Perspectives on Co-operatives in East Africa

BEST PRACTICES

(Three examples from Kenya)

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BEST PRACTICES

For purposes of our paper, a "BEST PRACTICE" is a well defined event or process carried out by a business organization or a government agency which is superior to other events or processes. The best practices should be sustainable and their structure and implementation can be replicated with success in any country and in any business organization or a co-operative. In the following papers we take a quick look at the two national co-operative organizations as in Kenya, namely National Co-operative Housing Union (NACHU) and the Co-operative Insurance Company of Kenya to illustrate a few of their activities which qualify as best practices. In addition, we describe how two co-operative development departments in East Africa: the Ministry of Co-operative Development and Marketing (Kenya) and The Ministry of Commerce, Industry, Investment Promotion, Tourism and Co-operatives (Rwanda) collaborated for two years to strengthen and establish a foundation for rebuilding the co-operative sub-sector in Rwanda.

Case Study 1:*Co-operative Insurance Company of Kenya (CIC) Ltd.*

As early as 1968, the Kenya National Federation of Co-operatives, then the apex co-operative organization in Kenya first conceived the idea of introducing co-operative insurance in Kenya. Subsequent developments led to the establishment of an insurance agency in 1972 and later a registration of co-operative insurance society of Kenya. It developed and became CIS in 1978 before repositioning itself as the Co-operative Insurance Company of Kenya in 1999. CIC Insurance Group, as it is known today, is a market leader in providing insurance products and services to the co-operative and low income market segments in Kenya. As a corporate insurance company offering a diverse range of products, CIC Insurance Group occupied position 3 in 2010, in terms of market share in an industry with well over 46 insurance companies.

Today (2012) CIC insurance group is a diversified insurance company offering general insurance, life insurance and asset management services. The company offers these services through CIC general Insurance Ltd, CIC Life Assurance Ltd and CIC Asset Management Ltd. The company started its operations in 1978 under the name of Co-operative Insurance Services (CIS) Ltd. Prior to this, the company was an insurance agency department of Kenya National Federation of Co-operatives (KNFC) operating under the co-operative societies Act. CIC insurance services changed its name in 1999 to "The Co-operatives Insurance Company of Kenya Ltd (CIC)" in line with its ambition of being a big player in the insurance industry. In 2001, Mr. Nelson Kuria, the current Group CEO was appointed to the Managing Director of the company. Due to diversification and the splitting of the life and general insurance business, the company changed its name to CIC Insurance Group Ltd in October 2010, around the same time that the company launched its asset management division. The company has grown and currently has a market share of 5.7% (2010) in the general insurance segment and 10.6% (2010) in the life insurance segment, making it the 5th largest general insurer in the country and the 3rd largest life assurance company in the country. The company estimates that it is now the second largest insurer in the country based on 2011 market share positioning. CIC Insurance Group is a leader in micro-insurance products targeted at the bottom end of the market with products such as “Jilinde” life policy.

Shareholding structure

The current shareholding structure is split into two classes of shares. Class A and class B shares. Class A shares are held by the co-operative movement and cannot be sold in the over-the counter market. Class B shares are largely held by individuals and are trade-able in the over-the counter market. Both have equal economic rights with regards to dividends and voting, i.e. they rank pari passu. After listing in July 2012 in the Nairobi Securities Exchange (NSE), the distinction ceased to exist. Thus, CIC shareholders, - including co-operatives- are now able to trade in their shares on the Nairobi Security Exchange. Indeed CIC group is the third largest insurance group at the Bourse, behind market leaders; Jubilee Insurance and British American Investment Company Ltd. CIC company is the largest insurer to the Kenya co-operative movement, which is estimated to have in excess of Kshs 200 billion in assets, and considered to be the most vibrant co-operative movement not only in East Africa, but on the continent.

According to a 2010 Association of Kenyan Insurers (AKI) report, there are 46 insurance companies in Kenya of which 22 are general insurers, 9 are life insurers and 14 are composites, i.e. dealing in both general and life insurance products.

The eight factors that justified CIC’S listing on the stock exchange and to be seen as a best practice are identified below.

1. **Strong presence in the growing co-operative movement:** The Company is the largest insurer to the Kenya co-operative movement and offers both life and general insurance. The co-operative movement is estimated to have in excess of Kshs 200 billion (USD 2.35 billion) in assets and is the largest in Africa. The co-operative movement offers CIC captive business in the form of general and life insurances for its members. Secondly, it is noted that as Sacco’s diversify their portfolios in accordance to SASRA regulations, CIC Asset Management Ltd could benefit from increased business and management fees.

2. **Low distribution expenses:** Amongst its listed peers in the insurance sector, CIC has the second lowest distribution expense, i.e. the ratio of brokerage commissions to total premiums. CIC'S commissions to premiums ratio stands at 2.5% only behind Pan Africa Insurance Holding's 2.3%. Pan-Africa Insurance Holdings Ltd (PAIH) nonetheless is a life insurance company with a strong emphasis on the group-life business which typically has lower selling expenses.

3. **Well diversified portfolio:** CIC Insurance Group is not over-exposed to equities and therefore it does not suffer from zigzag movement in its earnings. In fact, the company is only 1.8% invested in equities. During the volatile period this can be a good thing. However, we do not subscribe to the option that the equity investments are a bad thing. The company's main investments are in deposits in financial institutions and policy loans. The best diversified portfolios are those of Jubilee and Kenya-Re which have an almost equal mix between equities, fixed income, deposits and investments in associate and subsidiary companies.

4. **Large market share and capital position:** According to the 2010 AKI industry report, CIC has the 5^{th} largest market share in general insurance with a market share of 5.7% and the 3^{rd} largest market share in life business at 10.6%. Further, the company had a capital base of KShs 4.3 billion in total equity portending stability. The large capital base also enables the company to write bigger business which is making it scale up its market share in the industry.

5. **Stable group life business generated from co-operative movement:** CIC had a market share of 21.5% in the group life business only behind Pan-Africa Insurance Holdings Ltd which has a market share of 32.6%. The Company has a market share of 2.2 % in the individual life business behind the market leader British American (24.1%) in 2010/11.

   This ensures the Company a steady stream of stable and low priced premiums. Group life insurance accounts for 88.2% of CIC'S life insurance premiums. It is reported that CIC'S exposure to the group life business ensures that its overall commissions to premium ratio are much lower than that of its peers and the industry average in general.

6. **Strong management Team:** The leadership and management of CIC has long embraced and practiced strategic thinking and Co-operative Entrepreneurship. The Company lays a strong emphasis on human capital development in line with the ethos

of the co-operative movement and the development of new products and services propelled by teams of highly motivated and trained personnel.

7. **Solid anchor shareholder and an excellent example for co-operation among co-operatives:** Co-operative Bank of Kenya owns 26.5% of CIC Insurance Group. There is thus real synergy between the two co-operative entities, particularly through bank assurance. The Co-operative Bank of Kenya has 94 branches with plans to open an additional 35 in the course of FY 2012 and FY 2013. Furthermore, Co-operative Bank has been aggressive in its agency banking model through "Co-op kwa Jirani" and this could bond well for CIC particularly as it is expected that a new diversified financial sector regulator could introduce laws that allow for banc assurance sales through bank agents. The distribution model for CIC looks very promising when one also considers the fact that Saccos are now aggressively diversifying their services and can take deposits for banks as well as sell insurance products.

8. **Takaful Insurance (TIA):** CIC Insurance owns 26.0% of Takaful Insurance of Africa Ltd. TIA is the first Takaful operator in East and Central Africa offering risk management solutions to Muslims within the region. TIA offers Shariah compliant short term insurance products such as motor takaful, fire takaful and marine takaful amongst others. Shariah compliant insurance is a relatively new within the region and it is benefitting from improved regulation. CIC benefits from its part ownership in TIA through first mover advantages. Muslims make up approximately 10.0% of the Kenyan population and significant shares of the Tanzanian and Ugandan populations. Therefore, Shariah compliant insurance has solid growth potential particularly as the East African Community becomes more and more integrated.

Recognition: - In recent years, the CIC Group has been recognized for a number of best practices, including the "I'm a co-operator youth initiative and for providing insurance services to the poor, as illustrated hereunder:-

1. **Insurance services targeting the poor in Kenya:** Insurance products and services are a new phenomenon in East Africa. Insurance business is still unique for the ordinary co-operative member. Nevertheless, as part of the development and widening the scope of co-operative micro-finance, co-operative insurance is developing as an important feature of financial services in the country. It is part of organization protection of members as well as playing a role in the alleviation of poverty. The co-operative movement in Kenya established an organization to provide co-operative insurance services in Kenya in 1978. Today CIC is largely owned by the movement as it specializes in insurance business, both general and life insurance to the co-operative

movement and its members, private and general organizations, corporate bodies and the general public. It is currently ranked the second largest insurance company in Kenya in terms of branch network, and second largest in terms of market share. CIC recently established a micro-insurance scheme which it is operating in collaboration with some of the micro-finance institutions operating in some of the poorest informal settlement areas in Kenya. These are areas where people live in sub-human conditions and are prone to frequent fire outbreaks, periodic ethnic clashes, high insecurity, and high exposure to theft and vandalism. Through the scheme, it has extended its outreach to the tail end of the market, people who ordinarily live in slums or in rural areas, are extremely high risk group that cannot meet any of the risk rating criteria of mainstream insurance companies.

The uniqueness of the products offered by CIC is the fact that it is able to extend insurance products to the poor members of the society. By providing insurance cover to this group, those who have accessed credit from micro-finance institutions are able to build their business with assurance of protection. This service plays a catalytic role and has enabled the micro-finance institutions to lend to this group and provides CIC with opportunity to address the Millennium Development Goals. Eventually as these groups develop, they reach a point when they can no-longer sustain through lose arrangement that the self-help group provides and they look for appropriate form of business alternative, and most of them adopt the co-operative route, and thus providing opportunity for the poor to become members of co-operative societies.

2. **The I'm a Co-operator Youth Initiative:** CIC Insurance Group has invested over KShs. 40 Million in the **'I'm a Co-operator Campaign'.** This campaign is geared towards attracting the youth to the Co-operative Movement as a run up to year 2012 which was declared by the UN General Assembly as the International Year of Co-operatives. Through this project, CIC Insurance Group aims to raise participation of youth in the co-operative movement while enabling them to tackle urgent social problems in the community. With the skills acquired from this project. The young people equipped to create a plan that secures their economic and social freedom and that of the future generations.

   CIC is focusing on long-term stability, survival and growth, and is looking beyond the incumbent leaders by assisting develop strategies as well as create conditions for a smooth succession. This project has challenged and focused the youth to take up leadership to steward the process.

‘I am a co-operator’ strives to identify those with high potential and galvanize their energies into useful ventures that would enable them to take their rightful positions at all levels of national development, instead of allowing themselves to be used as agents of conflicts. The mantle of leadership has been passed on to various universities in the country. The objectives of the campaign are:

- To increase youth participation in the co-operative movement. This will also help to create awareness about co-operatives.
- Through the initiative, CIC will train the youth to understand the co-operative model of enterprise and their values.
- Create ecological awareness and foster a culture of unity and cultural understanding among young people.
- Create a generation of leaders by imparting leadership skills and knowledge through application of the co-operative values and tenets
- To consolidate and increase membership by encouraging the youth to join co-operatives.
- Develop passionate youthful leaders who can promote co-operatives through good leadership ideals and committed people base.
- Build skills appropriate to roles and responsibilities within the co-operative movement.
- Influence the youth to promote co-operatives as specific values based business models. Identify and support youth based co-operatives that internalize co-operative tenets and at the same time exhibit proper governance and leadership principles.
- To provide the youth with the key information, entrench best practice and help create youthful co-operative networks. We are also encouraging sharing of information and intelligence.
- CIC is also celebrating the co-operative movement‘s immense contribution to social and economic development across the globe and we would like the youth to adopt the co-operative spirit in order to initiate real change in Kenya.

Through “**I am Co-operator**”, a pioneer project aimed at training the youth on leadership, environmental conservation, and cultural integration, CIC insurance Group has impacted directly on 2,436 young people and targets a million more indirectly through a television program currently being aired on NTV. This event serves as the launching pad for the CIC Expedition TV series, a culmination of the university circuit. A total of 24 students who epitomize the “I am a co-operator” leadership philosophy were selected from 48 students nominated from various universities.

The CIC Leadership Expedition was a week-long intense training for selected students who represented students from participating universities. The training entailed a series of out-door activities and team challenges aimed at teaching specific leadership.

In 2011 CIC Insurance group scooped seven awards during the 2011 business insurance awards process. The award audited by PFK Eastern Africa; accountants and business advisors, seek to structure and rationalize insurance business in Kenya and give a dose of objectivity on performance evaluation in the insurance industry.

CIC Group won: The best training initiative award; best marketing initiative award, best composite insurance company 1st runners–up award, best general business company 2nd runners-up award, best company in ICT 2nd runners-up; best customer service innovation 2nd runners award, as well as the best company in settlement (life) 2nd runners-up award respectively.

These achievements underscore the group's strength in the insurance in industry, it resolve to empower employees and drive its products uptake through the use of technological innovation in providing services. CIC has an elaborate internal training programme with the goal of developing socialized well oriented and highly skilled employees. Besides the organization is adequately capitalized and continues to grow and diversify, based on continuous product development processes, modern marketing approaches.

The driving force behind CIC's success is however a strong management team comprising a board and a passionate managing director who lay emphasis on good governance, human resources development, a proactive process for developing new products and in line with the ethos of the co-operative movement on the basis of internationally respected co-operative values and principles.

Case Study 2: The National Housing Co-operative Union of Kenya (NACHU)

(NACHU was a recipient of international commendation at the UN Habitat II Conference, held in June 1996 in Istanbul, Turkey and the 2010 UN/Dubai Award for the best practices in low-cost housing initiative. This case study illustrates how NACHU assists squatters to become house owners in Nairobi.)

Squatters in several areas of Nairobi have formed co-operatives with assistance from the National Housing Co-operative Housing Union (NACHU). One case is that of Tangaza Amani Housing Co-operative Society. It was formed by squatters who used to live in '*carton'* houses on a railway line reserve between Kaloleni Estate in Nairobi and Industrial Area, behind the City Stadium. (The standard "houses" for most slum dwellers are usually 10 x 10 meter shacks fashioned out of tins, wattle or mud. On average these hold an average family of five, according to UN statistics).

The other case is that of Rehema Housing Co-operative Society. The members were also squatters living on the banks of the Nairobi River near the site of the old sewerage treatment plant in Nairobi's Eastleigh area. The group has now bought land and has started moving to Ruai, approximately 30 Km from Nairobi central business district, on the Nairobi – Kangundo road. This group has membership of 50 but the land can currently accommodate 35 members. Most members earn their living from trading in second-hand clothes, shoes and other items in the large Gikomba market. The squatters contacted NACHU as they had heard from other co-operators how they had managed to get loans from NACHU for the upgrading of their houses. NACHU provides a range of services to affiliate and non-affiliate co-operatives and other organizations. The services include technical advice on construction; management and training support. NACHU supplies funds for rehabilitation of existing semi-permanent units built on land that is owned by the co-operative or its members.

NACHU's mortgage programme enables co-operatives to obtain mortgages as entities and not on an individual basis. The programme has three phases: purchase of suitable land for housing development; provision of basic infrastructure; and construction of affordable shelter. In the two areas of Tangaza and Rehema, the first stage of the project was a survey of the residents to determine their history, their present status, their problems, and their plans for the future. Also discussions were held to get the views of the residents. The members considered that shelter and housing in particular was their top priority. This would give them security and increase their wellbeing in terms of a better environment resulting in improved health. It would also lead to opportunities for income generation and employment. The discussions focused on the best way of accessing decent shelter and eventually the members felt that a housing co-operative society was the best way. The members registered their respective co-operative societies and joined NACHU's saving scheme. The community increased their savings to a level where they could make the required deposit to access a loan from NACHU and buy land.

Once the co-operative was in place, they started looking for a suitable piece of land to purchase. The factors considered were the cost of the land, distance from Nairobi and the potential/existing means of earning a livelihood in the area. The three factors were weighed against security of tenure. Tangaza co-operative found land outside Nairobi on the Mombasa/Nairobi highway. Rehema decided to settle in Ruai, on the outskirts of the City.

Once the land was acquired, NACHU planned and subdivided the land according to the number of members and on the local authority requirements. NACHU also started training and educating the residents. Education and training included the running of a housing co-operative society; increasing and/or sustaining savings; running a co-operative democratically; land acquisition and its process and steps towards housing developments. The land was purchased in a savings and loan scheme. Both co-operatives put 20% of the savings and the remainder was a loan from NACHU (80%). NACHU received the funds from Comic Relief, through Homeless International, both of UK. The administrative, education, training and transport costs associated with the development of the co-operatives were borne by NACHU.

The first members of both the Tangaza and Rehema communities (25) now have plots and are currently in the process of moving there. In Tangaza, clean pipe water has been installed (with a loan from NACHU) and a water storage tank has been built. A water kiosk is operated by the co-operative. A community hall has been built which serves as a nursery school/meeting room and can even be hired out for special occasions. Rehema co-operative does not have piped water as yet.

Comic Relief, one of NACHU’s development partners, did a short documentary on the Tangaza project for their fundraising purposes abroad as an example of how donor funding can change people’s lives. The co-operatives are repaying the loans for the land and for water services and availability.

External support is provided by a number of agencies, such as The UN Habitat; the International Co-operative Alliance (ICA), NORAD through NBBL (Norway), Canadian International Development Agency (CIDA) via Rooftops Canada; Canadian Housing Federation; Swedish International Development Co-operation Agency (SIDA), through Civil Society Urban Development Programme (CSUDP), Swedish Co-operative Center; Comic Relief/SACOMA (United Kingdom), Solid House Foundation (Netherlands) and Homeless International through CLIFF.

The role of NACHU was both facilitative and financial. It was more involved at the initial stages and decreased as the communities settled down, leaving them to run their co-operatives along the guidelines provided. NACHU continues to collect the loan repayments and give occasional assistance in the running the co-operative when required.

An ICA Regional Office Research Report (2007) identifies NACHU as a Best Practice, particularly with regard to the union's active engagement in Kenya's national policy and legislation processes. The report "The Socio-Economic Impact of Co-operatives in Africa and Their Institutional Context" states: - "Traditionally co-operative organizations were and have not been actively involved in policy dialogue. However one of the national co-operative organizations –NACHU broke away from this in 2003. When a new NARC Government came into power in 2003, one of the key items on the government agenda was the provision of shelter with the promise to provide 150,000 units in urban areas and 300,000 units in rural areas per year. This however required a review of the housing policy and legislation. NACHU which is already a member of Shelter Forum, a pro-poor lobby and advocacy group, sought active engagement with the process and endured effective representation of co-operatives in every important forum, some of which it attended without invitation.

The uniqueness and results are a Best Practice, because NACHU was able to make considerable contribution in this process and ensured that the interests of the poor and their members were taken into account in the development of the Housing Policy and the Housing Bill. Their presence also contributed to the formal recognition of the contribution made by co-operatives in shelter development.

The National Housing Policy for Kenya (October 2003) has recognized the role of co-operatives in the provision of housing for vulnerable groups. The government states in that policy that it will facilitate the creation of credit institutions and lending mechanisms that will be accessible to all vulnerable groups, particularly women, the handicapped and the displaced. Housing co-operatives will be supported and encouraged to initiate community-based credit systems. The government, therefore, anticipates that through the co-operative movement vulnerable groups both in the rural and urban areas will be able to tackle their shelter problems more effectively and that they will be able to improve their bargaining power through collective effort. This recognition would not have come out this strong if it was not for the active participation of NACHU in the forums."

A Profile of The National Co-operative Housing Union (NACHU)

NACHU is an apex organization made of registered primary housing co-operatives. Formed in 1979. NACHU works to provide affordable and decent housing to Kenyans within the low income communities. It is registered under the Co-operatives Societies Act (Cap 490) and is managed under internationally recognized co-operative principles.

Originally set up as a technical service organization, NACHU became member-driven and controlled by democratic governance structures. Today, NACHU has become a leading organization in the provision of housing microfinance, capacity building and technical services. In 2011, there were more than 390 housing co-operatives registered with NACHU in seven regions of Kenya. NACHU's vision is to be a leader in facilitating affordable and integrated shelter solutions in Africa.

NACHU has a management team made up of ten board members and twenty five staff led by a General Manager, Ms. Mary Mathenge. With its headquarters in the Upper Hill of Nairobi, NACHU also has staff located in regional offices in Rift Valley, Western, Nyanza, Eastern, Mount Kenya and Coast regions. The NACHU team is divided into three departments that work interdependently to support members' path towards housing ownership. These departments are: Housing Finance, Projects Technical Support, and Community Mobilization and Training. The mission of NACHU is 'to contribute to improved shelter and quality of life for modest and low income communities through access to capacity development, technical services and financial solutions'. The focus of the National Co-operative Housing Union is to support its members to acquire affordable and adequate housing in Kenya. Furthermore, NACHU aims to promote equality of all people and respect for the environment in its work. Through mainstreaming focus on its strategic issues, NACHU hopes to educate its members and partners on the importance of human rights and empower them to spread these messages because:

1. The recent increase in population growth and urbanization, the Kenyan housing sector has been unable to provide sufficient affordable housing to its residents. This shortage of both land and housing is as a result of a complicated land tenure history, inefficient regulatory frameworks, and under-resourced projects to improve housing. Those most affected by the lack of housing are primarily from lower income groups.

2. Kenya lacks sound legislation on housing and co-operative housing rights and policies. Furthermore, prohibitive interest rates on bank loans for development coupled with consistently poor infrastructure (water, electricity, and security) create obstacles for gaining affordable and secure housing.

NACHU aims to advocate for the rights of low and middle income groups to enhance their access to adequate housing. By using strategic alliances with like-minded partners, collaborative activities, the media (including TV, print, Internet and Radio) and accessible publicity materials (brochures, videos, information sheets), NACHU can relay it's messages to empower local communities to lobby and engage electoral offices for support. Through training sessions, members are educated on the processes through which they can speak to and influence the government and local officials.

The Context/Background

In the urban areas, 84% of Kenyans rent houses while only 16% own their own homes. Households spend more than 30% of their incomes on rental accommodation. A lack of access to affordable financing exacerbates their difficulties in escaping the cycle of poverty. Today, the Kenyan population is 38.8 million (in 2012) with approximately 26.5 million living in rural areas and 12.3 million in the urban centers. Urban planning has not been able to keep up with the rapid urbanization in Kenya and the demand of housing far exceeds the supply. The need for new housing in urban areas currently stands at 150,000 units annually while only 23% of this demand is met. In rural areas, estimates show that over 300,000 housing units require improvements each year. The gap between supply and demand is more relevant to low and middle income households who represent 48% of the required new houses.

The lack of appropriate housing has resulted in the expansion of informal settlements such as slums. Many people are forced into overcrowded establishments or are left completely homeless. Some researchers' study reckons over 60% of Nairobi's population reside in slums. On average, 5 to 7 people share a single room in many of Kenya's informal settlements. The current living situation of many Kenyans has resulted in insufficient facilities, poor health standards, lack of infrastructure and environmental degradation.

Without the security of a safe home, it is difficult to maintain employment, attend school, care for a family and ensure both mental and physical health. The economic, social and physical welfare of a household and community is strongly related to their access to decent and affordable housing. Marginalized groups such as women, youth, and those affected by HIV and AIDS or other illnesses are most at risk of these insecurities.

The lack of housing is a growing problem with various obstacles to overcome. However, NACHU, along with international organizations, the Kenyan government, and national NGOs are working together to improve the quality of life of Kenyans by increasing their access to affordable and decent housing.

Case Study 3: THE COLLABORATION BETWEEN KENYA AND RWANDA TO REBUILD CO-OPERATIVES IN 2004 T0 2006

Currently, the Republic of Rwanda is undergoing rapid and unprecedented social, economic and political reconstruction. This is in the aftermath of horrific civil wars and the Genocide witnessed 1994 which culminated into horrific human loss, dilapidated socio-economic resources and displacement of people, majority fleeing to neighboring countries. Most acute was the loss in professional skills, particularly in applied sciences, public administration and management. Today, however, the current government, led by President Paul Kagame, has restored national unity through reconciliation, poverty reduction, good governance and human resources development as significant benchmarks of his administration.

The country's vision 2020 is aimed at reducing the proportion of Rwandans living below the poverty line from 60% to 25% and to raise the per capita incomes from the current $250 to $900. Building a vibrant Co-operative sub-sector in Rwanda is a component of this long-term vision and strategy. Desiring to fast track the process of Co-operative development, the Government of Rwanda and the Government of Kenya agreed on a bilateral arrangement – and signed a Memorandum of Understanding in September 2004 - (*see excerpts below),* to embark on joint efforts to initiative, promote, strengthen and entrench co-operatives in Rwanda.

It is against this background that the government of Rwanda through the Ministry of Commerce, Industry, Investment Promotion, Tourism and Co-operatives (MINICOM) hired a team of fourteen co-operative development professionals (including this writer, privileged to serve as coordinator of the team) from Kenya as consultants to spearhead the promotion and development of co-operatives in Rwanda.

Contributions by Kenyans: The team of experts from Kenya assisted Rwandans draft a favourable policy and legal framework for Co-operatives and launched an awareness campaign, designed invaluable education and training materials appropriate for the country. The Kenyans were instrumental in mobilizing Rwandans to discard numerous small uneconomic groups or associations and amalgamate them into Co-operatives on the basis of internationally accepted principles and practices. The consultants worked alongside Rwandan officers to formulate, for the first time in the history of Rwanda, a draft national policy on Promotion of Co-operatives. These national policy and legal frameworks incorporating ideas, experiences and lessons from Kenya were expected to guide co-operatives in Rwanda for many years to come so long as there was supportive government policy and legislation of establishing and building the co-operative movement.

In 2005, the Government of Rwanda sponsored a nationwide landmark survey on Co-operatives whose 12 members included 6 Kenyans. The outcome shed insight on the status of co-operatives and associations in terms of location, membership, activities, problems and opportunities. The survey suggested that Rwanda had no more than 600 registered Co-operatives, versus 12,000 small Associations. All the groups suffer from a weak capital base and the lack of capacity, deficient visionary leadership in business enterprising management.

The consultants from Kenya were also involved in efforts to create and spread awareness on co-operative development issues. They targeted present and potential members, the general public, policy makers, Government officers and packaging ideas, information and guidelines on the value of the different types of Co-operatives to “Transform Associations into Co-operatives.” A total of 1700 co-operative societies were formed and in addition, another 25 SACCOS were formed in the tea growing areas.

They designed Education & Training Materials and Programmes. This contribution is key to the success of theRwanda/Kenya Co-operative Development Programme. Co-operatives are an education movement employing economic action. The early co-operatives in Europe were essentially educational. Thus to form a co-operative one must necessarily start with education and not legislation. In essence, the technique should be co-operative, but the spirit should be educational. Appropriate training materials and designed training programmes in basic co-operative knowledge, co-operative management with an extension course, bookkeeping and accountancy, management and co-operative leadership have to be in place.

And, from time to time, the Kenyans working in teams were required to write papers/documents and provide technical/specialist advice on various co-operative development issues at MINICOM and at other institutions. These included the Union des Banques Populaires du Rwanda (UBPR), the Ministry of Education (MINEDUC) and OCIR-The’ parastatal concerned with the tea sector development. At UBPR for instance, two consultants were seconded to the Union for a period of six months to assist the union to undertake a SWOT analysis, develop a business orientation and diversity of its products and services. They also examined UBPR's operations, structures, membership and capital structure and triggered discussion on the concept of Co-operative banking and what roles the UBPR and other Saccos could play in the formation of a co-operative banking institution in Rwanda. They also initiated a process which was to lead to the formation of a co-operative bank of Rwanda in the near future.

Other experts provided technical support to accelerate MINEDUC's plans to establish a countrywide Savings and Credit Co-operative for 34,000 teachers in Rwanda culminating in the formation of Umwalimu Sacco while the rest worked towards establishing Rwanda Co-operative Agency -a semi-autonomous government institution mandated to implement government policy on co-operatives.

Donation of 120 High Grade Cows by the Kenya Government: During the 2004/05 period, the GOR organized three study visits to Kenya to enable Rwandans to be exposed to co-operative organization and their impact. Altogether 210 co-operators participated in these study visits. One highlight of the visit was President Kibaki's magnanimous gesture. The president hosted the Rwandans at State House Nairobi and donated 120 high grade generic in-calf cows to the group as a contribution of Kenyans to Rwanda co-operative movement. Hon. Peter Ndwiga, then Kenya's Minister for Co-operative Development and Marketing while handing over the cows in October, 2005 expressed the hope that the donation would be transformed into a Co-operative Livestock Project in Rwanda. It was further suggested that the offspring from the cows could be distributed to other beneficiaries thereby spreading the benefits even more as well as strengthening the co-operative spirit. The contributions outlined above have been to a large extent, instrumental in contributing to cordial relations between the two countries.

However, most importantly, the arrangement has accelerated the process of establishing co-operatives in Rwanda. Towards this end, the consultants proposed the need for a comprehensive co-operative development programme for Rwanda and intensified collaboration between MINICOM of Rwanda and Kenya's Ministry of Co-operative Development and Marketing, and other development partners for purposes of capacity building. And, since the Government of Rwanda is keen to facilitate the development of a co-operative financial sub-sector, strategic alliances involving KUSCCO and/or the Co-operative Bank of Kenya should in the long run serve Rwanda as they grapple with conceptualizing and establishing a viable co-operative financial sector.

Excerpt from the MOU

Core Areas for Collaboration: *Aware of the key role of cooperation in strengthening and accelerating the pace of development, MINICOM of Rwanda and MOCD of Kenya have mutually agreed to enter into this MOU in the desire to enhance cooperation and consultation towards encouraging the development of co-operatives as autonomous, self managed and service-oriented enterprises, particularly in sectors where the co-operatives, in both Kenya and Rwanda have important roles to play. The two governments agreed on the following core areas for collaboration:-*

1. *Since Co-operatives must first and foremost concentrate on building their capacity to serve their members efficiently, competitively and as businesses, the two Ministries agree to enhance institution and capacity building in co-operatives through*

education, training, study visits and staff exchange programmes;

2. *The two Ministries shall link up and share their capacity and other unique advantages on the basis of their similar objectives and aspirations through networking strategies and plans;*
3. *They will devise ways and means to assist Co-operatives in Rwanda and Kenya to enhance their capability to develop good governance, business strategies, and plans that include more involvement in regional and international trade and other emerging opportunities;*
4. *The role of effective leadership in the co-operative process is crucial. The two Ministries agree to spearhead joint efforts to ensure that in both Rwanda and Kenya co-operatives are led by competent and commitment board members and managers. Hence, the need for specialized training programs as well as organized study visits for co-operative leaders to learn from the experiences of the two countries as a step in professionalizing leadership and management;*
5. *The two Ministries will also work to facilitate access of co-operatives in the two countries to various support services in order to strengthen them and to ensure that the transition to the emerging and those already in existence into strong, independent co-operative movements. These services will include human resources, development programmes, accounting and auditing services, management information services on technology and innovation, support services for marketing, and information and public relations services;*
6. *Part of this work shall be the exchange of experiences and information on how to mobilize financial, technical and logistical resources from within and outside co-operatives and channel these to the development of the respective co-operative movements at both local, regional and national levels and to;*
7. *Convene consultative and review meetings at the official and ministerial level at least twice a year alternately in Rwanda and Kenya. Delegations will meet their own expenses during exchange visits while the hosts will provide local transport and other logistics.*

Concluding Remarks/Factors that enhance Success

Experience in Africa has shown, and studies confirm that co-operation – at primary, national and inter-country levels succeeds (and could tend to best practices) due to a number of factors:-

1. Members must fully identify with the co-operative and control it. The idea to form the co-operative should come from them arising out of a common felt need. They should undertake and actually commit and contribute resources that will enable their organization to have a realistic chance of success. They must patronize the co-operative organization by using and paying for its services. Most importantly, they must seriously and knowledgably participate in the democratic process of their organization.

2. Management must be professionally carried out. Co-operative managers should recognize that their role is to generate development besides the traditional management role. The leadership of the organization must be made up of committed and informed persons with the same objectives as the ordinary members. Both the managers and the committee members should have business acumen and orientation including entrepreneurship. In this regard, a professionally sound programme of continuous member education, leadership development, as well as staff development in imperative.
3. The philosophy and the design of government involvement should be to provide an overall environment conducive to business development in general, but more particularly, supportive to self help, private owned and controlled organizations.

4. The co-operative must be found on an economically viable and proven base, which should be reviewed by competent professionals from time to time during the life cycle of the co-operative organization.
5. External support should be directed at a well-defined need or set of needs. It should be complimentary to the effort of the members and not a substitute. Whatever the case, care must be taken not to create an unsustainable dependency situation.