction of cooperatives in Africa and in the realization of sustainable development.

As the EAC strives to balance between security and development, which are viewed as key but opposing challenges and hope for an integrated future, the role of citizens other than the States becomes more pronounced. This means competitiveness and cooperation must define the East African region, by bringing human development aspect to sustainable development. In this respect sustainable development shall mean, people and institutions behaving in a way that is environmentally, economically and socially responsible to ensure that the production, delivery, consumption of goods and/or services and related disposal do not adversely impact people or the environment in any way to reduce the value on sustainable consumption and production patterns, food security and sustainable agriculture, sustainable energy for all, water access and efficiency, sustainable cities, green jobs and sustainable social development and economic growth. Therefore, adopting new practices to ensure sustainable development is crucial for the cooperative movement and all cooperative organisations, large and small, and for all sectors: business, government, academia and civil society as well as for individuals.

A different but equally important challenge that should be better addressed is the need to promote socioeconomic development approaches that are environmentally sustainable and thus take into account post-MDG dramatic changes in environmental conditions. For example, recent research identifying planetary boundaries and critical environmental thresholds to human development should be taken into consideration.<sup>36</sup> In addition, the recent report of the United Nations Environment Programme on the green economy outlines several concurrent crises that have either sprung up or accelerated during the last decade. These include crises in climate, biodiversity, fuel, food, water and more recently in the financial system. Accelerating climate-changing emissions indicate a mounting threat of runaway climate change, with potentially disastrous human consequences. Those challenges

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<sup>12</sup> Vandemoortele, 2010:3.

are poorly addressed in the existing MDG framework and should be further developed in a future global development agenda.

Besides some key gaps in the identification of MDG focus areas, there are also critical shortcomings in MDG implementation. Those shortcomings can be grouped together into three areas: (i) impact of the dominant policy package in place before and during the formulation of MDGs, (ii) MDGs as means versus ends and (iii) quantification of development.

#### 2.4 Guiding Frameworks and Criteria

Sustainable development encompasses the interlinkages of the three dimensions of economic growth, social development and environmental sustainability. The environment is considered the source of life and gives rise to economic activities, which in turn sustain social development. Without growth, there will be no social development. This, however, is not necessarily a linear relationship as the environment also directly influences social development.

The challenge of SD is to achieve a balance in interrelationships among the three dimensions. Economic growth therefore has to be environment-friendly and socially responsible. For economic growth to be sustainable, efforts need to be directed to five core areas, which are also central to the evolution and growth of a circular economic system: (i) an efficient and sustainable use of natural resources; (ii) agricultural practices that are environment-friendly; (iii) renewable energy development; (iv) less-carbon intensive production of goods and services, including efficient transportation; and (v) less intensive production and consumption of resources, goods and services.

These promote efficient and resilient production systems, and minimize resource depletion, degradation and greenhouse gas emissions, thus leading to stronger and more resilient economies. The three dimensions of sustainable development are cast in the overarching role of governance and institutions. For the EAC region, governance and institutions in particular are fundamental to sustainable development, as they provide the foundation on which economic growth, and socially responsible and environment-friendly development rests. Enabling governance environment and functional institutions provide constitutional, accountable, regulatory and legal frameworks for productive activities to thrive under, which in turn will enhance sustainable development.

#### 2.5 Goals

In the formulation of the SDGs, considerable effort was made to ensure that the proposed goals, targets and indicators were in alignment with the vision, principles, guiding framework and criteria set out at the global and regional level (Matrix 2.1 looks at global and Africa region SDGs)

Matrix 2.1: Global and Africa Region SDG Guiding Framework

Global Level Guiding Framework	Africa Region Guiding Framework
<ul style="list-style-type: none"> <li>• <b>The goals are universal in character;</b></li> <li>• <b>The Goals incorporate a range of key areas that were not fully covered in the MDGs, such as energy, climate change;</b></li> </ul>	<ul style="list-style-type: none"> <li>• The Africa Rio+20<sup>13</sup> principles;</li> <li>• The goals, targets and indicators to embody all three dimensions of sustainable development;</li> <li>• The goals to be action-oriented to allow for effective monitoring and evaluation;</li> </ul>

<sup>13</sup> One of the key commitments agreed upon at the 2012 United Nations Conference on Sustainable Development (Rio+20) was the formulation of sustainable development goals. The Rio +20 outcome document, *The Future We Want*, recognized that the development of goals could be useful for providing focused and coherent action on sustainable development and emphasized, among others, that the goals should consider and incorporate in a balanced way, all three dimensions of sustainable development and their interlinkages. The Conference also recognized that the goals should be coherent with, and integrated into, the post-2015 development agenda and called for an inclusive and transparent intergovernmental process that is open to all stakeholders.

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|---|--|
| <ul style="list-style-type: none"> <li>• <b>SDGs should reflect the economic, social and environmental dimensions and the interconnections between them; and</b></li> <li>• <b>SDGs to include progress metrics, and scope to review the goals in view of evolving knowledge and evidence.</b></li> </ul> | <ul style="list-style-type: none"> <li>• Goals to demonstrate universality and flexibility;</li> <li>• Goals should reflect availability of adequate means of implementation; and</li> <li>• the need to promote equitable and inclusive human-centered development</li> </ul> |
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The Rio+20 Outcome Document also provides guidance on what the goals should seek to achieve. Foremost among these is poverty eradication, for which sustained, inclusive and equitable economic growth in developing countries is a necessary requirement. For EAC in particular, elaboration of the SDGs is critical at this period in global development. While progress has been made globally, during the implementation of MDGs, EAC Partner States are still off track in achieving most of the targets. Consequently, the MDGs will remain relevant beyond throughout the implementation of the SDGs. Hence, as the Partner States proceed to implement the SDGs, they must recognize the need for complementarity with the MDGs.

### 2.6 Sustainable Development Concerns in the EAC Partner States

A review of the five Partner States national development visions reveals a focus on achieving seven things by the year 2030: (i) high and sustained economic growth to translate into jobs and human development; (ii) improvements in education and skills development; (iii) increased agricultural productivity and value addition; (iv) sustainable energy development; (v) improvements in access to affordable health care; (vi) tackling environmental and climate related challenges; and (vii) infrastructural development.

Currently the Community is undertaking regional value chain mapping on agro processing; iron ore and mineral processing; new and renewable energy and pharmaceutical sectors in order to estimate the resource base required for investment in upstream and downstream value addition industries. This process will also prioritize other intervention areas including the promotion of Small and Medium Enterprises; development of essential industrial skills and training; enhancing regional capability in research, technology and innovation; and creation of innovative and long-term financing mechanisms for industrialization, which are critical for attainment of a more balanced and inclusive industrialization process in the region and the foundation for structural transformation of EAC economies.

Whereas these issues are also at the heart of the cooperative movement, recent trends in the sector call for regionalization of the cooperative financial sector, which requires the integration of financial market infrastructure in order to facilitate payment across borders and between and among actors. This means developing a framework for linking cooperatives trading platforms in agriculture, finance, insurance, health, education, etc. This framework may entail definition of the software and hardware for integrating cooperatives market infrastructure and surveillance systems, changes required with respect to the existing legal and regulatory framework and the sectors capacity building requirements.

As vehicles for development, it will be prudent for cooperatives to (i) create value for self and society, and (ii) to embrace the notion of intergenerational equity, in the design and implementation of their programs. This requires finding efficiencies in the current production and consumption processes.

### III. East African Community's Sustainable Development Issues and Priorities

#### 3.1 Situation

Since the signing of the Treat Establishing the East African Community on November 30, 1997, East Africa's growth has continued to increase rising from 3.8 per cent in 2,000 to 5.8 per cent in 2014. The performance was underpinned by improved macroeconomic management, ongoing investment in infrastructure and productive capacity, continuing robust domestic consumption, and diversified trade and investment ties with emerging economies among other factors. EAC's social development indicators reveal the weakness of the observed economic performance: high unemployment and poverty coexisting with robust growth. This reveals a development paradox in a region that aspires to be middle income, industrialised and knowledge-based economy by 2032<sup>14</sup>.

The EAC is focused on widening and deepening the integration process among the five Partner States. As indicated in section I, the impact that the integration process creates on growth and development in the region can only be assessed by relying on robust statistical information. The availability of accurate and reliable data facilitates the exercise of monitoring and evaluating the implementation of East African Community Programs and facilitates planning and decision-making, thus leading to the realization of planned programs for growth and development.

The EAC emphasizes an inter-regional development approach for its Partner States and other stakeholders in the Community. In its development catalogue infrastructure, energy and information communication technology (ICT) are indicated as important fundamentals due to the catalytic role they play in the entire functioning of an economy. The Partner States have consequently established and actioned joint efforts to put in place appropriate platforms for development and maintenance of appropriate infrastructure, energy sources and ICT systems and structures to drive the development process.

The EAC persistent economic challenges are attributable to severely degraded environment and or poorly exploited natural resources<sup>15</sup>. This, exacerbated by recurrent droughts and other natural and man-made disasters, results in perpetual poverty and underdevelopment which in turn accelerates the degradation of natural resources and the environment, thereby closing the vicious cycle.<sup>16</sup> Unfortunately the Partner States are not realizing the full environmental and natural resources potential for a number of reasons including:

- A fast rate of growth of a largely rural, peasant and heavily natural resource dependent population;
- Natural disasters; and
- Institutional weaknesses

East Africa is characterized mostly as rural and agrarian. In the five Partner States most of the farmers are still involved in subsistence activities, barely producing enough for the basic requirements of the family. Subsistence agriculture is characterized by extremely limited capital resources, use of traditional production methods, low land and labor productivity, 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. Approximately 60% of the total land area of the EAC is classified as arid (i.e. receiving less than 500 mm of rainfall annually). This makes rainfall the most important climatic factor in the EAC Partner States. The rainfall is low, unreliable and unevenly distributed and, although there have always been cycles of drought and flooding, there is evidence to suggest that the climate is becoming more and more unstable and the weather effects more devastating. All these

<sup>14</sup> EAC Industrialization Strategy 2032, and Partner State Development Visions (Rwanda 2020, Burundi 2025, Tanzania 2025, Kenya 2030 and Uganda 2035)

<sup>15</sup> The EAC region has a wealth of natural resources with the potential to drive economic growth and social development

<sup>16</sup> Intergovernmental Authority on Development (IGAD), Environment and Natural Resources Strategy, 2007.

affect the sustainability levels and thus a need for policy actions in areas of cooperation, and for harmonizing environment and natural resources policies across the Partner States.

Industrial share of the gross domestic product (GDP) has been declining and is expected to continue with mixed results. There are marginal increases in the services sectors for all the Partner States, because by design the EAC integration reflects a strong focus on the liberalization of trade in goods, following the provisions of Article XXIV of the General Agreement on Tariffs and Trade (GATT), in the establishment of free trade areas and customs unions. Trade in services becomes a feature of the regional integration model when the stage of the common market is reached, yet to date services have received very little attention in formal EAC integration arrangements. This is also true of Partner States' incursion into the regional trade agreement (RTA) arena with external partners. The inclusion of services (and also other behind-the-border issues such as investment, competition policy and government procurement) is notable by its absence, and has been contentious to say the least. The negotiations between various African groupings and the European Union (EU) are a case in point. The inclusion of services, and other behind-the-border issues such as investment and competition policy, continuous to be contentious<sup>17</sup>. As such, the EAC continues to witness patchy structural transformation and slow progress in industrializing, largely due to low productivity growth, exacerbated by weak growth-enhancing and industrial-policy institutions. Matrix 3.1 provides the trends across sectors between 2006 and 2013.

**Matrix 3.1: Sectoral Shares of Gross Domestic Product (GDP) 2013**

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

The Matrix reveals an industrial sector which 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.

<sup>17</sup> At the multilateral level, trade in services falls under the World Trade Organisation's General Agreement on Trade in Services (GATS), which in Article V provides for economic integration by allowing member states to enter into an agreement to liberalize trade in services, subject to specific conditions. The neglect of the trade in services agenda is somewhat ironic in the EAC where infrastructure services such as transport and telecommunications adversely affect the costs of doing business, and pose obvious challenges to the regional and continental integration.

EAC potential to produce diversified and value-added manufactured exports still remains untapped due to the absence of coalition-building within state and stakeholder apparatus<sup>18</sup>. Similarly, coordination of industrial policies within government and with stakeholders, including the private sector, is weak to nonexistent. This is seen in irregular meetings with stakeholders, insufficient funding, unqualified personnel and shifting strategies. In some cases, there is no overriding industrial policy coordinating body that can deal with conflicts or redundancies between industrial policy organisations (IPOs) under different supervising ministries. So there is a need for proper coordination of industrial policy at top level.

Industrialization promises to address the EAC's development paradox by promoting economic diversification, inclusive growth, efficient utilisation of abundant physical, mineral and human resources and in the process eliminate poverty and hence structurally transform East African economies. In the process 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. In this respect, the EAC Partner States need to expand their manufacturing sector to enhance value added exports.

Trade continues to play a major role in EAC's economic growth performance and it has potential to promote trade-induced industrialization of the continent provided it is deliberately directed at industrialization. For this purpose, trade policy must be consciously designed, effectively implemented and managed with regular monitoring and evaluation. Such a policy must recognise and promote value addition through processing and manufacturing. The goal of trade-induced industrialization must also guide the conduct, negotiations and implementation of trade and investment agreements and arrangements. Table 3.2 shows the distribution of total value added (in constant 2005 dollars) by sector.<sup>19</sup>

**Table 3.2 Distribution of Real Total Value Added by Sector and Partner State, 2001-2012 (Percentage)**

Partner State	Export Specialization		Mixed Exports				Services			
	Burundi	Kenya	Uganda	United Republic of Tanzania	Rwanda	Burundi	Kenya	Uganda	United Republic of Tanzania	Rwanda
Sector	2001-2004	2009-2012	2001-2004	2009-2012	2001-2004	2009-2012	2001-2004	2009-2012	2001-2004	2009-2012
Agriculture Hunting, Forestry & Fishing	43	38	27	23	29	19	33	27	44	34
Industry	17	15	19	20	22	25	21	24	14	16
Mining, Manufacturing & Utilities	14	11	14	14	12	11	13	14	8	7
Manufacturing	12	9	12	12	7	7	8	9	7	7
Construction	3	4	4	5	10	14	8	10	6	9
Services	40	47	54	58	50	54	46	49	41	50
Trade, Restaurants & Hotels	19	21	11	14	16	19	15	16	12	17
Transport, Storage & Communications	3	5	11	14	5	8	6	8	6	9
Other Activities	18	21	32	30	27	27	24	25	23	24

**Notes:** Averages are calculated based on years for which data are available. Data are based on national systems of accounts and are presented according to two categories of exports specialisations – mixed exports, and services. A country is classified under a given category if the share of exports in that category accounts for more than 45 per cent of total exports, based on values during the period 2009-2012. Mixed exports are countries in which no single category accounts for more than 45 per cent of total exports. The sum of the share of the three main economic sectors is not always 100 per cent due to discrepancies between total value added and the sum of value added across the three sectors in the original data and due to rounding.

Source: Extracted from UNCTAD Secretariat calculations, based on data from UNCTADStat, available at <http://unctadstat/EN/index.html>

For effective trade-induced industrialization in East Africa, structural transformation of industrial production and trade is a basic pre-requisite. Three critical issues, for this to take place, include:

- Production and trade in intermediates;
- establishing, joining and upgrading along national/regional/global value chains; and

<sup>18</sup> Coalition-building apparatus within government and other stakeholders are needed to guarantee support of government programmes. The absence of these, undermines industrial policy efforts.

<sup>19</sup> Total value added is used as a measure of output instead of GDP to ensure that the shares of the three main economic sectors (services, industry and agriculture, hunting, forestry and fishing) in output add up to 100 per cent. The total may not always be a 100 per cent due to discrepancies in original data and rounding.

- c) increasing role of services in (a) and (b) and in trade in general

The situation as it is today suggests that for sustainable development EAC Partner States must make a major paradigm shift from a largely agrarian society with acute dependence on natural resources towards an economic model based on high-productivity sectors, especially manufacturing and modern agriculture and services, with significant value addition, employment generation, increased competitiveness at home and abroad, and a more equitable distribution of income. Finally, and perhaps more important, trade policy is critical for effective trade-induced industrialization. National trade policy architecture and the flurry of activities in bilateral, regional and multilateral trade negotiations across the length and breadth of the Community must consistently give priority to industrialization.

### 3.2 Priority Sustainable Development Issues and Opportunities

The economic, social and political development of the EAC Partner States is supported by national strategic visions, with main focus on increasing economic growth through infrastructure development, human development and capacity building, natural resources management and other socio-economic aspects, as indicated in Matrix 3.3 below. In order for the Partner States to improve their growth rates and attain sustainable inclusive growth, they need to highly prioritize diversification from production in raw form for the majority of their exports to transformation into final products, thus ascertaining an increased export base that may increase the growth rate which is still low.

**Matrix 3.3: EAC Partner States Strategic Visions**

Partner State	Time Frame	Strategic Vision	Priority Areas
<b>Burundi</b>	Vision 2025	Sustainable peace and stability and achievements in the MDGs	Poverty reduction, reconstruction and institutional development
<b>Kenya</b>	Vision 2030	Globally competitive and prosperous Kenya with a high quality of life	To achieve sectoral objectives including meeting regional and global commitments
<b>Rwanda</b>	Vision 2020	A middle-income country by 2020	Reconstruction, human resource development, and integration to regional and global economy
<b>Tanzania</b>	Vision 2025	High quality of life anchored on peace, stability, unity, and good governance, rule of law, resilient economy and competitiveness	Inculcate hard work, investment and savings culture, knowledge based economy, infrastructure development, and private sector development
<b>Uganda</b>	Vision 2035	Transform Uganda society from peasant to a modern prosperous country	Prominence being given to knowledge based economy
<b>EAC</b>	Treaty	A prosperous, competitive, secure and politically united East Africa	Widen and deepen economic, political, social and cultural integration at regional and global levels.

An alignment of the EAC Development Strategy 2017, EAC Industrialization Strategy 2032 and Partner States Visions reveals an emphasis on a number of key issues and priorities for economic, social and environment and natural resources development. Matrix 3.4 below summarises these issues and priorities.

**Matrix 3.4: EAC Sustainable Development Issues and Priorities**

<b>Key Economic Development Issues and Priorities</b>	<b>Key Social Development Issues and Priorities</b>	<b>Key Environment and Natural Resources Issues and Priorities</b>
1. Economic Growth, Jobs and Structural Transformation	1. Poverty, Inequality and Social Exclusion	1. Sustainable Land Management
2. Agriculture, Food and Nutrition Security	2. Education	2. Forests
3. Energy	3. Water, Sanitation and Access to Basic Services	3. Biodiversity
4. Sustainable Consumption and Production	4. Demography and Population Growth	4. Mineral Resources
5. Infrastructure Development	5. Urbanization and Sustainable Human Settlements	5. Freshwater Resources
	6. Health	6. Marine Resources
	7. Youth Unemployment	7. Climate Change
	8. Gender and Women's Empowerment	8. Natural Disasters
		9. Chemicals and Waste Management

These issues and priorities are in sync with Africa's and UN SDGs as summarised in Matrix 3.5 below.

**Matrix 3.5: Regional and Global Sustainable Development Goals**

<b>Africa Region SDG</b>	<b>Global SDG</b>
Goal1: Eliminate all forms of poverty	<b>SDG1:</b> End Poverty in all its forms
Goal2: Promote sustainable agriculture and achieve food security and adequate nutrition for all	<b>SDG2:</b> End Hunger, achieve food security and improved nutrition, and promote sustainable agriculture
Goal3: Ensure quality, adequate, affordable, accessible and comprehensive health services for all	<b>SDG3:</b> Ensure healthy lives and promote well-being for all at all ages
Goal4: Achieve universal access to affordable and quality education at all levels	<b>SDG4:</b> Ensure inclusive and equitable quality education and promote life-long learning opportunities for all
Goal5: Achieve gender equality, protect and empower women, youth and persons in vulnerable conditions	<b>SDG5:</b> Achieve gender equality and empower all women and girls
Goal6: Ensure social inclusion and protection, including guaranteed minimum income and social security, as well as decent employment for all, particularly for the youth	<b>SDG8:</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Goal7: Structurally transform economies and attain inclusive sustained economic growth; accelerate infrastructure development, inclusive and sustainable industrialization and access to affordable energy; and build resilient cities and sustainable human settlements	<b>SDG7:</b> Ensure access to affordable, reliable, sustainable, and modern energy for all <b>SDG11:</b> Make cities and human settlements inclusive, safe, resilient and sustainable <b>SDG12:</b> Ensure sustainable consumption and production patterns
Goal8: Enhance environmental quality, resilience and protection; and promote sustainable exploitation, use and management of natural resources	<b>SDG6:</b> Ensure availability and sustainable management of water and sanitation for all <b>SDG15:</b> Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
Goal9: Combat desertification and land degradation, mitigate drought and promote sustainable management of land and oceans	<b>SDG13:</b> Take urgent action to combat climate change and its impacts <b>SDG14:</b> Conserve and sustainably use the oceans, seas and marine resources for sustainable development
Goal10: Promote Culture, Research, Science, Innovation and Technology Development	<b>SDG9:</b> Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
Goal11: Scale up Global and regional Partnerships for Development	<b>SDG17:</b> Strengthen the means of implementation and revitalize the global partnership for sustainable development

**Goal12: Promote Good governance at national and International Levels**

**SDG10:** Reduce inequality within and among countries  
**SDG16:** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

The EAC region is endowed with lots of opportunities which if well harnessed could accelerate growth and promote sustainable development. These opportunities, which include natural resources, when accompanied with value addition could enable the Partner States to eliminate existing development challenges and lead to sustainable and inclusive growth and development.

The EAC is rich in natural resources fundamental for development. These include:

- Fertile land that could provide for intensive and mechanized agricultural practices. At present agriculture is practiced by small scale farmers whose focus is production for subsistence.
- Forests and national parks that would be catchment areas for environmental protection.
- Oil reserves have been explored and it has been confirmed that billions of barrels could be produced in Uganda and Kenya
- Minerals such as gold, diamonds wolfram, tin, especially in Tanzania
- Vast water sources, which could be used for the generation of hydropower. The generation of such energy could stimulate growth of other sectors including industry and manufacturing.

The EAC Partner States are also members of Southern Africa Development Cooperation (SADC), Inter-Governmental Authority on Development (IGAD), and Common Market for Eastern and Southern Africa (COMESA). These regional blocks have put in place and are implementing various development strategies and programs that have facilitated quick response to certain regional challenges and can be capitalized to advance sustainable and inclusive growth and development. Noteworthy among these are poverty reduction, gender integration and environmental protection.

In a globalized context, a country's trade performance and export sophistication and diversification are critical indicators of its competitiveness and are drivers of sustainable development. The EAC Partner States have relatively good quality institutions, efficient goods and labour markets, and well-developed financial markets. However, health and education indicators are a cause for concern, and there is generally a low level of technological capability. Some of the most problematic factors for doing business in the region include inefficient government bureaucracy, an inadequately educated workforce, and a poor work ethic in the national labour force. Poor infrastructure and lack of access to finance also feature as key hindrances<sup>20</sup>.

The EAC Partner States, generally have very efficient labour markets by both regional and international standards. Their financial markets are well developed, and they have relatively sound institutions as well as the capacity for innovation. However, the quality of infrastructure, macroeconomic stability, and health and education indicators are poor, as is technological readiness. According to the World Economic Forum 2010, some of the key factors hampering business in the region include access to financing, corruption, high tax rates, and inadequate supply of infrastructure. Rwanda continues to be the highest-ranked EAC economy on the World Bank Group Doing

<sup>20</sup> World Economic Forum 2010.

Business<sup>21</sup> at 46 (out of 189 economies) in 2015, followed by Tanzania at 131, Kenya 136, Uganda 150 and Burundi at 152.<sup>22</sup>

### 3.3 Governance for SDGs Implementation in the EAC

The effective implementation of SDGs demands coordinated actions from different institutions and stakeholders at the EAC, national and local levels. The complexity of a multitude of institutions and stakeholders with diverse aims, competences and incentive structures could best be conceptualized through a system of governance for SD. Through this lens one can better understand the dynamic relationships between different institutional actors and other stakeholder, and appreciate the inherent complexity of the processes through which the objectives of SDGs need to be realized<sup>23</sup>. Three main challenges emerge:

- vertical policy integration between different institutional levels,
- horizontal policy integration between different sectors and policy arenas, and
- participation of relevant stakeholders

In this context, it is possible for governance for sustainable development to assist and guide the implementation of SDGs in 3 steps:

- Step 1: To conceptualize the complexity of the situation and identify institutions and stakeholders (responsible actors and their specific competencies and capacities) that are significant for a successful implementation of the SDGs.
- Step 2: To assess those actions that could be most effectively implemented at different governance levels, supported by coordinated actions of different institutional levels and stakeholder groups (vertical policy integration), and how they affect synergies between different SDGs.
- Step 3: To investigate if the effectiveness of the modes of governance could be improved through the creation of coordinating institutional structures and policy instruments, such as horizontal policy integration and policy coherence.

Sustainable development policies and initiatives require multi-layered decision making, multilevel coordination and cooperation, and multitude of stakeholders intervening in the process<sup>24</sup>. This need for integration and cooperation is also evident between different levels of political institutions – UN, EAC, national governments, local governments, as well as development partners (both local and international stakeholders). Furthermore, stakeholders are diverse, have different perceptions of relevant time frames and face different incentive structures. The diversity of areas touched by the SDGs represents an additional governance challenge, which generates contradictions between policies and mechanisms and suggests that the weighting of different challenges will be goal-specific rather than universal.

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<sup>21</sup> Doing Business remains easiest in OECD high income countries and most difficult in sub-Saharan Africa. over the 2014/2015 period, however, 38 sub-Saharan African countries implemented Doing Business reforms that made it easier to do some aspect of business (49 in total), representing 23 percent of all reforms recorded in 2014 (World Bank, 2015).

<sup>22</sup> World Bank 2014. Doing Business 2015: Going Beyond Efficiency. Washington. DC: World Bank

<sup>23</sup> Niestroy, I. 2014. Governance for Sustainable Development: How to Support the Implementation of SDGs? ASEF Outlook Report 2014-2015 Facts and Perspectives, Chapter 10 pp.141-155

<sup>24</sup> Berger, G. & Streurer, R. 2009. 'Horizontal Policy Integration and Sustainable Development: Conceptual Remarks and Governance Examples'. ESDN Quarterly Report. June 2009. Lafferty. W.M. 2002. 'Adapting Governance Practice to the Goal of Sustainable Development': [Http://Webs.Uvigo.Es/Dialogos/Biblioteca/Goals.Pdf](http://Webs.Uvigo.Es/Dialogos/Biblioteca/Goals.Pdf)

Studies in this area (Bulkeley H, Jordan A, Perkins R, Selin H, 2013)<sup>25</sup> have identified three opportunities to advance governance for SD and enable individual stakeholders effectively address the SDGs:

- a. Reframing of the way in which problems of sustainability are described and approached;
- b. Formulating effective sustainable development goals; and
- c. Identifying new ways to open up the sustainable development debate to a multitude of actors and interests.

The SDGs as formulated clearly respond to these three opportunities. The aim of tying the SDGs to specific targets and indicators enhances opportunities for effective implementation, facilitates monitoring, and, therefore, could contribute in improving reflexivity. Considering the complexities of SD issues (multi-actor, multilevel, multi-sector), governance for SD through institutions and processes that guide and coordinate a concerted effort is obligatory. This puts the existing institutions as well as individual policymakers in a crucial role to promote dialogue, cooperation and coordination of different actors in order to promote SDGs effectively. There are five key principles to guide this governance effort (Matrix 3.6), which should be considered by the EAC, the national governments and all stakeholders. These include horizontal policy integration, vertical policy integration, participation, reflexivity and the integration of long and short term time scales.

**Matrix 3.6: Five Normative Governance Principles for Sustainable Development**

Characteristics of Integration	Governance Principle	What Needs to be Coordinated and or Integrated	Challenge for Governance for Sustainable Development
<b>Policy Sectors and or Areas</b>	Horizontal Coordination or Integration	Multiple Sectors: economic, social and environmental policies	Policy coherence and systemic thinking
<b>Policy Levels and or Spatial Scales</b>	Vertical Coordination or integration	Multiple Levels: Local, subnational, national and supranational	Coordination, links and cooperation of governments
<b>Actors, Stakeholders</b>	Participation	Multiple Actors: decision makers and stakeholders from business, politics and civil society	Stakeholders participation in discussion and decision making processes
<b>Knowledge</b>	Reflexivity	Knowledge and experience from various areas in society, learning process	Continuous reflection and evaluation of decisions and policy instruments
<b>Time</b>	Intra- and inter-generational equity	Long-and short-term thinking	Long-term thinking despite short election cycles

Source: Adaptation from Steurer (2009) and Niestroy (2014)

The EAC has described this as ‘harmonization and standardization’ principles guiding design and implementation of macroeconomic and sectoral strategies backed by appropriate investment in infrastructure, human domestic mobilization, factor market reforms, incentives to support private sector employment, and efforts to improve productivity, tackle unemployment and drive towards sustainable development. The challenge of sustaining productivity and economic growth over the long term is one that only a few countries have been able to surmount. Slowing momentum in countries like Malaysia and Thailand has led analysts and policy makers to consider what it would take to lift them out of middle-income status, where other countries have arguably become stuck, and where, paradoxically, the East Africa countries want to be by 2032. This could be avoided through a re-examination of the countries macro-economic and social conditions. Matrix 3.7 below summarises the Partner States social and economic indicators, which also reveal the challenges to social and economic development.

<sup>25</sup> Bulkeley H, Jordan A, Perkins R, Selin H, 2013, ‘Governing Sustainability: Rio+20 and the road beyond’. Environment and Planning C: Government and Policy, 31(6) 958 – 970.

Matrix 3.7: Social and Economic Indicators 2014

Indicator	Burundi	Kenya	Rwanda	Tanzania	Uganda
Population (million)	10.5	45.6	12.1	50.8	38.9
Access to safe water %	75.0	92.0	92.0	85.0	75.0
Immunization/vaccination %	96.0	76.0	98.0	91.0	78.0
Gross Enrolment Ratio Primary %	138.0	107.0	120.0	110.0	119.0
Gross Enrolment Ratio Secondary %	28.5	48.9	31.8	59.9	24.8
Youth Literacy Rate	89.0	82.0	77.0	75.0	87.0
Adult Literacy Rate	14.4	22.0	29.5	29.4	21.6
Primary Completion Rate	62.0	84.0	58.0	81.0	53.0
<b>Pupil Teacher Ratios</b>					
Primary	47.1	46.9	59.3	45.6	47.8
Secondary	29.7	29.7	22.5	26.4	18.5
Life Expectancy (age)	46	58	54	52	52
Dependency Ratio	0.94	0.71	0.72	0.78	0.98
Gross Domestic Product (GDP) at Current Market Prices	2,832	72,542	7,149	49,017	26,152
GDP Growth Rate	4.5	4.8	6.5	7.3	6.6
GDP per capita	737	2,109	1,379	1,654	1,334
HDI in Value <sup>26</sup>	0.389	0.535	0.506	0.488	0.484
HDI Ranking	180	147	151	159	164
Gross National Income (GNI) per Capita USD	749	2,158	1,403	1,702	1,333
Agricultural Production Index <sup>a</sup>	129.4	122.7	170.2	153.8	111.8
Food Production Index <sup>a</sup>	144.7	123.0	172.0	155.0	111.3
Industrial, Mining & Manufacturing Production Index <sup>b</sup>	113.6	NA	NA	NA	110.8
Inflation (Average Annual Growth Rates) (%)	4.4	6.9	1.8	6.1	4.3
Diaspora Personal Remittance Received (million USD)	46	1,214	182	67	733
Foreign Direct Investment Net Inflows USD millions	1.0	259	160	1,707	1,721
Foreign Direct Investment Inflows per Capita USD	0.7	12.3	9.4	38.0	30.5
Official Development Assistance per Capita USD	53.8	77.4	91.8	69.6	45.0
<b>External Debt</b>					
Debt Outstanding (% of GDP)	23.8	16.7	24.4	28.0	30.5
Debt Service (% of Exports)	3.4	10.7	5.5	4.8	15.3
Mob Cell per 100	23	71.8	56.8	55.7	44.1
Internet % Population	1	32	8	4	15
High Technology Exports % Manufactured Exports USD millions	2.7	5.7	2.5	10.2	20.7
<sup>a</sup> Base 2004-2008 = 100					
<sup>b</sup> Base 2010 = 100					

Source: Various: (1) The UNDP Human Development Report 2014 Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience, (2) World Development Indicators 2014, (3) Africa Statistical Yearbook 2015, and (4) East African Community Facts and Figures 2015

Over the last fifteen years the EAC region has experienced declining cereals production compared to Asia and South America which have experienced increased production over the same period. Similar trends exist for other crops where food production overall increases, but per capita food production falls or stays stagnant. On the other hand, retail average market prices for food commodities has been increasing. For instance the average retail price

<sup>26</sup> The United Nations Development Program (UNDP) uses the human development index (HDI) as a composite indicator combining life expectancy, educational attainment and income, to measure the social and economic development of countries worldwide. Countries are classified in four categories, based on their performance in human development; very high, high, medium and low. All the EAC Partner States fall under Low Human Development.

per kilogram of maize flour was USD 0.49 in 2015 compared to USD 0.21 in 2000, a 122.7% increase. Similar increases are registered for finger millet, sorghum, rice and beans. The Community faces increased net food imports as a result of growing populations, fast economic growth than in the past and growing urbanization coupled with insufficient improvement in agricultural productivity. The EAC Partner States will require increased efforts to increase food security.

Matrix 3.8: Trends in Cereals Production

Food Crops	Partner State	2004			2015		
		Land Area Coverage ('000 hectares)	Production '000 Tonnes	Retail Market Prices USD per Kg	Land Area Coverage ('000 hectares)	Production '000 Tonnes	Retail Market Prices USD per Kg
Maize	Burundi			0.20			0.43
	Kenya			0.18			0.60
	Rwanda			0.29			0.65
	Tanzania			0.18			0.33
	Uganda			0.23			0.42
	<b>EAC Average</b>				<b>0.22</b>		
Finger Millet and Sorghum	Burundi						0.54
	Kenya						0.69
	Rwanda						0.74
	Tanzania						0.37
	Uganda						0.56
	<b>EAC Average</b>						
Rice	Burundi			0.58			1.23
	Kenya			0.49			1.12
	Rwanda			0.61			0.98
	Tanzania			0.54			0.87
	Uganda			0.65			1.05
	<b>EAC Average</b>				<b>0.61</b>		
Beans	Burundi			0.36			0.64
	Kenya			0.50			0.90
	Rwanda			0.29			0.52
	Tanzania			0.45			0.81
	Uganda			0.44			0.79
	<b>EAC Average</b>				<b>0.41</b>		

Source: (i) Various - National Bureau of Statistics Burundi, Kenya, Rwanda, Tanzania and Uganda. (ii) East African Community Facts and Figures- 2014, (iii) Africa Statistical Year Book 2015

Efforts for embedding SDGs will primarily be concentrated on the national level. Considering the low level of interconnectedness in East Africa, the EAC should play a crucial role not only in terms of coordination, but also engage in an incentivizing role, and take the lead in inculcating SD policies and goals among EAC Partner States. Although policy coherence at EAC and national level is of uttermost importance, at the same time, sufficient flexibility is necessary to react to regional and local developmental needs.

To fully assess and improve the effectiveness of the implementation process of SDGs we do not only have to look at goal attainment, but at the process itself. This is when governance for SD is most needed as it should be part of the SDGs targets itself, with the main intention to assure coherence and effectiveness for all SDGs. However, the assessment of the success of any approach to governance for SD will not be an easy task. A central component of governance for SD is the continuous reflection and re-evaluation of specific policies as well as questioning and re-

defining of long-term normative objectives. This calls for a system of monitoring and reviewing progress and the identification of policy-relevant knowledge from different institutional actors and stakeholders. This would require two things to be operational:

- a) a paradigm shift from traditional policy processes which are based on short term targets towards a transition management approach<sup>27</sup> characterized by continuous re-evaluation and adaptation of policies both in terms of short-term objectives and long-term goals<sup>28</sup> ; and
- b) Employment of big data in implementation and monitoring of the 2030 Agenda<sup>29</sup>.

The SGDs could act as an articulation of these long-term goals. However, vertical and horizontal integration of such transition management process will be challenging. Furthermore, the challenge remains in formulating SDG targets in such a way that they display a level of specificity that facilitates effective implementation and remain flexible enough to account for evolving national and sub-national peculiarities.

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<sup>27</sup> For an over view on sustainable transitions see: Pisano, Lepuschitz & Berger (2014) 'Transformative environmental and sustainability policy: new thematic issues, actor constellations and governance modes', 11th ESDN Workshop Discussion Paper

<sup>28</sup> Kemp, R. & Loorbach, D. 2003. 'Governance for sustainability through transitions management'. Paper for Open meeting of the Human Dimensions of Global Environmental Change Research Community. October 26-19 Montreal Canada. Also Kemp, R.; Parto, S. & Gibson, R. 2005. 'Governance for sustainable development: moving from theory to practice'. International Journal of Sustainable Development. 8 (1/2).

<sup>29</sup> The practice of advanced analytics is grounded in years of mathematical research and scientific application, which define big data. It can be a critical tool for realizing improvements in outcomes, particularly in any manufacturing environment in which process complexity; process variability; and capacity restraints are present. Indeed, industries that successfully build their capabilities in conducting quantitative assessments can set themselves far apart from competitors.

## IV. The Role of Co-operatives in the 2030 Agenda

### 4.1 The Cooperative Concept

Cooperatives, which are defined as autonomous associations of people united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly-owned and democratically-controlled enterprises,<sup>30</sup> continue to be highly relevant and important in the realization of the 2030 Agenda on Sustainable Development Goals. As value-based and principle driven organizations, cooperative enterprises are by nature a sustainable and participatory form of industry. They place emphasis on job security and improved working conditions, pay competitive wages, promote additional income through profit-sharing and distribution of dividends, and foster democratic knowledge and practices and social inclusion, and of all business enterprises cooperatives have shown resilience in the face of economic crises, making them well-placed to support the achievement of the 2030 Agenda.

The vision and business of the 2030 Agenda are to end extreme poverty in all its forms in the context of sustainable development and to have in place the building blocks of sustained prosperity for all. There is a widely held consensus among many actors, including the United Nations (UN), the International Labour Organization (ILO), and the International Cooperative Alliance (ICA), that the cooperative industry is the type of organization that best meets all dimensions of reducing poverty and exclusion. This is because the way cooperatives help to reduce poverty is important - they identify economic opportunities for their members; empower the disadvantaged to defend their interests; provide security to the poor by allowing them to convert individual risks into collective risks; and mediate member access to assets that they utilize to earn a living.

The EAC Partner States' use of cooperatives has been conventional, and there is urgent need for a paradigm shift focusing on establishment and institutionalization of a cooperative infrastructure that reflects global, regional and national concerns and priorities integral to socio-economic development of the people. The cooperative movement in the region should take advantage of the untapped potential this infrastructure can provide in creating significant value. The onus of doing this is on the cooperators to act decisively and quickly, streamlining and repurposing their physical delivery and distribution and redirecting the freed-up capital to build out their infrastructure channel capabilities.

To capture this potential value and take advantage of further opportunities, cooperatives must see the effective use of the EAC regional integration as an organizational transformation in its own right, requiring a shift in mind-sets and behaviors within the Partner States and cooperative institutions themselves. It is worth noting that highly aligned cooperative institutions are known to have achieved, in addition to quality outcome-based services to members, an average of 46% annual revenue growth, while less well-aligned, even with high membership, have reported an average 32% decline in revenue.<sup>31</sup> A key aspect of the development convention, which has been reflected in the formulation and implementation of the MDGs, is the distinction between means and ends with regard to economic development. Mainstream economic thinking has tended to regard policies such as tight macroeconomic policies, trade liberalization, privatization and financial deregulation as ends in their own right, rather than as possible means towards the ultimate objectives of expanding employment or reducing poverty.<sup>32</sup>

<sup>30</sup> ILO (2002), "Recommendation 193 Concerning the Promotion of Cooperatives", Geneva: ILO. Available at: <http://www.ilo.org/images/empent/static/coop/english.pdf>

<sup>31</sup> MD Kerre, A Momentum for Sustainable Development: Cooperatives in the 21<sup>st</sup> Century, Dakar Senegal 1998.

<sup>32</sup> United Nations, A Regional Perspective on the Post-2015 United Nations Development Agenda, E/ESCWA/OES/2013/2

## 4.2 Relevance of the Co-operatives to Sustainable Development Goals

In this context we ask: What are the cooperatives in the EAC doing now that is of relevance to Agenda 2030? The answer is – a lot (Matrix 4.1 below).

**Matrix 4.1: Co-operatives Relevance to SDGs**

Global SDG	Current Cooperatives Involvement
<b>SDG1: End Poverty in all its forms</b>	
<b>SDG2: End Hunger, achieve food security and improved nutrition, and promote sustainable agriculture</b>	Cooperatives contribute to food security by helping small farmers, fisher folk, livestock keepers, forest holders and other producers to solve numerous challenges that confront them in their endeavours to produce food.
<b>SDG3: Ensure healthy lives and promote well-being for all at all ages</b>	Cooperatives ensure healthy lives by creating the infrastructure for delivering healthcare services; financing healthcare and providing home-based healthcare services to people living with HIV/AIDS, among others.
<b>SDG4: Ensure inclusive and equitable quality education and promote life-long learning opportunities for all</b>	They support access to quality education and life-long learning opportunities by providing the means for financing education; supporting schools; establishing their own schools to provide quality education to both the youth and adults; and by serving as centres for lifelong learning.
<b>SDG5: Achieve gender equality and empower all women and girls</b>	Cooperatives are contributing towards gender equality, not just by increasing female membership, but by expanding opportunities for women in local economies and societies in many parts of the world.
<b>SDG6: Ensure availability and sustainable management of water and sanitation for all</b>	They are increasingly becoming major actors in facilitating access to clean water and sanitation services to make up for the failures of both the public and private sectors.
<b>SDG7: Ensure access to affordable, reliable, sustainable, and modern energy for all</b>	Energy cooperatives are contributing to the achievement of the sustainable energy goals of energy access, energy efficiency, and reduced emissions.
<b>SDG8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b>	Cooperatives play a significant role in employment creation and income generation, with more than 100 million jobs worldwide. Recent evidence has found that cooperatives are more resilient and perform better during financial and economic crises.
<b>SDG9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</b>	Cooperatives are also contributing to the creation of a global enabling environment to chaperone sustainable development by bridging the trading divide between the developed and developing world; stabilizing financial systems during crises; and providing the base for financial deepening around the world. Recommendations

SDG10: <b>Reduce inequality within and among countries</b>	
SDG11: <b>Make cities and human settlements inclusive, safe, resilient and sustainable</b>	<b>Cooperatives are increasingly contributing to human settlements in rural and urban areas through estates development and provision of access to housing finance.</b>
SDG12: <b>Ensure sustainable consumption and production patterns</b>	
SDG13: <b>Take urgent action to combat climate change and its impacts</b>	Whereas environmental cooperatives are spearheading the sustainable management of natural resources for posterity, the cooperative governance model can easily provide the framework for equitable participatory processes that guarantee transparency and accountability in cooperation with communities, governments, businesses and other stakeholders to realize sustainable development.
SDG14: <b>Conserve and sustainably use the oceans, seas and marine resources for sustainable development</b>	
SDG15: <b>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</b>	
SDG16: <b>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</b>	In the aftermath of violent conflict in many places around the world, cooperatives have often emerged as sources of ‘positive social capital’, fostering a strong sense of community, participation, empowerment and inclusion among its members and restoring interpersonal relationships and peace. Women’s cooperatives have been especially active as brokers of peace and development.
SDG17: <b>Strengthen the means of implementation and revitalize the global partnership for sustainable development</b>	

#### 4.3 Cooperatives and the SDG Theme Transforming Our World

The EAC cooperative movement as a people-centered and people-driven industry should envision a poverty and hunger free Community through effective management of three types of capital: economic, social and natural which may be non-substitutable and whose consumption might be irreversible. In fact natural capital, social capital and economic capital are often complementarities. A further obstacle to substitutability lies also in the multi-functionality of many natural resources. Forests, for example, not only provide the raw material for paper (which can be substituted quite easily), but they also maintain biodiversity, regulate water flow, and absorb carbon-dioxide.

The United Nations 2005 World Summit Outcome Document refers to the “interdependent and mutually reinforcing pillars” of sustainable development as economic development, social development, and environment protection. Based on this triple bottom-line, a number of sustainability standards and certification systems have been established in recent years, in particular in the food industry. Most of them are already being implemented by agricultural production and marketing cooperatives, and craftsmen cooperatives and related groups in the EAC.

Some of these standards include Organic, Rainforest Alliance, Fair Trade, UTZ Certified, Bird Friendly, and The Common Code for the Coffee Community.

Thirty years ago, cooperatives did not need to focus on resource productivity. If they gave any attention to the topic, it was to undertake small, incremental measures with the hope of generating marginal improvements. That period is over. Today, there is no debate: resource productivity must be among the top priorities—if not the top priority—of cooperatives around the world.

Recent shifts in both supply and demand are squeezing cooperatives from both sides. On the supply side, raw materials are increasingly scarce, making them more difficult and more expensive to procure. At the same time, demographic changes—primarily in emerging markets—are increasing the demand for finished goods. These trends have been building over the past several years, and they will continue to gain momentum. As a result, cooperatives will shift from just being commodity-based organisations to organisations that add value through manufacturing and other processing. Compounding this problem is the fact that the easy gains have already been captured. Most organizations have already taken the obvious steps—for example, upgrading their lighting and automating their heating, ventilation, and air-conditioning controls. Yet they are now bumping up against the limits of what they can accomplish using a traditional approach. Why? The fundamental premise of that approach—in which resource productivity is subordinate to other operational priorities—is no longer valid.

For example, many managers still assume that these measures will only serve as a hindrance to plant operations (for those already in manufacturing)—that they will be an opposing force that makes their daily work more difficult. Others assume that they simply don't need these measures. Yet there are always opportunities to transform a process or facility, improving efficiency and yield and also generating clear financial benefits, often with little or no capital expenditure.

The cooperatives development sector has the potential to become a significant driver of sustainable development in East Africa. This would, however, require policies to be aligned to build complementarities between cooperatives sector and other sectors of the economy. Promoting the integrated treatment of production, trade, investment and finance, education and technology for inclusive and sustainable development could be a key theme towards 2030. Fostering the contribution to growth, manufacturing, trade and development initiatives in the EAC is one of the key means through which the cooperative movement can begin to realize this objective and support the realization of the SDGs and deepen the EAC integration process.

**Box 1: The EAC Cooperatives Transformative Shifts**

1. End Extreme poverty and hunger
2. Inclusive growth
3. Build prosperity
4. Sustainability
5. People-Centered and Planet Sensitive Development
6. Localization and Community Centered Economic Reforms
7. Promote peace and security, and transparency and accountability

**Box 2: Principles**

- Equity
- Sustainability
- Respect for Human Rights
- Shared Responsibilities
- Common Action
- Healthy Communication

**Box 3: Cooperative Intervention Model Characteristics**

- Integrated
- Balancing issues
- Interconnecting
- Measuring success
- Institutional Backing
- Circular

#### 4.4 Practical Model

The 2030 Agenda introduces a new society. A society that creates new values. A society that produces products today, which will become the resources of the future. A society based on renewable sources of energy. A society that connects responsibilities for people, planet and economy. A society that is profitable and sustainable.

This means to realize the 2030 Agenda through cooperatives shall be about thinking, producing, funding, selling, consuming, rewarding, sharing, and better approach to resource productivity. Sometimes it’s hard to grasp the progress society is making towards achieving sustainable development because it is a decades long journey. The 2030 Agenda has envisioned the future and what cooperatives have to do is taking small steps towards sustainable development. Working daily on this transition gives cooperatives a lot to think about. Here are six principles to make things happen

**Box 4: Cooperatives SDG Principles**

- All materials are cycled infinitely in either technical or biological cycles
- All energy is derived from renewable or otherwise sustainable sources
- Human activities support ecosystems and the rebuilding of natural capital
- Human activities support a healthy and cohesive society and culture
- Human activities support human health and happiness
- Resources are used to generate value (financial and other forms)

Cooperatives will need to embed new ways of thinking—core beliefs—in their members, management teams, workforces, and organizational cultures. We use the word “belief” deliberately, because it underscores the way that change comes from thinking about productivity in a whole new way. Specifically, the approach for enhancing resource productivity centers on five core philosophies: think lean, think limits, think profit per hour/unit, think holistic, think circular and think sustainability – windows of opportunity.

Matrix 4.2: Five Transformative Philosophies

Think Lean	Think Limits
<p>Lean is an extremely useful way of thinking about resource productivity because it uses well-known principles—like standardization and continuous improvement—that a broad base of managers and leaders already know and likely use. Similarly, it relies on best practices such as performance meetings and integrated key performance indicators, which are likely to be in place already and translate easily to resource-productivity initiatives. Perhaps most important, lean is extremely comprehensive and bottom up. The best ideas often come from line walks with workers who feel empowered to make suggestions and drive improvements, fostering a more inclusive process and leading to better results.</p>	<p>In the traditional approach to resource productivity, companies typically start with their existing process as a baseline, and then seek to make incremental improvements from there. Think limits flips this concept on its head. Instead of using the current process as a baseline, it calculates the theoretical limit of that process—meaning the output from an ideal version, with no mechanical or chemical losses and perfect energy utilization—and establishes that as the baseline. Such a goal is clearly unattainable in the real world, but this approach leads to a more comprehensive means of identifying and reducing losses. It creates an ambitious, “stretch” target that</p>

<ul style="list-style-type: none"> <li>• analyze the value stream of your production, service, manufacturing process</li> <li>• ruthlessly cut away anything that does not clearly add value</li> <li>• Eliminate anything and everything that leads to wasted resources, in both energy and materials.</li> </ul>	<p>companies then seek to achieve. Often, the calculation alone identifies categories of loss and waste that the facility managers were not previously aware of.</p>
<p style="text-align: center;"><b>Think Profit Per Hour</b></p> <p>Thinking in profit per hour—helps align objectives for the organization. This is critical, because different productivity initiatives often have different goals, which can conflict with one another. Production managers, for example, strive for improvements in output, while energy managers focus on reducing energy consumption. Which one takes precedence? More often than not, the managers themselves don't know. Reconciling these issues requires a powerful new metric: profit per hour. At the highest level, profit per hour</p> <ul style="list-style-type: none"> <li>• Calculates an operation's gross profit for any given period of time by subtracting overall costs, including energy and resources, from revenue.</li> <li>• Is a real-time, operational metric that will help cooperative organizations break down silos, giving the managers clear visibility into the relationships among different productivity measures.</li> <li>• More important, it generates a quantitative—and thus definitive—answer to the question of which measures should be organizational priorities.</li> </ul>	<p style="text-align: center;"><b>Think Holistic</b></p> <p>Despite the best intentions, many cooperatives fall short of their resource-productivity goals. Why? Success requires a thorough change-management effort. Managers will be required to set meaningful and achievable goals, and persuade often reluctant groups to embrace and pursue them. They must secure the buy-in of their employees as well as equip them with the skills and deploy the new management systems needed to improve the way the organization functions. Successful transformations are based on three core elements that drive one another like interlocking gears.</p> <ul style="list-style-type: none"> <li>• First are technical systems: the assets and equipment a cooperative owns and the processes people perform with those assets to create value.</li> <li>• Second is management infrastructure: the formal structures, processes, and systems that cooperatives use to manage people and the technical systems.</li> <li>• Third are mind-sets and behaviors, or the attitudes that drive behavior individually and collectively.</li> </ul> <p>Successful businesses apply a comprehensive approach that encompasses all three, making them better able to implement and sustain changes to improve resource productivity.</p>
<p style="text-align: center;"><b>Think Circular and Think Sustainability</b></p> <p>At a basic level, the global economy relies on taking raw materials out of the ground and making them into finished products, which ultimately get thrown away. It's a very linear logic— "take, make, dispose"—yet it's not sustainable in the long run.</p> <p>Thinking Circular drives organizations beyond the linear approach. That is, they should treat supply chains as circles, where they can create new value by looping products, components, and materials back into the production process after they have fulfilled their utility over the product life cycle. This is a complex endeavor—it requires designing products in a new way, adopting business models that go beyond a mere one-time sale, and revamping supplier relationships.</p>	

The introduction and application of this model brings a new vision on the treatment of resources, energy and primarily for new ways of value creation and entrepreneurship in the cooperative movement. It will help to define opportunities with an open eye for the pitfalls that may appear along the road. A common pitfall facing cooperatives at the initial stages of engaging regenerative economic business models is the thought that one has to respond to every aspect of the project at the same time. This model is based on continuity in the use of materials and business models that support a new system of value creation. It focuses on the combination of products and services incorporated into a business model that facilitates an enterprise's ambition to gain value and manage resources in the short and long term thereby adding value to living ecological and societal systems – the core to sustainable development.

## V. Conclusion and Recommendations

The 2030 Agenda brings with it many challenges than opportunities. Challenges that should be re-engineered to create sustainable development opportunities. The way out for cooperatives in the EAC is through a ten step approach designed to allow real progress to take place. These include

**Step 1: Cooperatives will need to Establish Leadership.** Vision and leadership on the Sustainable Development Goals are essential starting points in making the transition from MDGs to SDGs. Leadership comes from the judgement – based on sound business logic – that closer collaboration between cooperatives and other organisations involved in one chain creates a larger opportunity for all than if they act in isolation. Cooperation needs to focus on managing resource flows and maximizing the value from all products and byproducts. Increasing cooperation along supply chains provides an excellent basis for focusing on building a circular economy.

Creating a business culture that welcomes and supports cooperation is crucial to the 2030 Agenda, and is another leadership action. The 2030 Agenda depends on cooperatives generating value by building relationships with others, and this requires an open mindset towards cooperation and the exchange of ideas and information. Moreover, it calls for creativity in developing new combinations that cross traditional cooperative and industry boundaries to create value and minimize waste.

**Step 2: Generate Community Support.** People want to understand change and their support will help to establish all required SDG implementation models. The EAC citizens have an interest in the SDGs and the cooperative movement and have a right to know about and what is happening around them. All cooperatives benefit from constructive engagement with local communities, and in building pathways to the 2030 Agenda this will be especially the case. The circular economy represents a new direction, with the likelihood that new facilities will be needed. On the one hand, this may mean new job opportunities, but on the other, it may mean new economic activity ‘in my backyard’. Community support will help new development to proceed smoothly.

**Step 3: Build knowledge.** New knowledge is needed at all levels in both existing as well as new disciplines. Successfully creating new combinations of products and improving input-output relationships between organisations depends on a strong knowledge base at all levels:

- At the operational level, knowledge is required to steer inter-organisational processes and guide the development of constructive relationships between organisations and their stakeholders.
- At the tactical level, it is required to develop and optimize new products and services in sustainable development.
- At the strategic level, it is required to expand the system and enrich the circle with new combinations of resources, technologies and companies.
- Knowledge is also required at policy levels, where enabling policy and regulations are set.

At each level, internal research and development as well as external research and education institutions can play a role. A part of the knowledge base is the development of expertise to measure the impact of SDGs. This is relevant from the viewpoint of society but more to inform the development and investment decisions of individual parties and partnerships within the SDG implementation process. Quantifying the advantages of SDG compared to conventional development, and production and manufacturing processes, and finding opportunities to transfer these advantages (e.g. waste reduction, more stability in the value chain and joint innovation) into real prosperity, will be an important test as we move along the pathways to 2030 Agenda.

**Step 4: Foster innovation.** Innovation is needed to break current development and business models and build new ones, and to commercialize enabling technologies. Innovation is needed to ensure progress along each of the pathways to sustainable development, and also with many other pathways. The 2030 Agenda requires innovative thinking as all stakeholders will need to break current practices and habits.

An important aspect of fostering innovation is to accelerate the rate at which new technologies are commercialised. New technologies are needed to enable cooperative processes to be re-engineered, used products to be refurbished and remanufactured, and to allow wastes to be reused. The process of commercialising new technologies often struggles in the phase where the technology moves from the research and development and demonstration phase towards mainstream commercial deployment – many refer to this as the technology ‘valley of death’ because many innovations become trapped in this phase on their way to commercialisation and some never progress beyond this point. If the innovation required to build the circular economy is going to be commercialised in the near term, business support for innovation should be focused on bridging this valley of death.

**Step 5: Provide Infrastructure.** High-grade infrastructure (both hard and soft) is required to facilitate material flows and to exchange data. New relationships between cooperatives and other stakeholders, and new levels of cooperation within those relationships will depend on exchanges of physical resources and materials as well as data flows. This requires state-of-the-art infrastructure and logistics expertise. For example, pipelines to transport petroleum to productive destinations or dedicated warehousing capacity to manage fluctuations in the supply chain. The latter is a last resort in SDG implementation systems as smooth flows with a minimum of interruption is an important aspect the 2030 Agenda.

Infrastructure can be an expensive asset and a poor investment if not utilized fully. One aspect of the SDG process is optimizing infrastructure deployment by maximizing use options by multiple companies, which should help ensure investments in infrastructure are prudent.

**Step 6: Set Rules and Standards.** Rules governing liabilities, transactions, materials and services quality are needed. A common language is needed throughout the SDG implementation. Resource flows, supply chain partnerships, cooperation and leverage, goals, targets and indicators are examples of terms that would benefit from a more standardized definition to help build an understanding between potential partners. Many industries have an informal common language, but only when it is formalized can the language play a role in stimulating interaction, protecting interests and guiding the development of the cluster.

**Step 7: Provide Finance on Supply Chain Basis.** Financing an integrated supply network can remove administrative inefficiencies, provide transparency in inventory, reduce use of working capital, and deploy securities more efficiently. Full supply chain integration requires a circular model and cooperation of all parties within a supply chain, including banks. In the transition to SD system, traditional financial boundaries between organisations need to be smoothed. Banks and micro-finance institutions need to become an integral part of the supply chain and provide a platform which facilitates financing throughout the chain. SDG financing creates a new view on development and corporate finance, where banks will have to tailor their instruments and products towards specific supply chain requirements. Transparency and accuracy of information is key as it enables a bank to identify key actors and understand developments within each chain.

**Step 8: Finance Use, NOT Ownership.** Shifting the basis of finance – from ownership to use- can provide important incentives for development and growth. A central element of sustainable development is for byproducts to be used elsewhere in the process – or in another process – and for end products to be returned to a manufacturer

or third party, one way or another. The traditional model is for a consumer to own the product through the use phase of its life. This creates a number of potential barriers to returning a used product to a manufacturer, particularly as many consumers believe the product or development has unrealized or residual value and should not be given back or abused.

**Step 9: Create a More Sustainable Approach to Risk Management.** System integration can reduce overall risk by enhancing transparency, stability and trust. First, integration and circularity can have a direct impact on the better deployment of raw materials, which are becoming increasingly scarce and a major source of risk itself. Second, cooperation along the chain can result in better visibility and stability of flows, thus reducing volume and price shocks. Finally, cooperation helps

to structure payment patterns and thus lowers financial risk, and lower risk results in lower transaction costs.

**Step 10: Enact Supporting Policy.** Policy and regulation can provide support for the heavy lifting that cooperatives will do to establish appropriate mechanisms to realize sustainable development. Governments can and should play an important role in supporting actions taken by business i.e. supporting the vision for 2030 Agenda, supporting the enabling actions, and providing its own leadership on the transition to sustainable development.

Specific policy support is needed by cooperatives in:

- **Fostering innovation:** Accelerating the commercialisation of new technologies is part of making these pathways a reality. Policy support for commercialisation will help.
- **Building knowledge:** In the private sector, the incentive for knowledge development are new commercial opportunities. This should be complemented by knowledge development with a broader 'national interest' purpose, which is best undertaken by public institutions.
- **Generating community support:** Governments are important forces in shaping community attitudes. Explicit support from governments for the pathways to a SDGs will help cooperatives and other private sector investors create a dynamic where the community feels engaged and is therefore more likely to contribute to the process.
- **Addressing barriers to progress:** Inevitably, there will be barriers that stand in the way of progress towards SDGs, and a commitment from governments to address these barriers would be helpful to business sector investors.

Clarity on what support business needs, and a consistent message to governments stating such needs, will go a long way to helping governments support business actions towards realizing SDGs and transforming our world.

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