

REPUBLIC OF KENYA



MINISTRY OF INDUSTRIALIZATION AND ENTERPRISE DEVELOPMENT

HISTORY AND ORGANIZATION OF COOPERATIVE DEVELOPMENT AND MARKETING SUB SECTOR IN KENYA

1.0 The Early History of Cooperatives

The modern history of cooperatives started with the Rochdale Society of Equitable Pioneers, founded in 1844. This was an early consumer co-operative, and one of the first to pay a patronage dividend, forming the basis for the modern co-operative movement. Although other co-operatives preceded them, the Rochdale Pioneers' co-operative became the prototype for societies in Great Britain. The Rochdale Pioneers are most famous for designing the Rochdale Principles, a set of principles of co-operation that provide the foundation for the principles on which co-ops around the world operate to this day. The model the Rochdale Pioneers used is a focus of study within co-operative economics.

The Rochdale Society of Equitable Pioneers was a group of 28; around half were weavers in Rochdale, Lancashire, England, that was formed in 1844. As the mechanization of the Industrial Revolution was forcing more and more skilled workers into poverty, these tradesmen decided to band together to open their own store selling food items they could not otherwise afford. With

lessons from prior failed attempts at co-operation in mind, they designed the now famous Rochdale Principles, and over a period of four months they struggled to pool one £1 per person for a total of 28 pounds of capital. On 21 December 1844, they opened their store with a very meager selection of butter, sugar, flour, oatmeal and a few candles. Within three months, they expanded their selection to include tea and tobacco, and they were soon known for providing high quality, unadulterated goods. Ten years later, the British co-operative movement had grown to nearly 1,000 co-operatives.

The Cooperative Group is one of the largest supermarket chains in the United Kingdom.

2.0 Historical Background of Cooperatives in Kenya

In Kenya the history of cooperatives date back to 1908 and has continued to grow since then;

- 1908- first Co-operative Society was established in Kenya, a dairy Co-operative
- 1931 –Government's first formal involvement in Cooperatives when the first Co-operative Ordinance was enacted to regulate the operations of co-operatives.
- 1946 -Inclusion of Africans in the Movement when the colonial government acknowledged that Africans needed to participate in the economy through co-operatives resulting in the enactment of a new Co-operative Societies' Ordinance.

- 1955-African involvement in the growing of cash crops following the Swynnerton Plan paved the way for the formation of more co-operatives.
- 1932 – 1969; 1,894 societies had been registered.
- These first co-operatives were Predominantly marketing oriented & Auxiliary focus,
- Key examples then were Kenya Co-operative Creameries (KCC-1925), Kenya Planters Co-operative Union (KPCU-1923) and Kenya Farmers Association (KFA-1923).
- These organizations were originally registered as companies and only became registered as co-operatives in 1931 when the first Co-operative Ordinance was promulgated.
- 1965-The sessional paper No. 10 of 1965 on “African Socialism” gave impetus to rapid Africanization of Kenyan economy and poverty eradication based on principles similar to those adopted by the co-operative movement.
- 1970-The first post-independence Government Co-operative Development Policy was contained in Sessional Paper No. 8 of 1970 whose main goal was the consolidation of the co-operative activities.
- This included improvement of management of societies, intensification of education and training for members,

committee and staff with provision of government support staff as supervisors.

- 1975- Another review of the Co-operative Development Policy took place in which the government continued to recognize co-operatives as vital organs for mobilizing material, human and financial resources for national development.
- The government reiterated its commitment to pursue and promote expansion of co-operative activities in all the productive spheres of the economy.
- 1980s –The government started implementing Structural Adjustment Programmes (SAPs) for a market economy. Sessional Paper No.1 of 1986 on “Economic Management for Renewed Growth”, emphasized the importance of unfettered (free) private sector led economic development.
- The government through Sessional Paper No. 4 of 1987 on “Renewed Growth through the Co-operative Movement”, reiterated its commitment to enhance the participation of Kenyans in the economy through Co-operatives.
- The responsibility of organizing and managing co-operatives was left to the members and their management committees while the government played an advisory role.
- The Sessional Paper No. 1 of 1994 on “Recovery and sustainable Development to the Year 2010” reaffirmed the

need for a private sector led economy to accelerated and sustained development.

- Through Sessional Paper No. 6 of 1997, on “Co-operatives in a Liberalized Economic Environment”, the government reviewed its involvement in the management of co-operatives by providing a legislative framework under which co-operatives were to survive in a competitive economic environment.
- The enactment of the Co-operative Societies Act No. 12 of 1997 removed completely the government’s role in the affairs of co-operative societies. This resulted into a near collapse of the entire co-operative movement in the country.

3.0 Improved governance through Legislative and Institutional Reforms

- Recognizing the urgency to preserve and maintain the role of co-operatives in national economic and social development, the government vigorously pursued legislative and institutional reforms in order to forestall the imminent collapse of the co-operative subsector.
- Consequently, it amended the Co-operative Societies’ Act No. 12 of 1997 vide the Co-operative Societies (Amendment) Act No. 2 of 2004 and prepared new Co-operative Societies Rules, 2004. This also revamped the role of Co-operative Tribunal Court, a specialized Co-operative Commercial Court, to fast track and speedily dispenses the backlog of cases

previously pending. This is the first Tribunal of its kind in Africa and many countries are consulting on how to establish Tribunals in their countries.

- In recognition of the growing importance and sophistication of SACCOs, a SACCO Societies' Act was enacted in 2008 to pave way for vigorous enforcement of prudential standards for SACCOs with FOSAs. This gave rise to SACCO Regulatory Authority (SASRA). The body charged with the responsibility of regulating deposit-taking SACCOs.
- There was also the drafting of co-operatives' management guidelines and Prudential Standards on inspection and inquiries which led to entrenchment of good corporate governance and best business management practices. This was achieved through the establishment of Ethics Commission for Co-operative Societies (ECCOs) and the strengthening of the Audit Department.

4.0 Achievements of Strict Enforcement of the legal framework

- Kenya Co-operative movement is currently ranked 1st in Africa and 7th internationally. In July 2013 WOCCU recognized Kenya SACCOs as the fastest growing subsector in the World.
- Co-operative enterprises have generated employment opportunities of over 500,000 people and indirectly for 2 million

- Recovery of Ksh.3.8 billion in SACCOs remittances from employers by 2010 out of Ksh. 4.3 billion arrears that had been outstanding since 2004.
- SACCOs had mobilized savings to the tune of Ksh.380 billion with asset base of 493 billion as at 31st December, 2012
- Savings mobilization in the SACCO subsector has been growing at the average rate of 30% per annum.
- Income to co-operators has increased, e.g. milk-from ksh.8 to ksh38 per litre; coffee-from ksh.10 to ksh.140 per kg.
- There has been tremendous growth of co-operative financial organization into giant financial power houses which surpassed the normal commercial banks and other financial institutions. The Co-operative Bank of Kenya is the 3rd largest bank in Kenya,while the Co-operative Insurance Company of Kenya (CIC), is the 2nd largest insurance in Kenya and the only one of its kind in Africa.

The Co-operative subsector has two major components, the Government which drives its policy through movement on the other for efficient delivery of service to themembers and the general public.

5.0 Structure of Cooperative Development and Marketing Sub Sector State Corporations/Commissions/SAGAs

- i. Sacco Societies Regulatory Authority (SASRA)
- ii. Ethics Commission for Co-operatives (ECCOS)
- iii. Co-operative Tribunal
- iv. New Kenya Cooperative Creameries (New KCC)
- v. * The Co-operative College which was a National Co-operative Organization has been upgraded to a University College and is now under the Ministry of Higher Education. We expect the college to be given a charter in the near future to be a full Co-operative University in Kenya

5.1 Sacco Societies Regulatory Authority (SASRA)

The Sacco Societies Act, 2008 was enacted by the Parliament to “make provision for the licensing, regulation, supervision and promotion of Sacco societies, to establish the Sacco Societies Regulatory Authority (SASRA). To make the Act operational, the Minister made the SACCO Societies (Deposit- Taking SACCO Business) Regulations, 2010.

SASRA is a State Corporation as provided under section 2(b) of the State Corporations Act (Cap. 446) of the Laws of Kenya and

SASRA is established under section 4 of the Act with the mandate to:

- (a) license Sacco societies to carry out deposit-taking business in accordance with the Act
- (b) regulate and supervising Sacco societies
- (c) hold, manage and apply the General Fund of the Authority in accordance with the provisions of the Act
- (d) levy contributions in accordance with the Act
- (e) do all such other things as may be lawfully directed by the Minister; and
- (f) Perform such other functions as are conferred on it by the Act or by any other written law.

5.2 Ethics Commission for Co-operatives (ECCOS)

The issue of good governance has been discussed widely since the end of the twentieth century. The Government of Kenya on its part, after the year 2002, embarked on an ambitious strategy to enact laws to combat graft, which was rampant and threatening to tear institutions of government apart. The existence of other institutions with massive public interest, for example the cooperative societies were equally threatened.

Consequently, the Government enacted various laws geared towards eradicating graft and improving governance in public institutions in 2003. These legislations include;

- The public officer Ethics Act of 2003
- The Anti-corruption and Economic crimes Act
- The Public Procurement and Disposal Act

In the Public Officer Ethics Act (Section 2) cooperative society's staff and committee are included in the definition of a public officer, hence responsible for guarding the interests of their members, who are the Kenyan public.

Most of the public officers as defined in the public officer Ethics Act, had commissions responsible for their integrity, and discipline, some of which were already statutory, with well established administrative structures, for example;

Among the existing commissions, none was found appropriate to handle the integrity issues of the cooperative public officers. This necessitated the creation of a cooperative sector, integrity commission. By legal Notice No.120/03 (The public officer Ethics regulations 2003) the Ethics Commission for Cooperative Societies was established, to be the responsible commission for officers and employees of cooperative societies established under the

cooperative societies Act, including members of the governing body of the cooperative society.

The members of the above Commission comprise officers within the Ministry only and the cooperative college. There was no stakeholder participation, which is essential in matters of integrity.

The Ministry approached the Ministry of Justice National Cohesion and Constitutional Affairs, with a view to amending Regulation 7 of the public officer Ethics Act Regulations 2003, to include stakeholder participation, to give the commission a wider scope. After numerous discussions and consultations, between the two ministries the amendment was accepted, and the Regulation now titled 'The public Officer Ethics (Amendment) Regulations, 2010'. The composition of the Board is now drawn from, institutions such as ICPAK, Kenya Bankers Association, Strathmore University, Co-operative College of Kenya, Co-operative Alliance of Kenya, and the Co-operative Tribunal.

Mandate

The mandate of the ECCOS is "To promote and enforce Ethical conduct and anti-corruption reforms within the cooperative movement, through responsive education, advice, investigations and financial disclosure processes".

Duties and responsibilities of the commission will include;

- Enforcement of the cooperative society's general code of conduct.
- Development and administration of training programmes aimed at integrating good governance and Ethical principles in the management of cooperative societies
- Awareness creation and institution of corruption prevention measures in the cooperative movement.
- Investigation on any matter that in the commissions opinion raises suspicion that conduct liable to allow, encourage or conduct constituting corruption, is about to occur.
- Investigation on any officer of the cooperative society that in the opinion of ECCOS is conducive to breach of integrity.
- Examination of the practices and procedures of work of cooperative societies in order to facilitate the discovery of corrupt practices and to secure the revision of methods of work or procedures that in the opinion of the commission are conducive to breach of integrity.
- To investigate the extent of liability for the loss of or damage to any co-operative society property.
- To make recommendations on disciplinary actions to be taken by the committee/board and the general meeting on the staff and the committee respectively among others.

- As part of its institutional development agenda, the Ministry will establish the requisite institutions and structures to operationalize and entrench the provisions of the Ethics Commission for Cooperative Societies. For an integrated approach to addressing poor governance, the Ministry will put in place mechanisms to empower the Co-operative Tribunal to enable it enforce the cases tabled by the Ethics Commission.

The commission may refer a matter to another appropriate body for investigation, and that body to investigate, within a reasonable time, and submit a report to the Commission on its findings.

5.3 Co-operative Tribunal

The Co-operative Tribunal is one of the functions of the Ministry of Industrialization and Enterprise Development. The Tribunal is a quasi judicial body established under the Co-operative Societies Act No.12 of 1997 as amended by the Co-operative Societies (Amendment) Act, 2004 with the sole purpose of hearing and settling co-operative disputes.

In order to qualify as a dispute for purposes of the Tribunal, the matter must concern the business of the society. That is;

- Among members, past members and persons claiming through members, past members and deceased members; or
- Between members, past members or deceased

members; and the society,
its committee or any officer of the society; or

- Between the society and any other co-operative society.

Tribunal services include; advisory services, assessment of claims, custody of documents, processing of documents, granting ex parte judgments, giving hearing dates and hearing disputes.

The Tribunal has decentralized services by establishing registries across the Republic, namely; Mombasa, Kisumu, Embu, Nakuru and Kakamega. Aggrieved parties are advised to seek these services at the registries nearest to them.

Advantages of the tribunal mechanism

- Fast in settling disputes
- Ensures a win-win situation
- Emphasizes justice rather than technicalities of procedure
- Enforces its own decrees
- Has qualified personnel with representation from Co-operative Movement itself.
- It is only in a tranquil and peaceful environment that business can thrive.
- Customer friendly
- Open to members of the public(transparent)
- Closer to the people through the regional registries

- Specialization in Co-operative matters

5.4 New Kenya Co-operative Creameries Ltd (NKCC)

Kenya Co-operative Creameries (KCC) was the first co-operative to be registered on 8th February 1931 under the Co-operative Societies Ordinance.

- This society operated very well up to the year 2000 when it was sold to private investors and renamed KCC 2000.
- The New Kenya Co-operative Creameries Ltd was registered on the 25th of June 2003. Its predecessor, the Kenya Co-operative Creameries Ltd has operated in Kenya since 1925. This makes it the oldest dairy processor in the country.
- New KCC is the largest business entity in the dairy industry in East Africa involved in food industry, processing and marketing milk and milk products.
- The business process of New Kenya Co-operative Creameries Ltd encompasses receiving of raw milk from farmers, processing it into various milk products and marketing and selling the products for the benefit of the company shareholders.

6.0 Structure of the Co-operative Movement in Kenya

The co-operative movement in Kenya is organized into four-tier system consisting of; Apex, Tertiary (NACOs), Secondary (County/District Unions) and Primary;

6.1 Apex Co-operative Organization

The apex co-operative organization today in Kenya is the Co-operative Alliance of Kenya (CAK).

- The Co-operative Alliance of Kenya Limited (CAK) was registered on the 22nd December, 2009 as the National Apex Organization for the Co-operative Movement of Kenya under the Co-operative Societies Act, CAP 490 Laws of Kenya. The newly registered Co-operative Alliance of Kenya Limited is to be the driving force of the Co-operative Movement in Kenya.
- CAK is a successor to Kenya National Federation of Cooperatives (KNFC). KNFC was formed in 1964 by co-operative societies unions and NACOs to be the spokesman of the co-operative movement and to promote co-operative interest. However, KNFC faced some challenges in late 90's and early 2000 which led to its liquidation.
- CAK endeavors to promote co-operative development, to unite the Co-operative Movement and to represent the Co-operative interests on all matters of policy and legal framework and to be the spokesperson of the Co-operative Movement in Kenya.

6.2 Tertiary National-Co-operative Organizations (NACOs)

These are countrywide co-operative organizations whose membership is drawn from secondary and primary co-operatives. NACOs offer specialized services to their affiliates, which include insurance, banking, housing, commodity marketing and promotion of active relationship with social and economic partners in order to create favorable climate for co-operative development.

They provide commercial and financial services, human resource development, advocacy and representation of co-operative unions and societies at the international level. Currently there are ten NACOs which are: Co-operative Bank of Kenya Ltd, Kenya Co-operative Coffee Exporters (KCCE) Ltd, Co-operative Development and Information Centre (CODIC) Ltd, Co-operative Insurance Company of Kenya (CIC) Ltd, New Kenya Co-operative Creameries (KCC) Ltd, Kenya Planters Co-operative Union (KPCU), Kenya Union of Savings and Credit Co-operative (KUSCCO) Ltd, Kenya Rural SACCO Societies Union (KERUSSU) Ltd, National Co-operative Housing Union (NACHU) Ltd and Cooperative Communication Holdings Ltd (CCHL)

6.2.1 Co-operative Bank of Kenya Ltd

The Co-operative Bank of Kenya Limited was registered as a co-operative society on the 19th June 1965.

- The Bank applied for a banking licence to operate under the Banking Act, which was granted later on and it opened for business on 10th January 1968.

- The Bank is now incorporated in Kenya under the Company's Act and is also licensed to do the business of banking under the Banking Act. It was initially registered under the Co-operative Societies Act at the point of founding in 1965.
- This status was retained up to and until June 27th 2008 when the Bank's Special General Meeting resolved to incorporate under the Companies Act with a view to complying with the requirements for listing on the Nairobi Stock Exchange (NSE).
- The Bank went public and was listed on December 22 2008. Shares previously held by the 3,805 co-operatives societies and unions were ring-fenced under CoopHoldings Co-operative Society Limited which became the strategic investor in the Bank with a 64.56% stake.
- Co-operative bank has a distinct advantage in co-operative societies spread across all the 47 counties and can therefore provide a reliable alternative for establishing branches countrywide.
- The Bank is already in a franchising partnership through Sacco Link which provides wholesale banking services to individual SACCO's which then provide retail banking services to members through FOSAs.

6.2.2 Kenya Co-operative Coffee Exporters (KCCE) Ltd

This was formed in 2008 by small scale coffee farmers to enable them access export markets through enhanced economies of scale and professional expertise in coffee marketing. KCCE is licensed as a commercial coffee marketing agent that provides small holder coffee farmers with an opportunity to directly sell their produce to the international market. Since its registration producer prices have improved significantly.

6.2.3 Co-operative Development and Information Centre (CODIC) Ltd

This was developed as a one stop shop for co-operative societies on issues of information technology and co-operative development.

- The primary function is computerization of cooperative society operations in order to improve efficiency.
- Among its major achievements is development of software which is used to install ATMs in a number of societies.

6.2.4 Co-operative Insurance Company of Kenya (CIC) Ltd

The Co-operative Insurance Company of Kenya Limited (CIC) was established in 1978 and was formerly known as Co-operative Insurance Services Limited (CIS).

- In 1999, the company name was changed to the Co-operative Insurance Company of Kenya Limited (CIC)
- The name change was part of the company's market repositioning strategy of completely changing the then small company to a respected insurer in the country.
- It is currently among the largest insurance companies in terms of capitalization and insurance premium

6.2.5 New Kenya Co-operative Creameries (KCC) Ltd

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- New KCC has one of the largest net work in the dairy industry in East Africa involved in food industry, processing and marketing milk and milk products.

- The business process of New Kenya Co-operative Creameries Ltd encompasses receiving of raw milk from farmers, processing it into various milk products and marketing and selling the products for the benefit of the company shareholders.

6.2.6 Kenya Planters Co-operative Union (KPCU)

Kenya Planters Co-operative Union (KPCU) was registered 1937 as a national co-operative union for primary coffee co-operatives societies.

- The union, however, currently faces some serious challenges necessitated by poor governance structure and dual certificate of registration.
- KCB had placed the organization under a statutory manager/receiver but has since been lifted pending clearance of the outstanding loan
- A new board of directors has already taken over from the receiver manager and are in the process of paying the loans

6.2.7 Kenya Union of Savings and Credit Co-operative (KUSCCO) Ltd

KUSCCO is the union for SACCOs in Kenya. It is charged with responsibility of championing issues affecting SACCOs in Kenya through advocacy and representation. The main objectives of KUSCCO are to:

- Promote the organisation and development of viable co-operative savings and credit societies
- Disseminate information concerning savings and credit societies and co-ordinate their operating methods and practice to maintain basic uniformity
- Foster education, training of members, officials and employees of savings and credit societies
- Act as the sole local and international representative and mouthpiece of savings and credit societies
- Help improve the internal management of savings and credit societies by providing a standardized management system.

KUSCCO operations are managed by a board of 15 directors selected by member SACCOs on regional basis.

The organisation has its Headquarters in Nairobi and five branch offices in Kisumu, Nakuru, Nairobi, Embu and Mombasa. Each upcountry office serves KUSCCO members within its region. There are sub branches in wider regions to cover all the 47 counties

6.2.8 Kenya Rural SACCO Societies Union (KERUSSU) Ltd

The Kenya Rural Savings & Credit Cooperatives Societies Union (KERUSSU) was registered in 1998 and is the umbrella national cooperative organization for rural SACCOs. KERUSSU brings

together rural SACCO societies and other forms of savings & credit associations in Kenya.

The membership of KERUSSU is made up of cooperative societies whose operations are largely based in rural areas of Kenya where:

- The members' major source of income is from rural based activities such as farming
- The greater percentage of the members live in rural areas
- And where members are largely derived from institutions and establishments such as factories based in rural areas and/or process inputs that are mostly from the rural areas.

The overall goal of KERUSSU is to contribute to improved standard of living in the rural areas of Kenya through appropriate, efficient and effective rural cooperative movement with the capacity to offer accessible and affordable financial services.

The aim of KERUSSU is to work towards empowered and dynamic rural SACCOs offering effective and efficient services to their members.

6.2.9 National Co-operative Housing Union (NACHU) Ltd

NACHU was established in 1979 under the Co-operative Societies Act (Cap 490) to coordinate shelter issues through the co-operative model by providing financial and technical service.

- Its formation was in response to the great demand for decent and affordable housing among the low income group. NACHU therefore is an organization whose membership is made of registered primary housing cooperatives.
- The co-operative movement has an obligation under Kenya Vision 2030 to provide 25% of annual housing demand in Kenya.
- NACHU's strength is its holistic approach to shelter development: housing microfinance combined with advocacy and technical services that allow cooperatives to gain access to land and infrastructure, and ensure quality construction.
- NACHU also supports member cooperatives with training in financial management, governance, and other important topics including HIV/AIDS prevention.

6.2.10 Cooperative Communication Holdings Ltd (CCHL)

Co-operative Communication Holdings Limited (CCHL) is a National Co-operative Organization (NACO) which was registered on 8th March 2010 to enter into partnership with the private sector in the provision of Information Communication Technology

(ICT) services to the co-operative movement as a vehicle for investment in this fast growing sector.

The core activity of the CCHL is to partner with the private sector on areas of ICT in order to maximize returns to the members and ensure access to information through the provision of affordable products and services thereby promoting their social economic welfare. ICT is critical to the country's development and CCHL is strategically placed to provide the best ICT products

7.0 Secondary Co-operatives (County/District Cooperative Unions)

These co-operatives restrict their membership to primary co-operative societies. They include the County/District Co-operative Unions which serve the primary co-operatives as service agencies.

They are managed by an executive committee whose members are elected from the primary co-operatives. They are formed with the aim of enhancing economies of scale through shared goods and services such as bulk procurement of farm inputs and education and training of its affiliates.

8.0 Primary Co-operatives

These co-operatives restrict their membership to individual persons and are mainly formed by individuals within a given locality or common bond. Most of them are single-purpose or single product enterprises. They group individual members for their economic thrift and cut across all sectors of the Kenyan

economy such as; Marketing Co-ops, Savings and Credit, Housing, Horticulture, Livestock, coffee, pyrethrum, sugar cane, cotton, Fisheries and Dairy. They include; Manufacturing/processing, Construction, Transport, Irrigation, Farm purchase e.gKonza, Mining [Turkana] alluvial gold and Investment Co-operatives. Notable achievements include;

- Most Kenyans have benefited in one way or the other from the Co-operative movement, through educations and acquisition of land from the white settlers.
- Modern day Kenyans in very many spheres of the economy have benefited from societies through borrowing and establishing businesses
- Employees have joined SACCOs, obtained loans for purchase of plots, cars, construction of houses and payment of school fees.
- Notable cooperators are Members of Parliament who are either members of Bunge Sacco or Parliamentarian Sacco.
- The SACCO sector has grown to a point where some SACCOS are bigger than commercial banks e.gMwalimu SACCO with a membership of 47,179, has assets totaling Kshs.22 billion with a monthly cheque of Ksh.600 million from employers and Harambee SACCO with a membership of 98,640, has assets totaling 13 billion with a monthly cheque of Ksh.454 million as at November 2010.

- Succession planning is a very serious challenge to the Co-operative Movement. The former Ministry of Co-operatives & Marketing has applied over the year to be authorized to recruit staff without success. Co-operative technical officers require thorough training to enable them facilitate Co-operative affairs in the County and to create wealth for Kenyans. The Movement is under serious threat because of inadequate human resource capacity as indicated below.
 - Officers above 55 years old – 153 officers
 - Between 50 – 55 years - 100 officers
 - Senior officers to retire in 2014 – 35 officers
- Recommendations of the Workload analysis should therefore be implemented.
- Inadequate working facilities:- Accommodation, Transport and Computers
- Capacity building issues-empowering members and management
- Inadequate financial resources
- Lack of Innovativeness/best practice and the new areas the movement can move to.
- Huge disparities in development, e.g. some SACCOs are ISO certified while others have stagnated at rudimentary levels.

- Selling bulk produce instead of marketing value added and branded products.
- Limited value addition and lack of control of marketing produce.
- Old and ageing co-operative membership.
- Sustainability of the movement requires registration of new co-ops and member recruitment.

Recommendations

- Entrenchment of Governance issues
- Capacity building of Co-op Leadership and Co-operative staff should be undertaken.
- Succession planning in the Ministry of Industrialization and Enterprise Development should be addressed to avoid a situation where the Co-operative Movement finds itself in a situation where there are no experienced Co-operative professionals to facilitate its operations.
- The workload Analysis by DPM should still be implemented through the Counties because the constitution is about equity and economic citizenship and therefore all Districts should be given an equal opportunity to learn about Co-operatives through professional staff; and to invest Co-operatives are about wealth creation, poverty reduction and economic prosperity for Kenya.

- County Co-operative officers should be trained as trainers so that they can assist Societies to develop strategic plans for the Counties by the Ministry of Industrialization and Enterprise Development.
- Management reforms as well as use of ICT should be facilitated
- The Co-operative Development Fund should be operationalized and be utilized to mainstream youth and women participation in the movement.
- Working tools should be provided.
- The ministry needs support in generating credible data.
- One way of creating awareness is hosting workshops/conferences for Government officials to sensitize them on the role of Co-operatives and their diversity.
- Support value addition and access to markets-do away with brokers and middlemen.
- Developing National capacity in marketing value added and branded products as well as gathering market intelligence.
- Involvement of Youth in the Movement [membership and leadership]- succession planning.

- Come up with national co-operative member recruitment strategy and development of new societies/new co-operative products.
- There is need to carry out an evaluation of the dormant societies to determine whether they should be revived liquidated.
- The small Societies which are not economically viable should be merged.
- Members should be encouraged to recruit professionals who are also people of integrity.
- A bench marking exercise should be carried out to determine the way forward. [Western Union is a Credit Union from the U.S.A . and had started as a SACCO] Co-op Bank.

9.0 Contribution of Cooperatives to the Achievement of Kenya Vision 2030

Kenya Vision 2030 aims at making Kenya a newly, industrialized, middle income country providing high quality life for its citizens. The Vision 2030 has three key pillars: economic, social and political. Co-operatives contribution to the vision is guided by the seven internationally recognized co-operative principles as illustrated above.

The Ministry of Industrialization and Enterprise Development in its current strategic plan embraces measures that will contribute to

the implementation of Vision 2030 Flagship projects as well as Medium Term plans. The co-operative movement in particular will play the following key functions in delivering Vision 2030:

9.1 The Economic Pillar

The Saccos will continue to mobilize savings, developing demand driven financial products which encourage members to save additional resources. This is in line with economic pillar whose key mandate is to mobilize savings for Kenya's investment needs. In this regard the Ministry has focused on registration of Youth Co-operatives, transport, Jua kali Saccos and enhancing management of the already existing Saccos through adoption of best accounting, management and governance practices.

In the retail trade Vision 2030 envisages the transformation of informal sectors into an efficient, multi-tiered and production of diversified product range. In this regard the Co-operatives have transformed Jua Kali informal sector with particular reference to transport, community based interest groups, Youth groups into organized Co-operative enterprises.

In the agro-processing sector the Co-operatives are already doing processing and the same is geared towards industrialization. The key Co-operatives in this area are the successful Githunguri dairy, Limuru diary, Meru dairy which are processing and marketing their products in Supermarkets in Nairobi and other areas. Meru Central Union is manufacturing animal feeds products and milling maize flour for the local market.

The Kenya Co-operative Coffee exporters Ltd is assisting the farmers to access international market but is geared towards

processing and marketing Kenya Coffee as finished products in the international market.

9.2 Social Pillar

The social pillar under Vision 2030 envisages to transform the eight social sectors namely education and training; health; water and sanitation; environment; housing; gender, youth and sports.

The Co-operative Movement and in particular the savings and credit Co-operative Societies (Saccos) mobilize billions of shillings to finance education from Primary to University through affordable loans to the members. In addition they provide credit facilities to meet agricultural, medical and legal services. In housing, Co-operatives facilitate members to pool resources to buy plots and to finance construction.

The National Co-operative housing Union (NACHU) and Kenya Union of Savings and credit Co-operative society Ltd, through housing scheme are financing long term mortgages for individuals and societies to put up houses. Some of the land mark buildings in Nairobi e.g. Harambee, Imenti and Ukulima Plaza are owned by co- operatives.

The Co-operative active participation complements government efforts of putting up 150,000 housing units in urban areas. The Co-operative will play pivotal role in realization of the social pillar in Vision 2030.

9.3 Political Pillar

The Vision 2030 On the political pillar envisages to create “a people centred and politically engaged open society”. The Co-operatives are economic based and are driven by economic

needs. In this regard the Co-operative brings people together irrespective of class, social status in life, ethnicity or other considerations. The Co-operatives have institutionalized democratic culture through engagement in free and fair elections. The Co-operatives therefore form the bases and the building blocks for a cohesive society and enhances issue base and politics economic survival.

10.0 Emerging Issues in Co-operative Marketing

- Value addition is done by some co-operative societies: e.g. New Kenya Cooperative Creameries (New KCC), Githunguri, Meru Central and Kenya Coffee Co-operative Exporters (KCCE). These co-operatives will continue value addition under vision 2030 in order to control larger part of product value chain.
- Co-operatives will also play a vital role in input supply and distribution. Through Kenya Farmers Co-operative Union (KFCU) they will participate in bulk fertilizer importation and distribution using the existing infrastructure (stores, vehicles and machinery) owned by co-operatives and unions.
- Promotion of producer-based groups/co-operatives. In order to address the problems of fragmentation and informality that exist in supply chain, the ministry will encourage linkages between the formal market operators (wholesale and retail hubs), e.g. supermarkets and producer co-operative organizations.

- The development of Diaspora co-operatives (SACCOs) - Already the Ministry has promoted two Diaspora SACCOs in America and United Kingdom (UK) in order to tap enormous resources generated by this subsector to channel into the country's investment opportunities.

- Matatu SACCOs- In order to streamline and promote viable investments in transport subsector, the Ministry in collaboration with the Ministry of Transport and Infrastructure has already registered 600 Matatu SACCOs in the country.

- Sharia Compliant Co-operatives. In order to promote and tap investments from the Muslim community, the Ministry has established Sharia compliant co-operative by-Laws to roll out products geared towards this segment market. The Sharia compliant co-operative policy is underway. The following 4 Sharia Compliant Co-operatives are already registered; Cofi Sacco Ltd, Crescent Takaful Sacco, Taqwa Sacco and PumwaniRiyadha Sacco Ltd.

- Housing Co-operatives- With the country experiencing an acute shortage of housing, especially for the low-income segment of the population in urban settlements, the Ministry has promoted 440 housing Co-operatives. However, these housing programmes have stagnated due to lack of affordable mortgage facilities and long term lending to assist in housing development. Besides; poor planning, high cost of construction and building material and the complex land

administration mechanisms discourage investors/co-operatives in committing funds for housing projects.

- Youth Co-operatives- The Ministry in collaboration with USAID, has registered and supported 27 County Youth Bunge SACCOs in order to engage the youth in gainful business enterprises. These SACCOs have already mobilized Ksh. 10 million savings and loaned out Ksh. 7 million. In January 2014 USAID will inject Ksh.8 million grants in form of a revolving fund to this programme.

10.Global Perspective of Co-operative Movement in Kenya and International Obligations

The Kenyan Co-operative Movement is rated 1st in Africa and the 7th global among the developed movements. This rating is by the international Co-operative alliance. The Sacco Movement in Kenya was admitted to the group 10 of the most developed Sacco Movement globally.

The members of group 10 are Kenya, Ireland, United States of American, Brazil, Mexico, Poland, Australia, Caribbean, Canada and Costa Rica. Kenya is represented in the group 10 by Kenya Union of Savings & Credit Co-operative Ltd (KUSCCO). It should further be noted that Kenya offers consultancy services on Co-operatives to various countries in Africa, e.g. Rwanda, South Sudan and South Africa among others and has developed an MOU with the Ethiopian Government for Technical Cooperation Program.

The country through the various National cooperative Organizations and CAK which is the Apex is represented in the international cooperative movement. The movement in Kenya is a member of;

- International Cooperative Alliance (ICA)
- World Council of Credit Unions (WOCCU)
- Africa Confederation of Savings and Credit Associations (ACOSCA)
- International Cooperative Mutual Fund (ICMF)

This membership is in line with the international cooperative principle "Cooperation among Cooperatives".

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Date: Tuesday, January 14, 2014