Examining Success Factors for Sustainable Rural Development through the Integrated Co-operative Model
Comparative Policy Analysis for Rwanda, Uganda and Tanzania

By
Suleman Chambo

MOSHI CO-OPERATIVE UNIVERSITY, TANZANIA

March 2016

1.0 INTRODUCTION

The main research objective on co-operative policy analysis is stated as follows: Identify key elements of an enabling environment that allow the model to achieve rural development results (In terms of poverty reduction and increased economic activity). Building on this, identify necessary conditions for implementing the model with beneficial results.

First, we shall briefly underscore the historical background to co-operation and co-operative development in the East African Region. We will look at the emergence of co-operative policy in the continent, because, there is a concrete history of co-operative policy formulation, which came as a result of continued interaction and dialogue, between governments and the co-operative movement, triggered by ICA- Africa in early 1980's. The decision to formulate co-operative policy before cooperative legislation has provided an important opportunity of looking at co-operative development in Africa in a wider perspective than the narrow exposition of co-operative legislation alone. We shall tie up the introductory part, with general theoretical tools of co-operative policy analysis in the context of rural development.

After the theoretical framework, we shall look at how key elements of co-operative policy in Rwanda, Uganda and Tanzania, have created an enabling environment that allow the integrated cooperative model to achieve rural development results in terms of poverty alleviation and increased economic activity.

The third level of the policy analysis, we shall synthesize field data in identifying necessary conditions for implementing the integrated co-operative model, to see if it has beneficial results to the members and the community at large. It must be recognized that while the co-operative enterprise is working in the agricultural sector in the three countries, each of them has its co-operative history, structure, policy and legislation which call for specific treatment in the analysis to distinguish whether the integrated cooperative model can be implemented by the members.

1.1 Brief Historical Background to the Co-operative Enterprise in East Africa

The co-operative enterprise as we know it today was established in Africa, during the colonial administration. While the initial establishment was guided by the need to search for better prices for smallholder farmers in the marketing of agricultural export commodities, it introduced a historical bias of not addressing other important commodities for small holder farmers. The establishment of export commodity biased co-operatives had profound effects of negating the need to promote other types of co-operatives such as financial services, housing, fisheries and industrial co-operatives. Except for the current upsurge of financial co-operatives, the other types of co-operatives are minimally developed in almost all African countries.

The historical commodity bias of agricultural co-operatives, established under the colonial rule, had the following features: First, they were extractive based as the collection of raw material for European industry in response to the economic depression of the 1920's. Second, the establishment of cooperatives was more legalistic, putting structures for co-operative operations before practice. Third, the agricultural co-operatives were not backed by co-operative based financial services and fourth, the cooperative enterprise was seen as a centre for receiving international and government assistance rather than institutions of self-reliance. The original members were mostly subsistence farmers who produced their own food as well as producing export crops. It is the externally demanded commodities such as cotton, cashew nuts and tobacco, which took them to the exchange economy and competitive as subsistent farmers.

Given the four features above, the co-operative enterprise, had the following outcomes to the first, they ended up becoming centers of value migration (Slywotzky,1995) collecting raw further industrial processing in Europe where super profits were made. The value of a is usually enhanced at the point of processing and not at the point of production and collection, Second, the co-operators in Africa, had no choice of what crops to grow, but follow the ties demanded by European industry. Third,, the emphasis on legal registration, denied members the opportunity of making democratic discussion and decision making on what structures and the type of economic activities they wanted and considered viable for sustainable co-operative development. The members at the local level were subjected to a stream of costs of maintaining

mid and top level structures of the vertically unified model working in the countries (Wanyama et al, 2008). The fourth outcome, was the absence of co-operatively owned financial services institutions in support of co-operative business, exposed co-operative marketing, to capitalist credit exploitation through market price exploitation. Without in house co-operative financial services, it was difficult to control operational costs of agricultural marketing co-operative business. Fifth, the condition for building self-reliance was divorced by the establishment of co-operative unions, which though owned by primary societies in theory, later practical experience, indicated that such unions became independent of the primary owners and lost important features of good governance. Such a condition, has led to continued dependency and poverty of the members of the mainstay agricultural co-operative movement in Africa.

But with all such problems of going through exploitative tendencies, co-operatives have had positive impact on the African continent: First, co-operatives provided market linkages for agricultural commodities at relatively better prices in the domestic economies as they removed middlemen traders. They were also a home of democratic practice. The Annual General Meetings of the members provided room for democratic discussions and consensus decision making. Co-operatives continue to provide room for negotiated solutions against current problems as well as creating room for positive change.

In this research, the integrated co-operative model is considered more effective in providing solutions to the exploitative framework of a dependent co-operative movement as outlined above. This policy analysis part, will address the issues which provide for an enabling environment supported by a legal framework and governance, which project self-reliance, income generation, diversification and financial services control by the co-operative movement itself at the local level

1.2 Emergence of Co-operative Policy Debate in Africa

Co-operative policy and legislation are considered to be instruments guiding the form and content, governing progressive relationships between the government and the co-operative movement in a given country. But depending on the attitude of government, such relationships may have far reaching negative or positive outcomes on the types, activities and impact on co-operative development, poverty alleviation and rural development in general.

Since the late 190s the African co-operative movement, working under the ICA Ministerial conferences, made an important decision of advising governments to work out co-operative policies in order to guide co-operative legislation. This departure was innovative because since the

colonial days and almost twenty years after independence, the co-operative enterprise in Africa was led through cooperative laws only. As democratic demands started challenging co-operative law practice, it was seen that legislation alone would lead to both formal and informal control of the co-operative movement by the state.

Duffer and Hamm (1997) have outlined four different positions about how governments can relate to the co-operative movement. The positions, move from extreme control by the state to a more education and democratic engagement of the state with the co-operative movement in any of the African countries.

The state-operative relational positions include; the **conflictive model,** the **complementary**, the **administrative** and the **educational** models. The conflictive model gives a position that the state will always assume comprehensive control of the co-operative movement. Termed as the "officialized" model, it is conflictive because the mechanics of control assume that members of co-operative societies are small farmers who are weak in terms of resources and cannot manage to stand on their own. The members have all round to be assisted by the state. In this way, the government can provide agricultural input supply, management personnel, control the election process of co-operative leaders and giving directives as to where and how co-operatives should access finance and crop destination markets. This model existed in most African countries before liberalization.

The second relational model is the complementary, where the state takes a position of building alliances with the co-operative movement. The state recognizes the importance of the co-operative enterprise in the economy. But, as long as co-operatives are economic entities, they need to stand on their own and compete in the market place. The position goes by stating how the state can assist the co-operative movement only when it is necessary and for a very short period of intervention. If the intervention works with beneficial results to the members, it is good for both parties. But if it does not work, then let the co-operative movement learn from its own mistakes, reflect and change.

The third position is the administrative model of relationships. In this particular model, the state recognizes the co —operative movement as a real partner in development. The relationships here are similar to what Kaplan (1999), while looking at a framework for developing capacities of organizations, outlined a cycle of capacity development of three stages from dependence, independence and interdependence of the structuring of state —organizational relationships. First, the government provides assistance to the co-operative movement through selected types of interventions. Second, the movement has to be given responsibilities of starting to stand on

their own feet as independent organizations. The third stage of the cycle is where the government and the co-operative movement see themselves as strong partners in development. This position of interdependence is the finality of the strategic administrative model, where both the state and the co-operative movement need each other and strongly reinforce each other. The fourth relational model is the educational. In this model, the state provides education, training and information to the co-operative movement. The education and training provided can be structured or unstructured, so that co-operative members assume control of their enterprise. The state may build universities, colleges and education centers for the provision of education and training to members, boards and staff of the co-operative movement including scholarships. The education and training provided, however, should be geared to empowerment of the members, creating entrepreneurship and collective decision making, so that members of co-operatives assume responsibilities of controlling their organizations.

It is important to note that, such models have provided guidelines for co-operative policy formulation in African countries, before and after economic liberalization policies. The application of such models however, has not taken strict dividing lines, but rather the implementation of such perspectives has overlapped from one system to another.

1.3 Typologies and Structures of Co-operative Movements

The use of co-operative laws without policies to guide them, ended with the creation of national cooperative structures which were costly and without the control of the members. Carlsson (1992) has given an outline of how different co-operative laws have been instrumental in defining what type and structure of co-operative movements should operate in different countries. The theoretical perspective of the structural development of co-operative movements, assume that the starting point for any cooperative movement is the ordinary membership. It is the members who form co-operatives and they want their co-operatives to solve their economic and social needs through them. But legislation may be driven by democratic principles or may not observe such principles. Given the perception of government on democracy, the state may expressly indicate that co-operatives are real partners in development but view the movement from a paternalistic perspective where the legal framework determines the structure. Such perspectives have in many cases, ended up in generating the vertically integrated models or top- bottom structures.

Anglophone countries have had the experience of the vertically integrated model, known as the unified model (Wanyama et al, 2008) where out of the co-operative act, a tier systems structure is imposed on the primary societies. The structure starts from members who form primary societies. The law has historically been expressing the need for primary societies to form unions, and co-operative unions to form apex bodies, and later the federation at the national levels.

Anglophone countries adopted the unified model of the structure of the co-operative movement. When the structure is drawn from legislation designating that the movement need to be a four tier structure, all co-operatives would be looking to build their four tier structures of primary, secondary unions, apex bodies and federation. As pointed out earlier, the policy decisions of building the structure of the cooperative movement, may be democratic or top bottom. When it is top-bottom, the movement is called distributive. When it is driven by the members, the outcome movement is termed as **collective**. A distributive co-operative movement is created by and operates according to the convenience of the government. For example, during the period of scarce commodities in Tanzania, in early 1980's, the government of Tanzania declared that all villages should form consumer co-operatives in order to handle scarce consumer goods. But when the shortages ended, consumer co-operatives were not seen in the market.

On the other hand, the law may just point out the possibilities of structures which will depend on the wishes of the members, guided by the principles of democratic control and economic viability. In this way, unions, apex bodies and federations, are only formed when there is need expressed

democratically by the members. In this type of a collective movement, the primary co-operative societies know each other and can collaborate. The primary societies have a deep understanding of why they need vertical and horizontal collaborations and such collaboration gives information in shaping policy and legislation.

In this research, we are testing the aspects which allow the implementation of the integrated cooperative model by a discussion on existing national structures to see whether they are distributive or collective, and to suggest areas of improvement.

1.4 ILO Recommendations 193 and Evaluation of Co-operative Policy

According to Pollet, (2009), a number of African countries, are currently building confidence on the role of co-operatives in economic development and poverty alleviation. It is also generally accepted now that government support to the co-operative movement is critically vital as evidenced by processes of updating policies and laws targeting the improvement of state co-operative relations for the development of autonomy, democracy and governance in the continent.

In evaluating the impact of co-operative policy and legislation, Theron (2010), has tried to bring about special qualitative tools for policy analysis, using a standard instrument of the ILO Recommendation 193 of which all ICA and ILO member countries are signatories. ILO Recommendation 193 recognizes the need for government support to the co-operative movement in each member country. But after such recognition, the ILO Recommendation puts the following criteria as assessment tools for successful cooperative policy, legislation and governance: The need for autonomy and independence, equivalent to the autonomy given to other forms of enterprises in the private sector. Among the other issues, most critical for this research are three and are as follows: The need for state support in the development of technical and vocational training skills, entrepreneurial and managerial abilities for the members, boards and staff. Second, is the promotion of education and training in co-operative principles and practices both in national and training in the wider society? Third is the state to provide training and other forms of assistance to improve the level of productivity and competitiveness of goods they produce.

As we shall see in the findings, the integrated co-operative model is based on searching for business opportunities by the members. Therefore, the ILO Recommendation193 on training, vocational skills, education, entrepreneurship and education, are critical for the success of the model in the context of agricultural co-operatives.

1.5 Self-Assessment of Co-operative Engagement into Policy Dialogue

While the ILO Recommendation 193 tries to assess the effectiveness of co-operative policy including the allowance of the operation of the integrated co-operative model, we also need an assessment instrument for evaluating the constructive engagement in policy dialogue from the perspectives of the co-operative movement itself. The assessment is guided by the following criteria:

- To what extent are co-operatives, as autonomous organizations, capable of utilizing opportunities offered by co-operative policy and legislation
- To what extent are co-operatives aware of limitations put by co-operative policy on expanded democratic business development
- The extent to which co-operatives are using the policy and legislation to innovate new ways of expanding business locally, regionally and globally
- To what extent is policy formulation and implementation participative and transparent

1.6 Description of the Integrated Co-operative Model

THE INTEGRATED CO-OPERATIVE MODEL

In this research, the integrated co-operative model ICM is a co-operative system guided by the sixth principle of co-operation and exploits its associated co-operative advantages. The following, are the basic features of the model:

- It is formed at the primary society level where individual members are the drivers of integration.
- The members of the primary co-operative society, seek opportunities by forming another cooperative society to meet expanded or new needs
- The complementary co-operatives are formed by the same members and are operating in close proximity geographically to enhance access
- The two integrating co-operatives are also institutional members of each other
- A community of five hundred people and three hundred are members of both agricultural marketing co-operative and a SACCOs will have six hundred members while the actual population is five hundred people.
- Each co-operative, will have its own of directors and staff
- The two co-operatives, will have joint business plans so that each one of them enjoys the unique characteristics of the other

- The six hundred members of the first two integrated co-operatives may decide to form a third co-operative society to respond to new needs such as transport of agricultural produce. When the same six hundred members form the third co-operative society, the population of co-operative members, will be 900, while the basic population remains 500.
- Each co-operative has its registration certificate

The co-operative advantages of the integrated co-operative model are many, but five are critical; First, the members are gradually being transformed into entrepreneurs, because there will be activity and commodity volume increases giving room for opportunity searching for markets and better buyers offering the best prices. Second, there is more interaction of same members consolidating their voice of collectivity. Third, integration creates the opportunity for joint business planning, budgeting and marketing. Fourth, is the widening of income generating possibilities, such as going into agro-processing value addition, reducing income poverty and finally contributing to rural development due to increased capacity for the provision of social services for the community. Enhanced social services include education and health services.

2.0 COUNTRY POLICY ANALYSIS AND GOVERNANCE

As pointed out earlier, our analysis of policy and governance will now move to individual countries. First, we provide special features of policy and legislation environment, supporting the integrated cooperative model. Our analysis, will be based on how the integrated co-operative model is accommodated by the character of existing government- co-operative relations, the typology of current structure of the movement, implementation of the ILO Recommendation 193 and finally, for each country, we shall demonstrate how the co-operative movement in each country, is making use of policy and legislation opportunities. We will finally make our general conclusion as to the current state of cooperative policy and the accommodation of the integrated co-operative model in the three African countries.

The age of policy and legislation in the research countries is given in the following table. From the table, both Uganda and Rwanda are more current in terms of policies and legislations. Tanzania is current in its legislation, but the policy need revision as it is already more than ten years old.

COUNTRY	POLICY DATE	LEGISLATION DATE
RWANDA	2007	N050 of 2007
TANZANIA	2002	NO 6 of 2013
UGANDA	2011	NO 8 of 1991

Source: Theron, J. (2010), Co-operative Policy and Law in East and Southern Africa: A review, ILO COOP AFRICA, Dar es Salaam, Tanzania

RWANDA

Background to the Evolution of Co-operatives in Rwanda

Rwanda, a former Belgian colony, has passed through three phases of co-operative development. The first phase, started in 1949, in which, it has been argued that co-operatives, were for the sustaining the colonial administration and did not fit to be called member owned organizations. According to Mukarugwiza (2010), the co-operative movement in Rwanda has passed three main phases serving different purposes; the colonial rulers promoted co-operatives to support colonial interests. This included the establishment of agricultural marketing societies for the export economy. The independent government took co-operatives as business entities, but for producing and sustaining the subsistence economy of the members. While the original colonialist structures agricultural co-operatives continued, the subsistent emphasis of the new government, ran parallel to it. The economic implications of this parallel situation, established two reinforcing organizational systems. First, the members remained subsistent and poor with co-operatives around. Second, they produced to serve the export economy where value migration continued unabated.

The Rwanda genocide of 1984 destroyed the existing co-operative enterprise system. But the current phase after the genocide, the state is looking at the co-operative movement differently and current policy formulation on co-operatives has a great input of consultations and participation of the cooperative members. A meeting on co-operatives, held at the United Nations in 2003, recommended among other things, the fact that co-operatives should not be used as instruments Of the State, they should not be promoted as instruments of government policy implementation or technical aid programs and forums for political indoctrination. It was also emphasized that policies on co-operatives should move the co-operative enterprise away from dependency on the state.

Rwanda, a country of 12 million people, has 60% of its population in the rural areas depending on agriculture for food and marketable surplus. That is why the agricultural co-operative movement is leading as table I below demonstrates.

Table I: Distribution of co-operatives by type in Rwanda

Type of Co-operative	Percentage
Agricultural Co-operatives	**68.7**
Financial Co-operatives	**12.8**
Handicrafts	**5**
Commercial	**4.4**
Services	**4.2**
Fishing	**0.6**
Construction	**0.4**
Savin s and Credit	**0.4**

Source: Mukarugwiza (2010) The Hope for Rural Transformation: A Rejuvenating Co-operative Movement in Rwanda, ILO COOP AFRICA, Dar es Salaam.

The coverage is wide but skewed to agricultural and financial co-operatives. For a developing country like Rwanda, this structure of the co-operative enterprise is not accidental. It is a historical necessity that as long as co-operatives are organizational mechanisms for small scale producers, they will always be in agriculture although in some of the member countries in the East African region, agricultural co- operatives are declining. The reasons for this distinction, originate from policy and perceptions of the state on the co-operative enterprise.

Current Structure and Status of the Co-operative Movement and the Integrated Model

Current statistics indicate that the population of co-operative members in Rwanda is 2.5 million members or about 1.8% Of the population of the country. In agriculture, co-operative activity in Rwanda covers all major food crops such as maize, rice, bananas, cassava, potatoes and wheat. Others include tea, coffee, and honey. Other co-operative activities outside agriculture include the savings and credit, fisheries, minerals, and public transit with motor bike and buses.

Co-operatives fall under the Ministry of Commerce and Industry when it comes to policy and legislation delivery. However, at the operational levels, the Ministry of Industry and Commerce collaborates with the ministries of Agriculture and Local Government. This ministerial co-ordination is important because it touches on geographical location of co-operatives, support systems and the disposition of monitoring mechanisms for business performance and governance. In as far as agricultural co-operatives are concerned, one of the major constraints of Rwanda is scarcity of

agricultural land. That is why one of the main pillars of co-operative policy is the promotion of land use intensification. The structure of the cooperative movement though activity driven, is built on a four tier structure with primaries, district unions, national federations and the confederation. Co-operative business is transmitted through primary societies, unions and federations. By regulations, the confederation deals with lobbying, advocacy and training. It does not carry out business. It has been reported that in future, the confederation, will deal with entrepreneurship capacity building and will assume the ownership of the Institute of Co-operative Education, Entrepreneurship and Microfinance.

How Co-operative policy and Legislation Promotes the Integrated Co-operative Model

Policy Intervention and the Integrated Co-operative Model

The Rwanda Co-operative Promotion Policy has no reference or mention of the integrated co-operative Model. It is also important to recognize that this is the first co-operative policy that came into action in the year 2007 after the troubled years caused by the 1994 genocide. The policy therefore, could be termed as the co-operative reconstruction policy. But the phase of such reconstruction, can give room for the government to put into effect some basic innovations for co-operative development in Rwanda. There are therefore, some key areas of policy, where the integrated co-operative model has potential space for implementation:

i) **The Strategic Administrative Model**

   The main agenda for co-operative development in Rwanda are two items; First is the transformation of individual subsistent farmers to become surplus producers and secondly, the transformation of traditional co-operatives to become entrepreneurial co-operatives. Both these transformations have to take place simultaneously and require heavy investment by the government in terms of education, training, entrepreneurship and continuous capacity building and governance of members of cooperative societies.

Looking at governance, in order to accomplish this particular agenda, co-operatives need a strong state "hich can generate the commitment to the pillars of good governance. Characteristics of a strong state Rwanda can be evidenced by the following statement from President Kagame of the Republic of Rwanda.

"***We have moved away from bad politics defined by divisionism and empty promises. Our politics are about actions and centered on giving everyone dignity seeing value in each other and working together to achieve our common goal. Services are your rights not a favour from leaders. You should not accept corruption in exchange of services you are owed. We all have our part to play in denouncing and fighting corruption. Good governance must be at every level and part of who we are."***

President Kagame addressing residents of Nyagatare District in Gatunda Sector on the 13th November, 2014

Looking at the comprehensiveness of the Co-operative promotion policy, the Rwanda government could be characterized as following the administrative model in a strategic way. The features of the model include inclusiveness of trying to sensitize the general population to join co-operatives. Second, the relationship between the government and the co-operative movement is that of partnership where in the first years, the government plays the role of promotion of the co-operative enterprise. The second part of the development cycle is education and training. The third phase of the development cycle is capacity building of the co-operative movement in order to make it independent and play its role in the development of the economy. Experience of the RCA indicates that the capacity building phase is the most complex one. It is more complex because members have to attain ICT skills and their economic activities must indicate the attainment of ownership of their co-operative organizations. The integrated co-operative model has ample space in this form of relationship because it is based on the creation of autonomy, independence and entrepreneurship at the local level. The fact that the government is inclusive and flexible in allowing innovations means that ideas on co-operative integration can be discussed and tested with few geographically located primary societies. The model can be tested with for example a SACCOS located at the sector level and surrounding rice co-operatives in the area. Such integration may not affect the existing vertically integrated system because the rice co-operatives will enhance their value chain and link with processors, but they would have cleared some of their financial requirements at the basic integrative model. There are two reasons enforcing this type of integration; First, our interviews with co-operative leaders, we were informed that the concept of entrepreneurship has encouraged some of the members of one type of crop marketing co-operatives buying shares from other types of crop marketing co-operatives. This share participation of members is the starting point of co-operative integration. Secondly, there are commodity platforms for negotiation with processors and related commodity co-operatives for commodity contracts and prices. The platforms are an area for integration with financial co-operative mechanisms so that apart from co-operatives negotiation with processors and government representatives, the platform could become another centre for cooperative integration between the particular commodity and financial co-operatives be it

SACCOS or cooperative banks. This however, has to be discussed at the institutional level than at the members' local levels.

The Rwandan co-operative policy also is characterized by the educational model. There is basic commitment to provide education for the members, staff and boards of co-operative organizations. The establishment of the Rwanda Institute of Co-operative Education, Entrepreneurship and Microfinance, is a commitment by the government to see the accomplishment of co-operative education, training, entrepreneurship and microfinance development.

ii) Transformation of the Peasant Economy to Surplus Producers

The Rwanda Co-operative Policy is geared to put into effect the transformation of the rural economy from peasants to surplus producers. ln section 3.3.2 (v), the policy is committed to promote among members and co-operatives, entrepreneurial and innovative spirit. That is why there is emphasis on section 3.3.2 (viii) on the strengthening co-operative education and training and human resource development for the professionalization of management of co-operatives. This commitment of the government is demanded and is an opportunity for the integrated co-operative model. The model is based on the innovative character of the members. On top of this, the policy requires that members are encouraged to take effective ownership of their co-operatives. The integrated co-operative model creates the membership commitment and entrepreneurial ability searching for business opportunities. The integrated co-operative model is considered here as a process of transforming peasant farmers into entrepreneurs through surplus production. A common practice in integrated co-operative business is the instrument of joint business planning. Business planning will take peasant farmers from subsistence to surplus production and they will discover the need for markets.

iii) **Co-operative Autonomy and Independence- The Engine of Co-operative Integration**

The integrated co-operative model is a demonstration of the power of the members of primary societies to make economic decisions on integrating their co-operative enterprises for increased economic benefits and reduce income poverty. Current co-operative policy in Rwanda, has demonstrated two strategic interventions that allow for an appropriate discussion of the possible introduction of the integrated co-operative model. First, is the disengagement of the government from the co-operative movement by the re assigning of some government responsibilities to be carried out by the co-operative movement and other players. While the RCA will remain with regulation, selected external auditors will carry out co-operative audit services. The co-operative movement will carry out promotional work of developing new co-operatives. In section 4.9 of the policy the government is committed to allow cooperative restructuring their

institutional framework and operations to meet their needs and those of policy. In such a framework, the integrated model can be one of the restructuring issues for building a vibrant co-operative movement in Rwanda.

The second form of building autonomy is the gradual disengagement of State assistance to the cooperative movement. While at the beginning, the government subsidies for fertilizers and seeds to farmers and agricultural co-operatives, step by step, the subsidies are being reduced and later on removed. Interviews with senior government officials, confirmed that the subsidies were offered to make small farmers learn about modern agricultural techniques. After they have completed the learning, they can now go into competition on their own.

The third form of building autonomy is decentralization in the current local government reform program going back to the district and sector levels with the deployment of co-operative officers. Through the decentralization of the government reforms, the policy is targeting institutional capacity building for service delivery at the local level. There will be special co-operative training officers to improve quality of co-operatives at the local level. At the same time, the decentralization of local government will include the unit for good governance to be made available to local organizations including co-operatives. In such a framework of decentralization, the integrated co-operative model has a viable structure for sustainable operation.

iv) **Institutional Mechanisms in Support of the Integrated Co-operative Model**

Rwanda Co-operative policy offers interactive possibilities with private enterprise players in the country. First, the policy stipulates how co-operatives are allowed to own 40% of shares with private processors. Such share participation, provide an opportunity for farmers to learn many modern business practices such as contracting, marketing and agro-processing. But more important, is the complementary relationships developed between co-operative organizations with Investor-owned firms than competition. Some of the advantages of this kind of interaction include input support to farmers on the designated crop price setting and agreements and market linkages. Such arrangements are critical for the Integrated co-operative model. When farmers go for the integrated co-operative model, there will be need for expanded markets, agro-processing environment and input requirements in large quantities. The Interaction with investor-owned firms, creates a better competitive environment than if co-operative processors had their own processing mills. The situation however, does not exclude cooperatives developing their own processing facilities.

The second interactive opportunity for the integrated co-operative model is the existence of the Rwanda Private Sector Federation. Co-operatives are taken as part of the private sector in Rwanda. As such, co-operatives have created close working relations with the foundation. Through such interaction, co-operatives are learning three major interventions of the foundation; capacity building on a continuous basis, post harvesting technology acquisition and management and techniques as well as entrepreneurship. This process of interaction has two outcomes for the integrated co-operative model. First, members' farm enterprises benefit directly from post harvest methods and techniques. Second, they access entrepreneurial skills which are needed for the integrated co-operative model as the initial point for building the entrepreneurial co-operative societies.

The Structure of the Co-operative Movement and ICM

The Rwanda Co-operative movement is vertically integrated, based on specialized activities such as commodity marketing co-operatives where each commodity, such as maize, cassava, rice and wheat, have their own vertical structures starting from the primaries, unions, apexes, federations and finally the confederation. The same structure is built for all other types of non-agricultural co-operatives such as transport, minerals and other natural resources extraction such as honey co-operative.

The vertical integrated model atomizes the primaries and makes the Rwanda structure appear distributive. According the Co-operative policy, such a vertical structure of the movement has important advantages for the members: First they consolidate their voice as co-operators at the national levels. They have three voice positions at the national levels, the apex, the federation and the confederation. Second is the easiness to analyze opportunities of the value chain and thirdly is enhancing the viability of commodity quantities for value adding agro processing investments.

While discussing the possibilities of introducing the integrated co-operative model in the context of the vertically built co-operative system, co-operative leaders had the following concerns: First, the vertically integrated model is still under test and members are yet to see the co-operative effect of the model. Second, although the integrated model promises advantages to the members, they feel the model needs intensive human resource capacity building which does not exist at the moment. Thirdly, it also needs member training in managerial and entrepreneurial training for the model to succeed.

But they also pointed out the potential for the integrated model including the consolidation of collective action on co-operative activities by the members harnessing the advantages of joint business planning with the utilization of scarce human resource capacity such as qualified

accountants and managers, the advantage of complementary services such as financial services supporting the marketing of agricultural crops and utilizing the advantages of social and geographical proximity. With all such potential advantages of the integrated co-operative model, the leaders and government officials feel that if it is implemented at the moment, it will be an overload as it demands higher management capacity though it is possible at the union levels.

The members' leaders and government officials feel the integrated model has a future in Rwanda, but they would like to test and learn from the current vertically integrated model first. There are however, two strategic Steps to be taken on the structural aspects of the integrated co-operative model: First the Rwanda Co-operative policy provides an opportunity for members to review the current structure and make new recommendations for a new structure. Such reviews could also carry discussion on the Implementation Of the integrated co-operative model. Secondly, and during interviews with Rwanda Co. operative Agency officials and the co-operative leaders, it was observed that they will jointly carry out their own design assessment as to how the integrated model can be put into practice, in the context of Rwanda.

Co-operative institutions currently being discussed as part of the structure of the co-operative movement are the co-operative bank and insurance. While Rwanda has more than 400 SACCOS, they are not yet linked with higher level financial power houses, the co-operative bank and co-operative Insurance. Interviews with government leaders confirmed the commitment of the Rwanda government to support the formation of the Rwanda Co-operative Bank by providing initial capital. The bank will be expected to generate special products designed for co-operative business operations. The Co-operative bank Will also be followed by the Co-operative Insurance organization to serve the members. Such financial facilities will dispose great supportive services to the integrated co-operative model if established in Rwanda.

Implementation of ILO Recommendation 193

Observation Of the critical elements of the ILO Recommendation 193 which include the need for cooperative autonomy and independence. It is a declared policy Of the Rwanda government to hand over some of government responsibilities to the co-operative movement. The Rwanda Co-operative Agency, is already handing over its promotional responsibilities to the co-operative movement. Interview with the Rwanda Private Foundation, informed us that governance is now being taken over by the cooperative movement. The newly formed Rwanda Institute of Co-operative Education and Microfinance, is given the responsibilities of education and training, and the promotion of education and training in cooperative principles and practices for the members and the broader society. The Rwanda Private Sector Foundation will sustain the technical and

vocational training skills and entrepreneurial managerial capacity for members, boards and staff. The foundation will also be a link to the government in providing assistance to the members through training in post harvest technology management in order to improve agricultural productivity and competitiveness of the goods produced by agricultural marketing co-operatives. This institutional environment for co-operatives fits very well with the demands of the integrated co-operative model. While Rwanda government fulfills the ILO Recommendation 193, it is also at the same time addressing the needs of the integrated co-operative model in Rwanda.

The Conditions of members allowing for the Success of the Integrated Model

Co-operative leaders and government officials in Rwanda accept that the general membership of the cooperative movement in Rwanda need great effort for sensitization about co-operatives co-operative values and principles., they need intensive education and training and entrepreneurship capacity building. All those programs are in the process of implementation. However, the National Confederation of Co-operatives of Rwanda has continuous dialogue with the government on policy formulation and law. They fully participate in the formulation processes of the instruments. For example, when the current co-operative law was being formulated, the co-operative movement represented by the confederation, managed to influence to change 26articIes of the draft bill in favor of the co-operative movement.

Challenges of Introducing the Integrated Co-operative Model in Rwanda

The policy and legislation as well as the coverage of governance institutional framework, allows the introduction of the integrated co-operative model in Rwanda. However, the following challenges appear to militate against it: First is members need more time to implement and operate the vertically integrated structure. Introducing it at the moment appears to be an overload on the cognitive capacity of the members. Second, the integrated model is based on experience on entrepreneurship. The Ministry of Commerce and Industry feels the members' skills have not yet reached the scale where they can handle the model on their own. Third, the integrated model is geographically localized. The structure of the Rwanda co-operative movement identifies the cell with the agricultural marketing cooperative while the SACCOS is designated at the sector level and the union carrying out the marketing, is at the district level. With such a disjointed organizational location structure, it may be difficult to see the model operating at the moment. However, opportunities for integration exist with SACCOS linking with several agricultural marketing co-operatives located at the cell level. It is important to take note that in the current process of disengaging government from the co-operative movement, the SACCOS no longer receive any financial assistance from the government.

UGANDA

Brief Background to the Evolution of the Co-operative Movement in Uganda

Co-operatives in Uganda, started in 1913 as organizations to fight against price exploitation in commodity markets by European and Asian traders, who aimed to monopolize domestic and export marketing of cotton and coffee. Through a reformed Co-operative ordinance Of 1952, co-operatives grew to 273.

After independence in 1962, the co-operative movement has gone through three major phases of its evolution to the current structure: First, it experienced positive expansion, assisted by the establishment of the Co-operative colleges at Bukalasa in 1963 and shifted to Kigumba in Masindi District in 1964 respectively. Due to progressive success, co-operatives controlled 61 % of cotton, 40%of Robusta coffee, and 90% of Arabica coffee. Such success stimulated support from the government including subsidized services.

Second was the phase of continued decline from 1966 to 1991, the co-operative movement experienced gross internal mismanagement and out of recommendations from an enquiry, government enacted a new 1970 Co-operative act where it saw the need for more control of the movement. Between 1971 and 1985, Uganda's co-operative movement was destroyed by the military rule in Uganda. A new government by Obote took the co-operative movement as an instrument of rural development and started giving more assistance to the co-operative movement. But through the years to 1985 the new government was under pressure of another guerilla war by the National Resistance Movement, which came into power in 1986. The new NRM government by Museveni came with structural adjustment programs, resulting to liberalization and privatization. The new policy abolished government Marketing boards which insulated the co-operative movement, The co-operative unions were exposed to market competition. With weak capitalization, low management capacity, lack of committed leadership and low level of entrepreneurship, the co-operative movement went into further decline until 199%.

The third phase is the period guided by the enactment of 1991 Co-operative Act, giving a high degree of autonomy, removing most support, such as audit services, education and training funds and credit for business were all reduced. With such autonomy and market competition, the Uganda Co-operative Alliance went into a transformation process, addressing most of the market weaknesses including dependency on the state, poor leadership, low member participation and lack of financial resources in own hands.

Current Structure and Status of the Co-operative Movement in Uganda

The Uganda co-operative Alliance, is currently leading the transformation process of the co-operative movement in Uganda. The structure of the co-operative movement is a three tier flexible system. For the agricultural co-operatives, there are primary institutions composed of Rural Producer co-operatives and SACCOS as primary societies. Those are linked with Area Co-operative Enterprises at the district level. The ACES are affiliated to the UCA. The other structures such as housing, industrial and transport have primaries, unions and the unions have their national apex bodies which are affiliated to the UCA.

It is therefore important to take note that the current transformation process and structuring, are guided by the Uganda Co-operative Alliance and the governments makes its own responses based on what is happening in and initiated by the co-operative movement itself than the government.

In addressing the challenges of liberalization, the Uganda Co-operative Alliance, had to start with its own transformation, before addressing the transformation of the rest of the agricultural co-operative system. The Uganda Co-operative Alliance is originally a confederation of all co-operatives in Uganda. The position of a confederation, gave the UCA, a hierarchical position where it was driven by democratic delegates representing the grassroots co-operatives through unions and federations. During its transformation in the early 1990's, the Uganda Co-operative Alliance took a new position of a training catalyst umbrella organization working as a hub of flexible co-operative networks. But as a national organization for co-operatives, the UCA has three main objectives of resource mobilization, lobbying and advocacy and training and capacity building.

The UCA networks a co-operative movement composed of 10,746co-operative societies with a membership of 3.9 million (Uganda Co-operative Policy,2011). There are 10,621 primary societies, 121 secondary societies including 80 Area co-operative enterprises. There are 4 tertiary societies and the I-JCA as the national organization. The broad categories of co-operatives include Agricultural marketing 55%, Savings and Credit 23% multipurpose co-operatives 6% and service, such as consumer, housing, transport, health and rural electrification co-operatives. In this study however, we are concerned with the transformation of agricultural co-operatives through the integrated co-operative model, linked with the transformation process of the Uganda Co-operative Alliance.

The new approach to co-operative development has focused efforts at the grassroots level to address the weaknesses identified. The UCA has focused on organizing and strengthening grassroots farmer organizations to maximize membership and build the commitment of members. Grassroots community based organizations, parish farmers associations and other smaller farmer groups were all organized under Rural Producer Organizations (RPOs). These are primary cooperative organizations located at the village or parish IeveI. RPOs were strengthened o act as cooperatives where produce supplied by members is bulked and marketed collectively.

At the sub-county level, the Area Cooperative Enterprises (ACES) were created to act as smaller cooperative unions for the RPOs. A number of RPOs (5-20) in a sub-county merge to form an ACE. ACEs market produce for their members and bargains for better prices, collect and disseminate market information, add value to members 'produce through processing or simply by sorting and grading. They also link producers and input dealers, support agricuIturaI extension services. For example, by inviting extension agents or input dealers to come and talk to the and many others. Hence, Area Co-operative Enterprises have become a tool for business development for members, while at the same time ensuring that the commission earned is enough to cover costs.

In the new approach to cooperative activities there is a link age between RPOs, ACEs and SACCOs, which has been termed a "triangular model" or "integrated co-operative model". The RPOs, who are the producers, supply produce to the ACE, which looks for markets for the produce. The SACCOs provide financial assistance to the farmers, who are registered members of the SACCO, and to the ACE. Members can access loans from the SACCO using the produce that they supply to the ACE as security. Payments after sales of produce are made to the individual SACCO accounts of farmers. An ACE may market produce to individual traders or export traders. The RPOs and ACEs may register as members of the union and trade directly with it. The previous old structure of cooperatives had been vertical and hierarchical with farmers at the lowest level sending their produce to the primary societies and the primary societies then sending it to the unions. The unions sent the produce to the marketing boards, which had the responsibility to find export markets for it.

These reformed co-operativesaremeanttobemanagedasprofitablebusinessunitscompeting with other private traders in agricultural output markets. In the reformed system co-operative marketinghasbeengreatlyexpandedandenrichedtoincludenon-traditionalcropsandother products such as honey and fish, to ensure an all-year business pattern, reduce the risks of crop failure and low prices during the peak production season.

The Conditions which Led to the Introduction of the Integrated Model in Uganda

There are four conditions which made the Uganda Co-operative Alliance discover the integrated cooperative model. First is its existence as a registered confederation of co-operatives since 1961. As a cooperative at the national level, the UCA has suffered all the negative aspects of a declining co-operative movement. The decline was either caused by government, but also in the years of the military rule when co-operatives were destroyed. The second condition is a continued exercise of the open conflictive model of government relations with the co-operative movement. As pointed out earlier, after independence, the government embraced the co-operative movement as an instrument of rural development, receiving open assistance such as subsidies and cheap credit. The third condition was the attitude and position of the NRM government on the co-operative movement. While the 1991 Cooperative Act gave substantial degree of autonomy, liberalization and privatization policies imposed strict competitive conditions which could not be absorbed by the co-operative movement previously embraced by government. Co-operatives had to learn through the hard way. At this point, the government assumed a temporary offloading stance. "If the co-operatives cannot compete, let them go". Responding to the decline and stiff competition, the Uganda Co-operative Alliance provided the fourth condition for the integrated co-operative model in Uganda. The Uganda Co-operative Alliance initiated the transformation process by first rejecting its hierarchical position to become an umbrella organization serving the co-operative movement through service delivery on education and training, capacity building and lobbying and advocacy. Second, the transformation process rolled back the cooperative enterprise at the local level in terms of members taking up responsibility for doing and controlling business outcomes.

The emerging outcome of co-operative business in agricultural co-operatives is the situation whereby the government has come up with a new co-operative policy of a complementary nature that recognizes the existence of the integrated co-operative mode in Uganda. While the legislation remains that of 1991, the new policy underscores the critical importance of the integrated model as we show in references to different sections of the policy.

HOW Co-operative Policy and Legislation Promote the Integrated Co-operative Model

i) Policy Intervention and the Integrated Co-operative Model

The National Co-operative Policy (2011) provides for promotion of good governance, compliance to laws, regulations and standards through dissemination of a co-operative code of best practice; registration of new co-operatives, monitoring and evaluating activities of co-operative societies and deregistration of non-compliant co-operatives. This policy is

meant to set guidelines to facilitate the conduct and transformation of the Cooperative Movement into a more effective vehicle for poverty eradication and wealth creation.

The general objective of the National Co-operative Policy is to develop and strengthen the Co-operative Movement in order to play a leading role in poverty eradication, employment creation and socioeconomic transformation of the country. Some of its specific objectives include to:

- Strengthen the Co-operative Movement to efficiently and effectively respond to member needs;
- Promote and enhance good governance in the Co-operative Movement;
- Develop the capacity of Co-operatives to compete in the domestic, regional and international markets;
- Provide a framework for improving capitalization and diversification of financing tools appropriate for the Co-operative Movement;
- Facilitate improved supply chain efficiencies and marketing infrastructure; and
- Diversify the type and range of enterprises that cooperatives undertake.

In order to successfully implement the National Co-operative Policy, a Public-Private Partnership Approach shall be adopted. The Ministry of Trade, Industry and Co-operatives shall provide policy guidance, set standards and lead the implementation of the policy in collaboration with the Office of the Prime Minister and other relevant Government Ministries.

Some of the policy statements that favour the Integrated Co-operative Model include the following:

S/N	Policy Section	Actual statement
1.	3(g): Integrated Co-operative business	TheNationalCooperativePolicyseekstostrengthenthelinkagebetweenfinance, productionandmarketingasoutIinedintheEssentiaITriangleofCooperative Production
2.	4.1(ii)	The Government shall mobilize people to form co-operative societies that suit their common interests
3.	4.5	Government Shall: 1. Facilitate feasibility studies to establish other viable cooperative enterprises. 2. Generate and disseminate information on viable cooperatives through magazines, publications, seminars and workshops. 3. Mobilize and sensitize communities about the different types of cooperatives. 4. Promote knowledge and skill transfer through study visits to facilitate learning from cooperatives' best successes. 5. Promote new cooperatives enterprises based on existing Industrial and Agricultural Zones among other considerations. 6. Promote, undertake and facilitate research and development in the cooperative Movement.
4.	5	The Ministry Is bound to work closely with the Ministries of Finance, Planning and Economic Development, Local Government, Information and Communication Technology, the Department of Ethics and Integrity and the National Planning Authority to ensure the integration of co-operatives.
5	5.1.4(v)	One of the roles of tertiary Co-operative Societies is to provide linkages to national, regional and international markets and networks.
6.	6	In order to build a strong, vibrant and prosperous co-operative movement, the policy shall promote a saving culture, high productivity, value addition and collective marketing that contribute to increased household incomes, economic transformation and development of the country. This shall be realized through among other things, diversification of co-operative enterprises.

Also, the Co-operative Societies Statute of 1991 allows for voluntary amalgamation of societies (Article 25), transfer of assets and liabilities from one society to another (Article 26) and voluntary division of a society (Article 27)

Both the Co-operative Societies Statutes of 1991 and the National Co-operative Policy Of 2011 provide guidance on governance systems in Uganda.

ii) Institutional Mechanisms Allowing Support for the ICM

The Uganda Co-operative Alliance, is at the center of networking other interested players in cooperative development, especially when testing innovative ideas which some promote the integrated co-operative model. For example, currently, the UCA is jointly implementing the Integrated Finance and Agricultural production Initiative (IFAPI), with the Canadian Co-operative Association. The project is aimed at improving incomes and food security where agricultural producers are able to access agricultural and financial services through their primary societies and SACCOS. The I-JCA also links the co-operative movement with the Swedish Co-operative Center. However, both from the policy and legislation, there is no identified private sector players working jointly with co-operatives. From the analysis, it is clear that the co-operative movement is on a standalone mode, where organizational interaction with the public and private sector institutions is necessary. It should also be recognized that while the UCA is the umbrella organization of co-operatives in Uganda, some of them are not affiliated to it. One of the examples of non-affiliated co-operatives in Uganda is the Uganda Co-operative Union of Savings and Credit Union. The union was formed separately by the Uganda government.

iii)**The Condition of Members Allowing for the Success of the ICM**

The co-operative policy 2011 for Uganda recognizes the low education of the membership of cooperative societies. Such status of membership exposes them to exploitation, low patronage of the cooperatives and poor implementation of governance principles in co-operative organizations. The national literacy rate in 2005-6 was 60% and yet, Uganda produces 20,000 university graduates who could find jobs in the co-operative industry. They however may not find jobs in the co-operative movement because the co-operatives have low salary packages, resulting from low capitalization of the co-operative movement.

iv) Challenges of Implementing the Integrated Co-operative Model in Uganda

The integrated co-operative model is well established with the gradual expansion of Area Co-operative enterprises in Uganda. But internally, the integrated co-operative model faces the following challenges; First, there is lack of financial support to training, education, information and entrepreneurship for

cooperative members in the country. Second, in linking the co-operatives and the integrated model, the Uganda Co-operative Alliance is more accepted by foreign partners than the Ugandan private and public enterprise systems, although, of late, the Uganda National Farmers Federation has provided support to primary societies. Third, while the ACE is playing the marketing role, limiting the RPOs to production and bulking may not expose the members to practical business experience in marketing, processing, business contracting and negotiations. Four, there is no institutional framework, implementing the Private Public Participation in practice. Such an institutional framework would provide the main business link between expanded co-operative integration, share participation and widening business connections locally, regionally and globally. Other important challenges of the integrated model in Uganda include the fact that the affirmative action for the youth and women is based on the leadership box and not at general membership. Also, the promotion of entrepreneurship by the Uganda Co-operative Alliance, concentrates on marketing than a comprehensive approach to production and marketing.

The inter-linkage between the Ministry responsible for local governments and the Ministry of Trade, Industry and Co-operatives (MTIC) is sometimes unclear/vague in some aspects. At the district level, officers in the co-operative department report directly to the Ministry responsible for local governments NOT MTIC. The ministry, thus, experiences structural bottlenecks. It does only backstopping.

v) Summary and Conclusion

Both the Co-operative Societies Act (1991) and the National Co-operative Policy (2011) provide guidance on governance systems of co-operative enterprises in Uganda. These instruments necessarily have a link with rural development. There is a very strong link between rural development and co-operative development. Under Rural Development Strategy, co-operatives are looked at as a vehicle for rural development.

As pointed by several respondents during this study, through co-operatives, you have a bigger purchasing power to get better prices — hence, development. There is also a tendency of people to like to work together through small, self-help groups. When this tendency is translated into action in many spheres of life, it is likely to ultimately lead to development.

The cited legislation and policy above, in a way, provide favourable environment for the Integrated Cooperative Model to thrive in Uganda. Many respondents in this study appeared optimistic on this. They cited cases of better linkages in inputs supply, marketing, improved food security, housing, skills development and technology as some of the benefits of the Model.

TANZANIA

The Evolution of Co-operatives

The history of the co-operative movement in Tanzania can be divided into three distinct periods, first, from 1925-1975 a period covering both colonial and independent administration (Abel...) Whereby, the co-operative movement was autonomous with minimum government intervention (Abel...). During this period, we had the establishment of the first farmers association known as KNPA in 1925 which was registered as the Kilimanjaro native Co-operative Union (KNCU) in 1933. The government closely controlled co-operatives through the enactment of the Cooperative Societies Ordinance; 1932.This act had provisions for vertical growth of co-operative societies that is formation of unions and apex organization. The unions had the responsibility of collection of cash crops from the primary co-operative societies and marketing. Co-operatives were therefore considered as legal channels which the colonial state used to procure cash crops and market them to their mother countries (Urio 1993). To reflect that there was government control the British Registrar of the Friendly Societies and the Industrial and provident Societies Acts was only involved in registering societies and not controlling them (Msanga 1981, Msanga 1991). Co-operative movement grew and in 1961 the co-operative Union of Tanganyika was established a national apex and thereafter a co-operative bank was established in 1962 followed by the co-operative college and education centre in 1963. The co-operative Societies ordnance 1963 repealed the 1932 co-operative ordinance. This act waived the economic viability test that was in the previous Act. It prompted the establishment of co-operatives in areas that agricultural productivity was low and introduction of various types of co-operatives. As a result, there was a rapid growth of the cooperative movement.

The Co-operative movement gained momentum with the establishment of the Arusha declaration in 1967. In 1968, a new co-operative act was enacted, that repealed the 1963 Co-operative Act, so as to accommodate the new developments of the Arusha declaration. This act promoted amalgamation of cooperatives and integration of co-operative activities, in the form of multipurpose co-operative Societies, (Lyimo, 2012) However it increased the powers of the registrar of co-operatives to control cooperatives and co-operatives were required to be instruments of enhancing the ideology of the ruling party.

The second phase was from 1975 to 1982. During this phase the Villages and Ujamaa Villages (Registration and Administration) was passed in 1975. The purpose of this Act was reallocating the rural people to Ujamaa villages. This Act deemed villages as multipurpose cooperative societies and no cooperative society registered under the Cooperative Societies Act, 1968 was allowed to carry on any of its business in a registered village. Furthermore, The Co-operative Union of Tanganyika (CUT)

was dissolved and displaced by Washirika, The Unified Co-operative Service Commission and the Cooperative Development department also disappeared. The reallocation of famers lowered agricultural productivity.

The third phase is the period after 1982. This is the period whereby co-operatives become more autonomous. It was during this period whereby the Ujamaa Act was repealed, and the 1982 Cooperative Act was introduced. This act provided the basis of establishment of new co-operative societies. This act had a provision whereby every resident in the village who was above 18 years, was considered to be automatically a member of the co-operative society. The shortfall of the 1982 act led to the enactment of the, Cooperative act 1991, whereby the co-operative societies became autonomous with minimum government control and emphasis was on voluntary membership. The realization of the important role played by the co-operatives led to the enactment of the Co-operative Societies Act 2013. With this Act primary co-operative societies have being given the powers to operate independently, in case a co-operative society is economically weak then it can form a merger with a partner co-operative society.

During the third phase, we had the introduction of the first co-operative policy, 1997, that could allow for, setting standards set by ICA and minimum deviations for the co-operative principles and practices. This policy was a result of the macro-economic changes in the country that paved way for trade liberalization. In 2000, a commission of enquiry on Revival, Strengthening and Development of cooperatives in Tanzania of enquiry was formed. This commission identified constraints and suggested solutions that could improve co-operative development in the Country. One Of the outcomes was the 2002 cooperative policy Whose vision is "improved and sustainable cooperatives that are capable of fulfilling members' economic and social needs". The implementation of this policy necessitated the enactment of the Co-operative Act, 2003, followed by the introduction of the Co-operative Reform and Modernization program (CRMP) 2005-2015.

During the second and third phase the government formed several commissions of enquiry to deal with malpractices and deficiencies in the co-operative system. Apparently, it appears that most of the suggestions from these commissions of enquiry focused on meeting the aspirations of members improving the organizational system and management of co-operatives that are yet to be implemented.

The structure of the current co-operative system in Tanzania.

The co-operative societies system in Tanzania is governed by a dual system, whereby we have the cooperative movement and the government arm led Tanzania Commission of Co-operatives Development (TCDC)that was previously the co-operative development department staffed with co-operative officers. The governance system of the movement is guided by the Co-operative Act, 2013

and the Co-operative Policy of 2002. The type of co-operative societies is established according to the co-operative ICA principles. However, these co-operative principles may be enacted in line with the principles which a particular country deems necessary and important (Chloupkova, 1991).

Registration of any type of co-operative societies is facilitated by the regional co-operative officers. Final registration of co-operative societies is conducted by the Tanzania Commission of co-operative Development. Monitoring of the performance of primary co-operatives societies, training and education of members is done by the district co-operatives officers who are employed by the Local Government Authorities.

The movement has a three tier system, whereby we have the primary co-operative societies, Unions, apex specific activity organizations and the National Apex organization (Tanzania Federation of Cooperatives, TFC). For example, we have SCCULT which is the apex organization of savings and credit cooperative societies (SACCOS). The current co-operative act has provided powers to the primary cooperative societies to operate as independent business entities. It has been indicated in Part IV section 19.2 that it "is upon the wish of the members to see what the structure may comprise....". As a result, most of the functions that were done by Unions on behalf of primary co-operative societies such as marketing and procurement of inputs have been reduced. This has been a challenge to the Unions that have been forced to develop alternative strategies for survival. The law clearly spells out that primary co-operative societies can form joint enterprises. In addition, it has a provision for the formation of different types of co-operative societies. For example, number of SACCOS is growing rapidly compared to other types of co-operative societies. In 2006 there were a total of 3,425 with 570,743 members and increased to 5,559 in 2013 with 1,153,248 members (CDD, 2014).

The need for a sustainable and secure financial liquidity system has also created a conducive environment for the formation of co-operative banks by primary cooperative societies. We have the Kilimanjaro co-operative bank and the Kagera Co-operative banks.

The integration of co-operative policy in rural development

The current co-operative policy is expected to foster rural development in conjunction with other policies that focus on rural development, such as the Rural Development Strategy and the National Agricultural policy. Hence, it is anticipated that there is an integrated approach to rural development, which has been highlighted by the rural development strategy. This policy has indicated the role of cooperatives as producer organizations in rural development. However, most of the members of cooperative societies and the officials were either unaware, or had just heard of such documents, but had never seen them. This implies that such policies are documented to meet a certain requirement, and

not for wide dissemination, implementation and monitoring of the laid down strategies from grass root level.

Probably this has an effect on the type of co-operatives that exist in the rural areas. Most of the staff board members noted that in the rural areas, the agricultural marketing co-operative societies are still dominant and using the old system that was inherited from the colonialists. The AMCOS are still dealing with marketing of cash crops. Their functions have never changed, and the board members feel that they are the owners of the co-operative societies. However, there was a suggestion that probably the word marketing is an obstacle to the transformation Of AMCOS that have been introduced from time to time. As a result, they do not accept new ideas that will apparently transform the rural farmer and subsequently increase agricultural productivity.

How Co-operative policy and Legislation Promotes the Integrated Co-operative Model

In Tanzania, there have been macro- economic changes that have led to the transformation of the policy and legal framework overtime. These changes have had effect on the registration and organization of co-operatives. The existing co-operative legislation co-operative Act 2013 4 and policy 2002 are promoting innovations in co-operative societies, despite of the fact that the integrated co-operative approach has not been clearly spelt out. Emphasis is on vertical integration rather than horizontal integration.

The 1997 policy emphasized on the marketing co-operatives to use an integrated approach of linking production and processing, financing was not included. The preceding 2002 Co-operative policy, whose implementation was fostered by the Co-operative reform and Modernization program (CRMP), had little emphasis on integration.

The 1991 co-operative Act promoted the establishment of innovative primary co-operative societies, but there has been minimal or no transformation of the agricultural marketing co-operatives. The government has also promoted the establishment of financial co-operatives (SACCOS) at ward level. This move has led to a rapid growth of SACCOS, and a multiplier effect of co-operative membership in the areas, whereby we have members of both AMCOS and SACCOS, the so-called double membership model.

The Tanzania Co-operative Policy of 2002, though calls for a review, it carries the message and opportunity for the integrated co-operative model, without making it categorical. On pages 23,24, 32 and 34 of the policy, it is clearly pointed out that co-operative leaders will be expected to employ members of staff who have entrepreneurial talents. The thinking of entrepreneurship managers that

those staff would look at co-operative business Innovatively and out of the box of the co-operative enterprise. It is also emphasized in the policy that the government Will the formation of SACCOS within the areas of operation of primary societies. This statement is reference to the fact that agricultural co-operatives would need to integrate with financial co-operatives as a important framework for sustainable co-operative development. Finally, the policy sees development within the landscape of the establishment of the co-operative bank at the level. All these presuppose that agricultural co-operatives alone are not sufficient drivers of development of the members, until they are integrated with co-operative based financial services.

Taking into consideration that farmers need transformation, are tired of being exploited by Conversative unions, being price takers and lack of bargaining power. Some of the primary co-operative societies have joined hands and formed their own joint enterprise, out of the normal system of traditional secondary co-operatives known as unions. This joint enterprise is known as G. 32.

The current Cooperative Act, 2013 has provided opportunity for primary co-operative societies to become autonomous and independent business entities. It has provisions that allow for the formation of the integrated co-operative model. These include:

a) Part IV. Section 22 it indicates that "co-operatives operating in one area may join together."
b) Part IV sect 21.3, which indicates that "societies may affiliate e.g. financial co-operative societies may be formed by savings and credit societies and other types of co-operatives".
c) Part IV Sec 26. Where by "where it is necessary or desirable for the efficient operation of a business or economic enterprise that need to be operated by two or more societies, such societies may form a joint enterprise, subject to the approval and such limitations as the Registrar may generally impose..."

With these provisions it implies that primary co-operatives have been given the autonomy and opportunity for implementing the integrated co-operative model.

The Structure of the Co-operative movement and ICM

In Tanzania the Transformations at macro-economic level that have been taking place since independence have affected the performance of cooperatives and has had adverse effect on the structure and organization of the co-operative movement. Despite of these transformations, the centralized approach has been used in registration and control of co-operatives. The registrar of cooperatives has been given the powers of registering and dissolving co-operative societies.

The legislation, policy framework and mindset of the majority are one single item and single activity based co-operative societies. At national level has the federation and crop or activity-based apex organizations. These include SCCULT and crop Apex. Discussions with officials revealed that these

apex organizations are working separately, that is they are not using an integrated approach in seeking solutions for the co-operative movement. On the hand they claimed that the federation operated like an entirely separate entity that is not owned by member of the co-operative movement. However, this may be due to the policy and legal frameworks that have no provisions of integration and entrepreneurial innovations at the national level.

At the regional level, we have the secondary co-operative societies, that have been formed by the primary co-operative societies through vertical integration. These include the crop based Co-operative Unions that exist in most of the cash crop growing regions and Co-operative banks (Kilimanjaro Co-operative bank and Kagera Co-operative Bank). There is also the warehouse system (Warehouse Licensing Board) that links with secondary primary co-operative societies in some of the areas. The roles of these secondary Co-operative societies are to facilitate marketing of crops in exceptional cases, they can involve with input supply. There is no to horizontal integration marketing of at regional level. crops, regional in level.

At district level, the movement is characterized with primary co-operative societies. Most of these primary co-operative societies are Savings and Credit Co-operative Societies (SACCOS) and Agricultural Marketing Co-operative Societies (AMCOS). With respect to the Co-operative Act, 2013, these are independent business entities that can make their own decisions. Membership in these societies is voluntary and individuals can be members of both AMCOS and SACCOS at the same time. Membership of AMCOS is manly limited to owners of farms, while membership in SACCOS has no limits with regard to land ownership. As a result, most of the women have been able to be members of SACCIS compared to AMCOS. For example, at MRUWIA SACCOS, the chairperson is a woman.

With respect to integration, the SACCOS and AMCOS are usually located in close proximity to each other though they do not work together. The close location has been an advantage to double members, who receive their proceeds from AMCOS and deposit them in SACCOS. However, it has been a disadvantage to double members, as they have not been able to participate in all the activities of the respective cooperative societies.

The co-operative officers indicated that there is room for the integrated co-operative model to be applied at grassroots level due to several reasons. First, the government has been applying several approaches that are somehow similar to the integrated co-operative model; these include the multipurpose co-operatives and the rural savings schemes. The multipurpose co-operatives had provisions for co-operatives to introduce projects for its members, while the rural savings schemes were a financial arm Of the Agricultural Marketing co-operative Societies. These approaches failed because they were top down (introduced without member participation) and the staff lacked adequate

skills and had low entrepreneurial capacity. Secondly, the changing environment in the rural areas in relation to low agricultural productivity, youth unemployment also calls for an innovative integrated model. Lastly, the macro-economic changes at both global and national level, which favor competition and sustainable development, have created an environment that is conducive for the integrated co-operative model.

Implementation of ILO Recommendation 193

The ILO recommendation 193 as pinpointed has realized the need for independence, autonomy and government support for co-operatives. The co-operative Act 2013, has taken into consideration this recommendation. Apart from indicating that co-operatives societies shall be independent and autonomous, the co-operative department that used to shift from one Ministry to another has now been transformed into the Tanzania Commission for Co-operative Development, with these changes, it is expected that co-operative development in Tanzania will take into account member's needs, and the government will establish a roadmap for offering **co-operative education.**

Challenges for introduction of the Integrated Co-operative Model in Tanzania

It is clearly observed that the policy and the legislative infrastructure, has great potentials for the operation of the integrated model in Tanzania. The historical failure of apex bodies and co-operative unions has left the primary co-operatives to serve the members by taking over some of the functions formerly carried out by the co-operative unions such as crop marketing, crop financial services, bulking and transport logistics. The assumption of new business responsibilities, calls for the integrated approach in order to provide services required by the members, but also making cooperatives relevant members. However, there are basic challenges faced by the cooperative movement in Tanzania are as follows; First, the federation, is still hierarchical and has lost the network of primary societies.

It is creating projects to make itself survive than serving the primary societies. There are no programs for education and capacity building for primary societies. As such, co-operative integration is not an agenda at the federation level. Second is low knowledge absorption capacity of existing members of agricultural marketing co-operative societies. Most members of agricultural marketing co-operative are old people and their capacity to absorb new knowledge and use it for commercial purposes, is relatively low and are not aggressive risk takers. While we find the youth in SACCOS, they are absent in agricultural marketing co-operatives. The absence of the youth in agricultural marketing co-operatives is an indication of loss of innovation and entrepreneurship in such organizations. Third is the historical negation of shareholding as capitalistic. Historically, at some stage of the development of Tanzania and especially during the socialist era members were told that shares were not necessary. The integrated cooperative model is based on shareholding for capitalization. Fourth, is the contradiction of negation of the supremacy of the power of the Annual General Meeting which has been removed in the current cooperative Act. This means, the general meeting of the members, has no final decision on matters of

their co-operative society. This puts an upper limit to making progressive decisions on entering the integrating co-operative model. lt however, will depend on how the members can defend the model with the Registrar of co-operatives.

Progressively however, the data from the field indicate how the integrated model is emerging though informally.

3.0 COMPARATIVE ANALYSIS

Looking at the three countries in East Africa, we see that the integrated model is operating effectively in Uganda and the Ugandan policy has explicitly recognized the model. Co-operative policies in Rwanda and Tanzania have not formerly recognized the integrated co-operative model. However, in the two countries' co-operative policies and laws, we have identified aspects of an enabling environment which can favor the introduction of the integrated model. Such areas for example include organizational mechanisms leading to the integrated model as an outcome, gradual process of autonomy and independence of the movement and strategic capacity building for entrepreneurship development with the co-operative movement.

As a result of market competition and the fall out of co-operative unions, the integrated model is finding space in the business operations in Tanzania. This emerging scenario in Tanzania is reinforced by the principal policy guide in Tanzania, characterized by the complementary model of co-operative development. Rwanda is currently running the strategic administrative and the educational model strategies. That is why Rwanda has effective institutional mechanisms to implement the co-operative strategy than the other member countries. Uganda and Tanzania, governments are currently riding on the complementary co-operative relational policies where they recognize the strategic importance of the co-operative movement, but as economic entities, they have to compete. If they succeed, it is good for both the government and the co-operative movement. If they fail, let them learn from their mistakes. But government can make on and off interventions when need arises.

When it comes to active federations, Uganda's UCA is more active in co-operative education, capacity building and entrepreneurship. The co-operative confederation of Rwanda is an equal partner with the government to provide education and training. Rwanda has institutional mechanisms in the private sector guiding entrepreneurship, business management and post harvest technology. In Tanzania, the is disjointed from the primary societies and cannot participate fully in the development of integrated model as it is today. The confederation of Rwanda and the Tanzania Federation of co-operatives are hierarchically representative bodies representing the co-operative movement in their countries. In Uganda, the IJCA is an umbrella organization and can afford to network with all types of cooperatives and linking them with local and international business. The Tanzania Federation of Cooperatives does

not have a structure of linking co-operative trade domestically and internationally. In Rwanda, there is a defined strategy of developing autonomy of the co-operative movement. In Uganda, there is more autonomy for the co-operative movement. In Tanzania, autonomy is not guaranteed, but market liberalization is providing some openings for autonomy. In as far as the status of member education and training, all the research countries are challenged by the low status although Rwanda government has a firm commitment on it than the other two countries.

When it comes to governance, Rwanda is more upfront and restructuring local government at the local level so that co-operative members can access governance services at the district level. In Uganda, the policy argues the need for governance in co-operatives, but there is no mechanism for its decentralization at the local level. In Tanzania, the existence of good governance structures is centralized and co-operative policy does not have mechanisms for its decentralization at the local membership levels.

4.0 CONCLUSION

Structures for the integrated co-operative model do exist in all the survey countries. But critical success factor emerging from the policy discussion above, include the following: First there is need for a policy and strategy of transformation from traditional co-operative societies to entrepreneurial co-operatives. Second, countries need strategic administrative models with strategic exit plans where some government responsibilities are handed over to the co-operative movement as it grows into a competitive system of organizations. Three, Youth participation in agricultural marketing co-operatives is critical for the generation of new ideas and innovative co-operative business practices. Four, financial services by way of SACCOS, co-operative banks, insurance co-operatives and co-operative based social security funds are needed as part of the strategy for the integrated co-operative model in the East African countries. Five the integration process may need to be located geographically at village or cell levels where all members have easy access to co-operative services, and six, there is need to improve private sector relations with the co-operative movement in an all round strategy for promoting interaction between investor-owned firms and co-operative enterprises. This includes the shareholding participation by co-operatives in investor-owned firms.

APPENDIX 1

Comparative Table of Co-Operative Policy, Legislation and Governance in Rwanda, Uganda and Tanzania

By S.A. Chambo, Moshi Co-operative University

ITEM	RWANDA	UGANDA	TANZANIA	REMARKS
Policy and Legislation in favor of ICM	Yes, but not categorical	Yes, and more categorical on the integrated model	Yes, but not categorical	All the three countries have policy and legislation documents recognizing the existence of the co-operative movement
Rural population	60% rural	70% rural	70% rural	
Innovation and Freedom to Restructure Cooperatives	Co-operatives are allowed to innovate and carry out restructuring on the basis of the law	Innovation and restructuring are allowed	Innovation and restructuring by forming joint enterprises and contracts with investor-owned firms are allowed	
Transformation of members towards group entrepreneurship	There are policy statements	Policy statements exist for this direction	Policy statements exist guiding members for group entrepreneurship	
Co-operative financial systems	Rwanda policy accepts the formation of co-operative bank	Uganda policy accepts the formation of co-operative bank	The policy in Tanzania accepts the formation of the co-operative bank	
Sustainable development	The policy has statements on sustainable development	Policy carries statements on sustainable development	There are statements on sustainable development	
Formal government - state relations	Administrative and educational. Government offers support for capacity building, education, training and	Complimentary, the state recognizes the importance of co-	Complimentary, the state recognizes the importance of co-operatives with marginal support	

	entrepreneurship training	operatives with marginal support		
Autonomy and independence of the co-perative movement	Recognised and actions are taken for government to disengage from the co-operative movement	Recognized but open ended	Recognized but legislation has removed section 9 which gave full powers of the Annual General Meeting to control the affairs of the co-operative society	
Support to group entrepreneurship development	The Rwanda Co-operative Agency in collaboration with the Rwanda Private Sector Foundation offer capacity building through education, training, the promotion of group entrepreneurship and post harvest technology awareness	The Co-operative College offers general co-operative education and training. The Uganda Co-operative Alliance intensively runs education and training	The Moshi Co-operative University implements co-operative education, training and group entrepreneurship. The Tanzania Federation of Co-operatives has a marginal radio program	
Organizational mechanisms for policy implementation	Rwanda has more comprehensive mechanisms for policy implementation by the RCA, the Ministry of Trade and Industry, the Ministry of Agriculture, the Ministry of Rural Government, the Rwanda Private sector Foundation, and the Rwanda Institute of Co-operative Education and Microfinance	The Uganda Co-operative Alliance is leading, and the Ministry of Commerce, Industry and Co-operatives mainly supervise implementation	The Tanzania Federation of Co-operatives carries out lobbying and advocacy The University carries out research and consultancy to the co-operative movement	