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MINISTRY OF CO-OPERATIVE DEVELOPMENT

RENEWED GROWTH  
THROUGH THE  
CO-OPERATIVE MOVEMENT

SESSIONAL PAPER No. 4 OF 1987








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## CHAPTER 1—THE NATIONAL GOALS AND OBJECTIVES

1.1. The national objectives and the ultimate goals of public policy in Kenya were initially spelt out in the Kanu Manifesto of 1963 and the Sessional Paper No. 10 of 1965 headed "African Socialism and Its Application to Planning in Kenya". These objectives have since been expounded and reaffirmed in various Government statements and documents and more particularly in the National Development Plans, Sessional Paper No. 2 of 1984 on Unemployment and Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth. The objectives include individual freedom, political equality, social justice, human dignity; freedom from want, disease, ignorance and exploitation; equal opportunities and the expansion and integration of the economy with equitable sharing in its benefits. These objectives are not an end in themselves in that it is in their achievement that every Kenyan will find his individual fulfilment. Although the Government opted for a pragmatic approach to development, it is, however, explicitly declared that the Government will not aim at achieving quick material gains at the expense of political equality, social justice and human dignity.

1.2. The national objectives are long-term and to achieve them the Government has adopted certain basic principles which define the nature of the development process in Kenya. These are:

- (a) Widespread participation in the development process by all Kenyans through the Harambee spirit.
- (b) Diversity of organizational forms and incentives based on effectiveness and efficiency in advancing economic and social objectives of development.
- (c) Government participation in initiating and directing development.
- (d) Mutual social responsibility and diffusion of ownership of resources.
- (e) Upholding of the Nyayo Philosophy which calls on individuals and institutions to rededicate themselves to the development of the nation and to be mindful of the welfare of others.

1.3. On the basis of the above principles, the Government has formulated a comprehensive set of development strategies directed at the alleviation of poverty in order to improve the welfare of the individual and the family; for the nation's long-term objectives can only be realized through improved quality of life of every Kenyan. The strategies chosen include:

- (a) The creation of income-earning opportunities, through—
  - (i) fuller utilization of the nation's productive capacity;



- (ii) the expansion of employment opportunities overall and in particular through rural development programmes in small-scale agriculture and rural non-farm sector;
  - (iii) development of urban informal sector to expand employment and self-employment opportunities, e.g. Jua Kali.
- (b) To control the population growth through the family planning.
  - (c) Improvement of family expenditure patterns and life styles to ensure that increased incomes are put to uses that are of optimum benefit to the family and the country.
  - (d) Provision of basic services, such as education, health care, water supplies, directly by the Government and the individual citizens themselves.
  - (e) Building and strengthening institutions for providing essential and supporting services required in the development process.
  - (f) The district focus strategy which decentralizes the development process to the districts as a means of ensuring that there is equitable distribution of national resources for development and that district development programmes are responsive to people's priorities and needs.

1.4. The co-operative movement is one of the well established institutional arrangements for conducting the economic affairs of the nation. The Government recognizes that co-operatives form an essential development tool to achieve the national objectives. The co-operative movement's democratic structure, full involvement of people and its coverage of both the rural and urban sectors fits well into the Government's development strategy. Co-operatives are not an end in themselves but a means towards the achievement of the national objectives through the approved strategies and their role towards that end is discussed in the next chapter.



## CHAPTER 2—CO-OPERATIVES IN NATIONAL DEVELOPMENT

2.1. A co-operative is defined as an association of persons who have voluntarily come together to achieve common economic goals through a democratically controlled organization with equitable contribution to capital and equitable sharing in risks and benefits accruing from the business of the organization. Co-operatives are ideally therefore economic organizations whose activities are devoted to the economic and social welfare of their members by providing services which enable the co-operating group to realize its ideals. In essence this means that co-operatives are not only motivated by desire for economic benefits but also by the need to uphold human dignity and social welfare of their members.

The foundation of the co-operative movement in Kenya has been and will continue to be the universally accepted co-operative principles as modified to suit our national aspirations. The principles include:

- (a) Voluntary and open membership with no artificial or undue restrictions.
- (b) Democratic administration and control based on "one man one vote" irrespective of shares held by individual members.
- (c) Equitable distribution of the economic results arising out of joint effort where surpluses are shared amongst the members in proportion to their patronage and usage of the societies' services, thereby rewarding each member according to his diligence and loyalty to the group and thus making the individual's positive contribution to the group's cause the gauge of reward.

2.2. In the Sessional Paper No. 4 of 1982 on Kenya's Economic Prospects and Policies and in Madaraka Day Celebrations of 1986, the Government announced that measures were being taken to support further development. Emphasis will continue to be placed on the strengthening of the co-operative movement which must endeavour to find new areas of growth and development. The co-operative movement has played a major role in the promotion of national development. There are more than 3,500 registered co-operatives with a membership of more than 2 million and an annual turnover of KSh. 6 billion. In effect therefore one out of every two Kenyans derives part of his livelihood directly or indirectly through the co-operative movement. In the agricultural sector for example co-operatives marketed 87 per cent of pyrethrum flowers produced in the country in 1984. In the same year they also marketed 60 per cent of the coffee crop, 95 per cent of the cotton crop and 96 per cent of dairy production. Co-operatives have also played an important role in the mobilization of savings by the low income groups. Through the co-operative savings scheme established in a number of marketing societies and unions, co-operatives have mobilized over KSh. 726 million in rural savings as at 31st December, 1984. Urban savings and credit co-operatives had themselves accumulated over KSh. 2,700 million in



members savings as at the same date. It is projected that by the year 2000 the number of active co-operative societies will more than double and thereby raise the number of Kenyans who directly or indirectly depend on co-operatives for their livelihood to well beyond 20 million.

2.3. Since 1975 when Sessional Paper No. 14 on Co-operative Development Policy for Kenya was published, a lot of changes and developments have taken place within the co-operative movement itself and within the social, economic and political environment in which co-operatives operate. First and foremost, a new philosophy of Nyayoism has evolved in the country. Secondly, the economy of the country has been characterized by fluctuations in the prices of imports on the one hand and the country's exports on the other. Thirdly, the growth and complexity of co-operative enterprises with more responsible and enlightened leadership and management necessitate redefinition of the role of Government agencies in co-operative development.

2.4. In view of those developments the Government has found it opportune to review and modify the current co-operative policies and to introduce new policies as appropriate in order to give the co-operative movement the direction and momentum for growth that is in keeping with the aspirations of its members and the economic realities in the country. This paper, therefore, spells out the policies that the Government will pursue in promoting and directing the development of the co-operative sector in the immediate and foreseeable future. It examines the changes and developments in the co-operatives sector and the role of co-operatives in the economy. It then indicates the policies and measures that the Government deems necessary to enable the co-operative movement to play its rightful role particularly in uplifting the standard of living of the people, and more generally in achieving our national objectives.



## CHAPTER 3—SECTORAL FRAMEWORK OF THE CO-OPERATIVE MOVEMENT

3.1. The co-operative movement cuts across all sectors of the national economy, which include both the formal (agriculture industry, housing, savings and credit co-operatives— SACCO societies— insurance, etc.) and the informal sectors (Jua Kali and Services). Therefore, in determining a suitable structure for the co-operative movement, the sectoral involvement of the co-operative movement will be taken into account and the important consideration will be to ensure the following:

- (a) That the structure consists of viable economic units capable of providing the services needed by members.
- (b) That the structure is such as to facilitate proper integration and modernization of the national economy.
- (c) That the structure exploits the economies of scale to ensure the highest possible returns and benefits to the individual members.
- (d) Each resultant subsector has an apex organization which will relate to its affiliates nationally and the appropriate co-operative bodies internationally.

3.2. The structure of the movement so far developed in Kenya has primary co-operative societies formed by individual citizens within a given locality. In majority of cases primary societies are single-purpose or single-product enterprises. This is especially true in small-scale farming areas where a small locality may have several primary co-operatives each conducting a different agricultural undertaking.

3.3. With the encouragement of the Government, primary co-operatives in most parts of the country have formed themselves into co-operative unions with the aim of providing goods and services to members at costs far much less than would otherwise be possible without such secondary co-operatives. Essential services such as banking, transportation, accounting, bulk procurement of stores and farm inputs have been provided to primary societies by these unions with varying degrees of efficiency and, occasionally at costs lower than what individual societies or members would have had to pay. In the processing and marketing of certain agricultural commodities such as coffee, dairy products and horticultural crops, the co-operative structure ends up at national level with countrywide co-operative organizations comprising secondary and primary co-operatives. At the apex of the co-operative movement is the Kenya National Federation of Co-operatives to which primary co-operatives, co-operative unions and countrywide co-operative organizations are affiliated.



3.4. The existing hierarchical structure as already described has served the general membership and the country reasonably well but it is not without some organizational weaknesses and failures. Some of the registered societies and unions within the set-up are yet to prove their economic viability. Within some of the unions and countrywide co-operatives there have been instances of excess bureaucracy, lack of accountability and apathy towards individual members interests. There has been a tendency for ordinary members to lose control of their co-operative unions and countrywide co-operative organizations, including the apex bodies. The co-operative organizations with common problems and interests within given subsectors have not had a national body in which to relate for discussion of those problems and interests. The Government will therefore review and modify the existing structure to suit the following policy considerations:

- (i) At the primary level the Government will encourage the formation of multipurpose co-operative societies where it will be economically feasible to serve members with diverse economic activities through one primary society. The size of the society at this level will be maintained such as to enhance optimum economies of scale. The splitting of co-operative societies will therefore be discouraged as it more often than not, militates against the full enjoyment of economies of scale.
- (ii) The Government will review the existing co-operative unions from time to time to determine whether they are providing needed services to justify their existence and to ascertain their socio-economic viability. Economic viability will in the future be the only criteria for the formation of co-operative unions or any form of secondary co-operatives.
- (iii) In reviewing the structure the Government will ensure that there will be adequate democratic control within the structure. Firstly, members should be able to organize, control and decide on the thrust of their economic activities around primary societies with the co-operative unions coming in only to provide services which can be more economically provided at that level. Secondly, co-operative unions or any other secondary co-operative organization will be expected to be under effective control of their affiliated co-operative societies.
- (iv) In re-structuring the co-operative movement the Government will ensure that there will be adequate measures taken to guarantee maximum return to the co-operators at grassroot level as well as ensuring prompt payment and efficient provision of other services to the co-operators.
- (v) That co-operatives in each sub-sector will have an Apex to which to relate, and at which level movement collaboration will be



promoted both nationally and internationally. The sectoral apexes will include:

- Kenya Agricultural Commodities Co-operative Union (KACCU).
- National Co-operative Housing Union (NACHU).
- Kenya Union of Savings and Credit Co-operatives (KUSCCO).
- Kenya National Federation of Co-operatives (K.N.F.C.).

(vi) The specific functions of these Apex Organizations have been outlined elsewhere in this paper. However, the roles of these organizations will be reviewed from time to time to ensure that the various apexes foster a dynamic growth of the co-operative movement by enhancing and facilitating greater co-ordination of movement to movement both nationally and internationally.

### **Co-operative Agricultural Commodities**

3.5. Marketing of agricultural produce and supplying farm inputs have been the principal co-operative activities since the start of the movement in Kenya. In 1984, 1,309 out of 3,500 active co-operatives had marketing and/or primary processing of agricultural produce as their major function. With the on-going subdivision of large company-owned farms into smallholdings there are prospects of more agricultural marketing co-operatives being formed to provide marketing services to smallholders. Generally, marketing co-operatives are doing fairly well in most of these activities and for the purpose of this paper, coverage has been given to those activities which require some new direction or policy orientation.

#### **Coffee**

3.6. There are 181 (1983) co-operative societies involved in production and primary processing of the coffee crop ready for marketing by Coffee Board of Kenya. The co-operatives share of the total national output of the crop has risen substantially from 46 per cent or about 37,107 tonnes in 1976 to 62 per cent or about 80,000 tonnes in 1984. The primary co-operatives receive the coffee cherry from their respective members and process it into parchment which is then delivered to K.P.C.U. which does further processing and milling of the crop into clean coffee which is then graded and delivered to Coffee Board of Kenya for sale. On selling the crop, the board deducts its expenses and remits the proceeds back to growers through K.P.C.U. which also deducts its expenses before remitting the balance to the growers through their respective co-operatives. These marketing arrangements have worked fairly satisfactorily but not without hurdles which have proved too expensive to growers.



3.7. One of the most conspicuous hurdles is the duplication of facilities and services in the areas of accounting, grading and storage of clean coffee between K.P.C.U. and the Coffee Board. The other more fundamental problem is that under the present arrangements, the growers, especially the smallholders who market their crop through co-operatives have no effective control over both K.P.C.U. and Coffee Board. The efficiency with which these two organizations carry out their respective functions affects quite substantially the growers' share of the price the crop fetches in the market; and it is therefore necessary for these institutions to be responsive to the growers' interests.

3.8. In order to maintain the producers incentive for growing the crop, the Government is reviewing the present institutional arrangements for handling the marketing of coffee with the view to restructuring it so as to minimize processing, handling and marketing expenses on the one hand and to maximize the growers' share of the price the crop fetches in the market, on the other hand. Furthermore, in order to ensure that the marketing policies and practices are in keeping with the growers' interests, the composition of the marketing institutions will be such as to ensure equitable representation of all categories of growers and their control of the institutions.

### **Pyrethrum**

3.9. The co-operative share of the total national output of pyrethrum flowers had declined from 87 per cent or about 12,014 tonnes in 1972 to 59 per cent in 1985.

3.10. The pyrethrum industry has performed fairly satisfactorily but not without problems in the area of marketing. The major problem has been lack of an innovative marketing strategy to enable the Pyrethrum Marketing board to keep abreast of developments in the market. Consequently, the demand for pyrethrum has lately been overtaken by synthetics to such an extent that the board has been forced to keep considerable stocks of unsold pyrethrum, thereby making it difficult for the board to pay farmers in time.

3.11. In recent years the board has experienced serious marketing problems attributable to changing international marketing conditions. Nonetheless it is important that the board adopts a more aggressive marketing policy in order to safeguard the producers' interests and Kenya's share of the world market for pyrethrum. It is also essential that the growers be given a greater say in determining the production and marketing policies of the board. The Government will therefore institute appropriate measures, including increased representation of co-operatives in the board, to ensure that the marketing function of pyrethrum is properly handled in the interest of the nation and its growers.

### **Cotton**

3.12. The Kenya Government continues to put emphasis on increased cotton production to ensure internal self-sufficiency and to provide a



surplus for export. The efforts put into cotton production over the last couple of years have seen considerable increase in production. The co-operative share of this production was 95 per cent in 1984 and 72 per cent in 1985/86 which makes co-operatives the single most important institution in the cotton industry.

3.13. The Cotton Lint and Seed Marketing board has the sole responsibility for buying, storing, transporting, ginning and selling of seed cotton. By virtue of this responsibility therefore, the board has absolute authority and dominance in cotton industry. Where co-operatives undertake any of the responsibilities, they do so as agents of the board at a fee fixed by the board. The price paid to the farmer is determined by the Government in consultation with the board.

3.14. The cotton industry has experienced a number of constraints which have seriously affected efficiency in production, processing and marketing of cotton. One of the fundamental constraints has been the anomaly inherent in the Cotton Act which has created a conflict of interest between the board and the growers in that the ownership of the cotton rests with the board and, therefore, the growers cannot hypothecate the crop to obtain crop advances and development loans. The other constraints include inadequate facilities for buying, storage and transportation of cotton; and poor conditions of ginneries coupled with lack of technical and managerial expertise for running them.

3.15. More often than not the fees paid by the board to its co-operative agents are not adequate to meet the costs of the services provided to the board by the societies. This forces the co-operatives to defray some of these costs out of the funds intended for paying farmers thereby causing delays in payment to farmers. The other weakness inherent in the present institutional arrangements for marketing of cotton is that when the cotton crop fetches prices much higher than those fixed by the Government to the grower, the board is not obliged to remit the surplus income to the growers.

3.16. In order to maintain the incentives to the growers and to streamline the marketing arrangements, the Cotton Act is being amended to remove the existing anomalies and to allow farmers to hypothecate the crop to obtain loans. The present institutional arrangements for processing and marketing of cotton are being restructured so as to make the board a regulatory body in the industry and to transform co-operatives into organizations capable of taking the full processing and marketing responsibility for cotton. Steps will be taken to ensure effective representation of the co-operatives in the newly reconstituted board. In order to enhance the efficiency of co-operatives in the cotton industry, the Government will launch a programme one aspect of which will be the rehabilitation of ginneries, including training for technicians to run and maintain co-operative ginneries and the other aspect of which will be the design of management systems and training of management personnel for cotton co-operatives.



## **Sugar**

3.17. Co-operative participation in the production and marketing of sugar-cane has been insignificant and on the decline. The co-operative share in this regard now stands at 4 per cent. One of the major constraints co-operatives have experienced in the sugar industry has arisen from lack of proper production planning, to the extent that there has tended to be competition between small-scale cane growers and the nucleus estates in the supply of cane to the factories. Thus factories have tended to concentrate on their nucleus estates to the neglect of cane from small-scale growers.

3.18. The role of the small-scale outgrowers some of whom are organized through co-operatives is considered by the Government to be of paramount importance and when the sugar projects are being conceived the outgrowers are taken to be an integral part of the schemes. The management of the sugar companies will be required to plan their production in such a way as to ensure that the outgrowers cane is not left to over-mature when the companies are concentrating on their nucleus estates.

3.19. In order to ensure that the management of these factories is responsive to the needs of small-scale outgrowers, ways and means will be sought of ensuring that the interests of outgrowers are adequately represented in the decision-making forums of the sugar companies, through part ownership. In order to ensure that marketing and management policies and practices are in keeping with the growers interests, the composition of the Kenya Sugar Authority and sugar companies will be such as to guarantee adequate representation of the growers interests. Credit facilities and farm inputs will be made available to growers in addition to improving infrastructure such as transport to assist in increased production of the crop.

## **Dairy**

3.20. As the Government undertakes to increase the production of milk in the country, it is expected that co-operatives will have an important role to play in harnessing the production through collection and distribution of milk from the small-scale producers. Arrangements will therefore be made to provide adequate collection, cooling, storage and transport facilities to enable the co-operative dairies to tap all the milk produced in the rural areas. The dairy co-operatives will be encouraged and assisted to establish rural small-scale dairy processing plants in this regard particularly in surplus areas where K.C.C. does not have processing factories to avoid milk being taken out of these surplus areas for processing only to be returned for marketing.

3.21. The Kenya Co-operative Creameries (K.C.C.) will continue to be the national body with the overall responsibility for collection, processing and distribution of surplus milk and milk products. However, it is necessary that K.C.C.'s development plans and those of rural dairies should be co-ordinated in order to harmonize milk collection, processing and



marketing for the benefit of farmers and the country. The Government will therefore initiate a study on dairy development aimed at delineating the role of rural small-scale co-operative dairies *vis-à-vis* the role of K.C.C. and how these rural dairies should complement rather than compete with K.C.C. in meeting the needs of the dairy industry in Kenya.

3.22. The structure of the K.C.C. will also be reviewed to ensure that it is responsive to dairy farmers needs and that there is equitable representation of both large-scale and small-scale farmers in its board.

### **Horticulture**

3.23. The horticultural industry is assuming an increasingly important position in Kenya's agriculture. However, there are serious constraints in the marketing of horticultural produce both in the local and export markets. The major constraints in this area have centered around the institutional arrangements in the sector. In the first place there have been conflicts arising out of unfair competition between the Horticultural Crop Development Authority (H.C.D.A.), playing the dual role of a regulating as well as a marketing body and the co-operative marketing institutions. This undue competition coupled with lack of storage, transportation and packaging facilities and lack of marketing expertise has led to a situation where co-operatives have not so far been very successful in horticultural marketing. Secondly, the private entrepreneurs have taken advantage of the weak institutional arrangements and today dominate in horticultural marketing to an extent where they exploit both the producers by paying very low prices and the consumers by charging very high prices. Thirdly, the same weak marketing institutional arrangements led to the dominance of private entrepreneurs in the export market where they sell horticultural produce without remitting back all the foreign exchange earned.

3.24. The Government will review the existing institutional arrangements for marketing of horticultural produce with a view to restructuring it to suit the interest of the producers. In this regard, the co-operative societies will be encouraged to expand as multipurpose societies so as to accommodate horticultural marketing as an extra activity. It is also important that the restructuring should ensure the full repatriation of earnings from the export of horticultural produce.

### **Credit and Farm Inputs Supply Services**

3.25. Because of the risky nature of the small-scale farming enterprises and the inadequacy of collateral, it has always been difficult for small-scale farmers to obtain production credit from the banking system and the financial institutions. It is because of this that the movement evolved the now popular Co-operative Production Credit Scheme (C.P.C.S.) which started in 1970 and enabled small-scale farmers to get production credit from their co-operative societies. Since C.P.C.S. was confined to co-operatives undertaking the marketing of coffee, dairy, pyrethrum and sugar, the Government initiated other credit programmes to expand



accessibility of production credit to small-scale farmers producing other crops and borrowing from the experiences of the C.P.C.S., which has worked very well.

3.26. However, problems that have affected the success of agricultural credit programmes have included inadequate infrastructure to enable farmers to dispose of their produce quickly and smoothly, and inadequate extension services to facilitate effective use of credit. The other major constraint has been low repayment of credit which has meant less of the initial funds revolving and that therefore, fewer farmers have had access to credit.

3.27. The Government recognizes the important role played by small-scale farmers in agricultural and particularly food production and will therefore continue to expand credit availability to small-scale farmers through their co-operatives with particular emphasis on food production to ensure sustained self-sufficiency in Kenya's food requirements. At the same time closer supervision will be given to the administration of credit to ensure proper loan utilization and improved loan repayment. Co-operatives will be given preference in the marketing of farm produce where they do so efficiently to facilitate loan recoveries. Delays have now been minimized in the processing of loans to the effect that after scrutiny by a district loans committee, loan applications are now being submitted direct to the Co-operative Bank. The Co-operative Bank will also be required to harmonize all the terms and conditions of the various credit programmes.

3.28. Where there has been no established system for the procurement and distribution of farm inputs to the small-scale farmers, the supply has been intermittent, late and at prices the small-scale farmer could not afford. Experience gained with the few co-operatives procuring inputs direct from manufacturers has shown that inputs have been easily available at the right time and at competitively cheaper prices to the farmer. Strong co-operatives possessing both the financial and management capability and with the appropriate distribution infrastructure will therefore be encouraged to procure inputs direct from manufacturers or suppliers for distribution to their members. For those co-operatives which do not possess the necessary capability, the institutional framework will be reviewed with a view to establishing a centralized system for procurement and distribution of inputs to small-scale farmers through the Kenya Grain Growers Co-operative Union.

### **Fisheries Co-operatives**

3.29. There were 51 registered fisheries co-operative societies with a total membership of about 14,525 by the end of 1983. These co-operative societies constitute only a small portion of fishing industry having contributed less than 10 per cent of the total catch. This is largely because fish marketing co-operatives have not been able to provide the facilities and services needed by the fishermen.



3.30. Effort will now be made towards revitalization of existing fishermen co-operative societies to enable them to provide a better service to fishermen to ensure optimum exploitation of the available potential. In this regard, societies will be assisted to acquire adequate facilities for handling, storage, transportation and marketing of fish, and to provide credit and loan facilities to fishermen for the acquisition of boats, fishing gear and equipment. In addition, an effective management system will be developed and implemented for co-operatives.

### **Consumer Co-operatives**

3.31. The co-operative movement's role in the retail and wholesale distribution of consumer goods has so far been insignificant. The consumer co-operatives which have retail and wholesale distribution of consumer goods as their sole activities have been performing poorly mainly because of stiff competition and lack of management skills. On the other hand, there are some agricultural marketing co-operatives which have been successful in operating merchandise sections and stores for resale with such assortments as farm inputs, basic foodstuffs and non-food items. Thus the retail distribution of consumer goods as a secondary activity of agricultural marketing co-operatives has succeeded in the rural areas where retail services are generally less developed. Available experience seems to show therefore that such a multi-purpose approach leads to retail units that are economically viable. Co-operatives will therefore be encouraged to establish retail and wholesale outlets as secondary activities, such as the establishment of canteens and kiosks by savings and credit co-operatives or expanding the merchandise sections of agricultural marketing co-operatives.

### **Kenya Agricultural Commodities Co-operative Union (KACCU)**

3.32. All co-operative organizations in the agricultural commodities will be organized into an apex body to be called the Kenya Agricultural Commodities Co-operative Union (KACCU) to be a forum for discussing common problems and interests including pricing, representation of farmers in agricultural parastatal bodies, providing centralized services like computer, education and the development of accounting systems, etc.

### **Co-operative Housing**

3.33. Shelter is a basic human need. However, housing shortage, particularly for the low and middle income groups, both in rural and urban sectors continue to be a serious problem despite the high priority housing development is accorded by the Government. As part of national effort to provide adequate shelter, co-operatives will be encouraged to participate in the development of housing programmes in keeping with the needs of their members. Viewed from the areas supported by the SACCO societies,



housing features as a major element. It is equally true that in the rural areas meaningful improvement of the standard of living is also reflected in terms of housing. Therefore the concept of renewed growth will carry more meaning in the co-operative movement if translated in terms of improved housing.

### **National Housing Co-operative Union (NACHU)**

3.34. NACHU which was registered in 1978 will be the fulcrum for development of co-operative housing programmes and will be the apex union to which housing co-operatives will be affiliated. NACHU's function will include the following:

- (a) Promotion of housing co-operatives.
- (b) Promotion and organizing housing programmes for co-operatives, particularly through the savings and credit co-operatives.
- (c) Planning and development of feasible housing projects for consideration by investors, e.g. the National Housing Corporation.
- (d) The Government will endeavour to assist and support NACHU to enable it to realize its objectives.

### **Industrial Development Through Co-operatives**

3.35. The objectives of industrial development include the following:

- (i) Stimulation of rapid agricultural growth.
- (ii) Expansion and diversification of Kenya's industrial base.
- (iii) Creation of employment opportunities.
- (iv) Stimulation of productivity.
- (v) Development of indigenous entrepreneurs and managers.
- (vi) Support and promotion of agricultural development and the rural development in general.

The co-operative movement is expected to be one of the vehicles for the achievement of these objectives. Some of the areas to be promoted through co-operatives will be:

#### **Formal Sector**

3.36. *Building and Construction Co-operatives.*—Building and construction co-operatives are mainly aimed at creating gainful employment for young people with building skills and are also intended to enable the up-coming artisans to participate fully in the building and construction industry as a whole. Establishing this type of co-operative will continue to be encouraged to enable graduates from village polytechnics and colleges of science and technology, and artisans who have acquired skills in masonry,



plumbing, carpentry and other civil works to be organized for gainful employment. In order to streamline and strengthen operation of the building and construction co-operatives efforts will be made to explore the most economical way of providing such services as quantity surveying, architectural planning, accounting, tendering, administration of contracts, bulk purchase of building materials and supervision of the building works undertaken by the societies.

3.37.—*Small-scale Co-operative Industries.*—Small-scale industries are important particularly in increasing opportunities for gainful employment of artisans and craftsmen. Such industries have a high potential for job creation due to their high labour/capital ratio. The establishment of small-scale industries on co-operative basis will therefore be encouraged with the objective of providing gainful employment. In promoting co-operative participation in the development of small-scale industries emphasis will be put on such activities as farm repairs, manufacture of furniture, utensils, appliances, clothing and footwear. Co-operatives will also be encouraged to participate in projects initiated by Kenya Industrial Estates and to develop such other basic industries as hammer mills.

3.38. *Large-scale Co-operative Industries.*—Where co-operatives are deeply involved in handling of an agricultural crop which serves as a raw material for industry, it is only fair that the vertical integration from production to processing should be on co-operative basis. If such integration is based on efficiency it can be expected to enhance the returns realized by the producers. Agro-processing co-operative industries will therefore be encouraged where appropriate in such areas as grain milling and fish processing. Co-operatives will also be encouraged to participate in or establish plywood, saw-milling and other wood based industries. In order to enhance the viability of such units, Government will assist in establishment of technical service units.

### **Informal Sector**

3.39. *Handicraft Co-operatives.*—The objective of promoting and development of handicraft co-operatives is to raise the income and hence the standard of living of the artisans engaged in handicraft production by providing proper marketing channels and advising on product development. The growth of handicraft co-operatives is being hampered by lack of marketing expertise and management skills. Efforts will therefore be made to improve the quality of management and the marketing arrangements. Action to be taken will include creation of effective domestic channels for retail and wholesale marketing, strengthening of the national body responsible for export marketing and the development and implementation of suitable management system.

3.40. *Jua Kali.*—Jua Kali groups belong to the informal sector which have a vital role to play in contributing to the economic growth of the country. They conserve scarce foreign exchange and require very little



capital to develop. However, the informal sector creates unmarshalled potential as a source of new jobs for the expanding labour force.

3.41. To enable the informal groups to be reached for support, they will need to be developed into formal groups. They will therefore be organized into co-operatives so that credit and other resources can easily be made available and to facilitate marketing of their products. There will be need to review from time to time the possibilities of forming an apex organization to represent this sector.

### **Kazi Co-operatives**

3.42. In the Sessional Paper No. 1 of 1986 on The Economic Management for Renewed Growth, the Government stresses that the great majority of new jobs will be created on farms, in small-scale industries and *services* both rural and urban and not in the cities or in large industry.

3.43. The agricultural sector on the other hand will continue to be the backbone of Kenya's economy and to play this role effectively there are constraints which should be overcome. One of these constraints is inadequate agricultural labour to pick coffee, pluck tea, to weed, to spray, to plant and even harvest. It is in this light that the need for Kazi co-operatives has been established.

3.44. The main objective of this type of a society is the mobilization of human resources, otherwise going to waste through unemployment and underemployment, by bringing together these unemployed or underemployed persons to form a co-operative in order to maximize the use of their labour. As a co-operative, these people are able to collectively undertake manual jobs in both rural and urban areas on contractual basis. In so doing they are enabled to earn a decent livelihood in that they will be engaged in an activity from which they earn an income. At the same time the Kazi co-operatives will assist the country to curb losses now occurring because of lack of agricultural labour and ensure that services that are needed from time to time can be made readily available through the Kazi co-operative.

3.45. The Kazi co-operative is a new innovation and there will therefore be need for a lot of initial support. Established co-operatives, the district development committees, the churches and other institutions will therefore be called upon to play the role of godfathers to the Kazi co-operatives by securing them contracts and other support. The Government will also provide assistance by way of training and financial support besides its promotional services.

### **School Children Co-operatives**

3.46. School children co-operatives are in effect Kazi co-operatives in concept except for the age of the members which will be confined to school children. The philosophy behind them is that school children need to be given the feel for the soil in order to instil in them the love for agriculture and work generally.



3.47. Measures will be taken to encourage the formation of school children co-operatives. Besides promoting awareness of the co-operative principles and the co-operative movement in the country among the youth, school co-operatives will involve school children in practical aspects of the development of the rural areas through gainful employment activities. Appropriate legislative measures will be introduced to facilitate the operation of school children co-operatives.

#### **Kenya National Federation of Co-operative Limited**

3.48. The Kenya National Federation of Co-operatives Ltd. (K.N.F.C.) was formed in 1964 as the apex organization of the co-operative movement in Kenya with the following objectives:

- (a) To be the spokesman of the movement and to promote co-operative interest.
- (b) To be the custodian of the co-operative principles and to propagate the spirit of co-operation.
- (c) To promote the development of the co-operative movement and to advise the Government on co-operative development matters in the country.
- (d) To fulfil such functions and to provide such services as would be required by the co-operative movement.
- (e) To establish an inventory of manpower availability within the co-operative movement.
- (f) To promote movement to movement collaboration both locally and internationally.

3.49. The Government takes cognizance of the role K.N.F.C. should play as the apex co-operative organization. The Government expects K.N.F.C. to continue to be the mouth-piece of the movement at national and international forums; to continue to unite all Co-operatives in the country and to preserve and propagate the democratic co-operative principles and practices on which the movement is founded. Particular emphasis will be given to K.N.F.C.'s role in education and training, printing, insurance and supply of stationery and office equipment to co-operatives. K.N.F.C. is also expected to continue to strengthen its audit services. The Government will therefore support K.N.F.C. in its efforts to improve its managerial capability and financial base so as to enable K.N.F.C. to undertake these activities and provide the services with optimum efficiency and effectiveness.

3.50. Legal expenses are sometimes a burden to co-operative societies and unions, particularly the weak ones. Legal services to co-operatives is



therefore seen as an important service that K.N.F.C. can render to the movement at very reasonable costs. Every assistance and encouragement will therefore be given to K.N.F.C. to enable it to start and develop this service. K.N.F.C. will also be expected to examine the possibility of establishing a management service for the co-operative movement in Kenya.

3.51. It is quite obvious that K.N.F.C. as an apex body of the co-operative movement has not lived up to the expectations of its founders. For it to achieve the objectives for which it was formed, the federation will have to be reorganized and revitalized. As a privately owned institution, such reorganization and the measures for so doing are the responsibility of the movement itself. The Government will, however, provide some guidance and assistance as deemed appropriate to enable the movement to revitalize its apex body so as to enable it to live up to the expectations of its founders and to achieve its objectives.

3.52. The membership of the reconstituted federation will be drawn from the apex organizations with full participation of the Government. The objective will be to form an organization where common problems and interests in the co-operative movement will be discussed. The federation will be involved in the pricing review of the producers and the consumers. The body will be expected to affiliate nationally and internationally with bodies and agencies interested in the co-operative movement.



## CHAPTER 4—SACCO SOCIETIES

4.1. Savings and Credit Co-operatives whether formed by salaried or self-employed individuals shall hence be called "SACCO" societies. Union Banking Sections of Co-operative Unions shall also be known as SACCO societies. What is said about primary societies in Chapter 3 is equally relevant to SACCO societies in terms of policy considerations.

### Salary/Wage Based "SACCO" Societies

4.2. SACCO societies are established with the primary objective of enabling members with a common bond to save regularly together, for the purposes of creating a pool of funds from which those members can obtain credit facilities on softer terms than would be available in the existing financial institutions. The loans so obtained are put to a wide range of uses of direct economic and social benefit to the borrowing member and his family. The main uses have been purchase of houses and smallholder farms, purchase of commercial plots and premises, building of homes, investing in small business ventures and paying of school fees and medical bills. Besides contributing directly to the economic and social welfare of the members and their immediate families, SACCO societies have contributed in their own significant way to the saving capacity of the Kenya nation. The formation of SACCO societies will continue to be encouraged as people's institutional arrangements through which individual citizens can help one another by pooling their savings and investing them in a manner conducive to the welfare of the individual and the family.

4.3. The promotion of SACCO societies has been successful and their growth has been dramatic particularly over the last five years. In 1972, there were 101 SACCO societies with a membership of 36,000. They had accumulated savings amounting to KSh. 16 million and had loaned KSh. 14 million. By end of 1984 the number of SACCO societies had grown to 1,022 with a membership of 600,000. Savings had by that time accumulated to KSh. 2,700 million and KSh. 2,200 million was loaned to members by the same period. The SACCO societies now embrace most of the salaried employees of the public and private sectors of the economy. They exist in practically all Government ministries, parastatal organizations, companies and educational institutions.

4.4. The development of SACCO societies has not been without problems. One of the constraints has been the operation of the check-off system because it has not been mandatory. Some of the employers have been unco-operative and have refused to effect deductions at the request of the member and his society. Other employers effect deductions but use the money as their working capital for months before they remit it to the societies. This undesirable behaviour on the part of employers makes it difficult for the societies to meet the members needs for loans. It makes loan recovery extremely difficult. In order to ensure that the operations of these co-operatives are not frustrated by unco-operative employers, the



Government will introduce the necessary legislative measures to enforce the check-off system and the remittance of money therefrom.

4.5. The noble ideals of mutual trust and solidarity amongst members underlie the lending activities of SACCO societies and are the foundation of these institutions. On the other hand the protection of members funds against losses brought about by non-payment of loans is of paramount importance if the financial collapse of SACCO societies were to be avoided and the members encouraged to invest more of their savings with the societies. Unlike banks and other financial institutions whose lending is normally backed by marketable and realizable securities, SACCO societies lend money to their members on the strength of the member's contribution and personal guarantees of members in the society. The loans are not backed by any realizable collateral security other than the contributions owned by guarantors. In some cases the guarantors contribution do not provide a complete cover for the loan. The societies will be encouraged to demand other forms of realizable security which members can offer to secure large loans.

4.6. In an effort to help their members help themselves the performance of the SACCO societies has so far been satisfactory. Up to now what the societies receive and lend to the members is only members contributions and the retained surplus earned from interest on loans. Since the contributions to the society are not easily and quickly convertible into cash, the members desire for holding some of their savings as interest-earning cash deposits which they can conveniently withdraw has not been catered for.

4.7. As members accumulate more of their savings in the form of contributions with the growth of SACCO societies, the desire to have some of those savings being convertible into liquid cash will grow. In order to cater for this liquidity preference of the members those co-operatives which demonstrate managerial competence, reliability in lending and securing members contribution will be allowed to operate savings accounts for their members.

4.8. In order to improve the liquidity position of SACCO societies and to encourage saving, part of the members contributions will be held as deposit by the society and will not be taken into account when calculating a member's entitlement for loans. The SACCO societies will be expected to pay competitive interest rate to those members who contribute without taking loans.

#### **SACCO Societies for Farmers and Other Self-employed Persons**

4.9. The widespread and fast growth of the co-operative movement since independence has been such that the Co-operative Bank could not cope with the demand for banking services within the co-operative sector. Most co-operatives have had to rely on commercial banks for their day-to-day banking services while certain financial transactions involving disbursement of production credit and processing of payments to producer has had to be



handled by credit sections of co-operative unions and societies in concert with the Co-operative Bank. While in the process of disbursing production loans and crop advances and effecting loan recoveries from individual loanees, some of the credit sections introduced savings accounts for individual members. Through these savings accounts the members receive their payout for produce sold through their societies. Members can also deposit surplus cash and cheques in these accounts and be paid interest on money so deposited. With the introduction of savings accounts, therefore these credit sections evolved into what are called Union Banking Sections. As at 31st December, 1985, there were 16 Union Banking Sections with 540,700 savings accounts and deposits amounting to KSh. 728,800,000.

4.10. While the Government welcomes this development and the willingness of the people to deposit their money with their co-operatives instead of keeping it in their homes as they used to do in the past, it is imperative that appropriate measures be instituted to safeguard the members savings and ensure that the deposits are properly managed for the benefit of the members and the economy of the country. The Union Banking Sections have had no corporate identity, they are run by the unions employees as branches of their respective co-operative unions. The bank accounts in which the Union Banking Sections deposits and other moneys were held are in the names of their respective unions. That in itself made the deposits liable to attachment by trade and other creditors of the unions and were also prone to misuse by the union management. An anomalous situation had also developed where the Co-operative Bank of Kenya had opened branches in the same locations where Union Banking Sections were situated thereby occasioning unnecessary duplication of services within the movement. In order to streamline and harmonize the development of a viable co-operative banking system capable of serving its members efficiently and safeguarding their money at the same time, the Government, in consultation with the co-operatives concerned and the Co-operative Bank of Kenya, will re-organize and incorporate the present banking sections into autonomous SACCO societies with their own boards of directors elected by their members. In order to maintain high standards of staff discipline and efficient management, the Government and the Co-operative Bank of Kenya will assist the new institutions with management systems and in recruitment, training and deployment of management staff responsible for day-to-day running of the institutions.

4.11. The aim of SACCO societies shall be as follows:

- (a) Mobilizing of savings by encouraging members to have proper savings accounts through which they can conduct their financial transactions and thereby minimize the keeping of cash in homes. This will ensure that any would-be idle cash will be employed in some economic activities necessary for the creation of wealth for the people of the nation.



- (b) Providing security and protection of members funds deposits.
- (c) Establishing adequate facilities for credit for members.
- (d) Encouraging capital mobilized within the SACCO societies to be utilized for the benefit of the members.
- (e) Allowing members through their elected directors to determine how the resources of the SACCO societies should be invested for their own benefit.

4.12. The equity of all the SACCO societies shall be owned by members directly and any dividends from operating surplus of the institutions will be paid to the members.

4.13. Some of the constraints affecting SACCO societies are poor management and poor accounting. Comprehensive training programmes aimed at improving financial management and accounting will therefore be designed and implemented expeditiously in order to ensure efficient operation of these institutions and maintenance of public confidence in them.

#### **Kenya Union of Saving & Credit Co-operatives (KUSCCO)**

4.14 The Kenya Union of Saving & Credit Co-operatives Ltd. which was registered in 1973 will be re-organized and revitalized to be the apex body for all SACCO societies to which SACCO societies will affiliate and through which they will affiliate to the appropriate national and international bodies.

Its main objective shall be to cater for the common interest of SACCO societies. In particular its functions shall include:

- (a) To promote the organization and development of sound SACCO societies.
- (b) To disseminate information concerning SACCO societies and coordinate their appropriate methods and practices.
- (c) To maintain uniformity in book-keeping.
- (d) To foster education and training of SACCO members, officials and employees.
- (e) To assist in improvement of internal management of SACCO societies.
- (f) To arrange for a system of protecting SACCO funds against loss and to provide such other services as are of mutual advantage to SACCO societies.



- (g) To facilitate interlending of surplus funds between SACCO societies.
- (h) To liaise with the Ministry of Co-operative Development on behalf of SACCO societies.
- (i) To establish and enforce among SACCO societies a common code of ethics and practices based on co-operative principles.



## CHAPTER 5—CO-OPERATIVE FINANCE AND INVESTMENTS

5.1. As business oriented institutions operating in a market economy, co-operatives are expected to formulate their financial policies aimed at achieving both short-term and long-term financial goals desired by the member. With regard to marketing co-operatives the financial policies should primarily aim at paying the members the highest possible proportion of the price their produce fetches in the market. The essence of high payment is to maintain the confidence in and loyalty to the marketing co-operatives. For SACCO societies their financial policies should aim at raising as much savings as possible from the members in order to increase the amount of loanable funds and to finance as many loan requests as possible from the members so as to maintain the members incentive to save with and borrow from their co-operatives. The financial policies should also aim at maintaining a prudent debt to equity ratio and a firm capital base to ensure corporate survival and independence of the co-operative for the benefit of its members. The pricing policies and the budgets of all co-operatives should reflect and be consistent with their financial policies.

5.2. One of the major problems within the co-operative movement is that majority of the members have low level of education. Consequently the management of the societies has not been satisfactory. This has been demonstrated by the type of budgets prepared by committees. Such budgets tend to overestimate income and underestimate expenses. In some cases, proper books of accounts have not been kept. In view of this inherent weakness, the Government will develop and implement the appropriate co-operative education and training programmes for educating not only business management skills and techniques but also the desirable leadership qualities.

5.3. As presently organized and structured, Kenya's primary and secondary co-operatives are not versatile enough to avail themselves of the opportunities available in the local capital market. They have continued to rely on their traditional sources of operational and development finances, namely:

- (a) Share capital from members.
- (b) Statutory reserves and surpluses.
- (c) Savings generated within the movement and harnessed through the Co-operative Bank.
- (d) Government and international aid agencies.

While these sources might have been adequate in the past they cannot continue to be relied on wholly to finance all investments and operational needs of a fast growing co-operative movement. Apart from Government



and international agencies, the other three sources are dependent upon the level of incomes of the individual members who are largely small-scale farmers and low wage earners. The level of income and the saving capacity of these two categories of the population are affected by many economic and social factors most of which are beyond their control. In particular, falling prices of agricultural commodities coupled with rising costs of production reduce members incomes to the extent of leaving little or no savings for investment. The rising cost of living without a corresponding increase in wages impairs the salaried workers capacity to save and the ability to service the loans advanced to them by their SACCO societies. The availability of Government funds for investment in co-operatives is likewise limited by several factors including the country's inability to generate sufficient revenues and inadequacy of funds from the international agencies. So far this reliance on funds generated within the co-operative movement has on the whole satisfied the movement's financial needs. However, considering the great scope for future expansion of co-operative activities there will be a need to make new financial markets available for the co-operative organizations.

5.4. Despite limited resources the Government has invested large sums of money in the co-operative movement since independence with the aim of boosting productivity of both the individual members and their respective co-operatives. As at December, 1984 the Government had invested a total of KSh. 323,808,361 in the form of grants and loans to 551 marketing co-operatives. At the same time the Co-operative Bank had invested an additional amount of KSh. 359,062,336 by way of loans and overdraft in the co-operative sector. The money invested by the Government and Co-operative Bank has helped to raise productivity and enhanced growth in assets so that the movement in turn has been able to render more and better services to members. These efforts by the Government and the Co-operative Bank have contributed to the success of the co-operative movement in Kenya.

5.5. Co-operatives form a segment of the private sector and like other private enterprises they will be expected and encouraged to adopt financial management principles and practices that enhance the return on capital and efficiency in the use of resources entrusted to them by their members. They will be encouraged to strengthen their capital base and to improve their gearing by additional capital subscription by members or capitalization of surplus as and when necessary. Statutory reserves will continue to be enforced in accordance with co-operative law. Societies will be required to capitalize the reserves and issue bonus shares to those members who have contributed to the realization of such reserves. This will ensure that the newly enrolled members of the society would not lay unfair claims to resources for which they have not worked or contributed to. Valuation of the assets so as to reflect their market value in the societies books of account will be encouraged as an aspect of the accounting policies of the co-operatives. All societies will also be encouraged to maintain a healthy working capital and to minimize their reliance on costly bank overdraft



facilities and other types of advances which, in the recent years, have tended to cut into members payouts.

5.6. Members liabilities in a co-operative are limited to the subscribed capital. This principal is in keeping with the country's statutes and co-operative by-laws. In the marketing co-operatives this principle has not been operating properly in that the members proceeds from the sale of their produce have occasionally been attached by courts to meet the liabilities of the organization as if the co-operative's liabilities were individual member's liabilities. In the marketing of produce the role of co-operative is that of marketing agent because the co-operative does not own the produce. In terms of ownership, the produce remains the property of the individual members until it is sold. The members funds realized from the sale of produce are different from trading surplus or profit and while surplus or profits and any other assets owned by a co-operative could be appropriately attached by a court, funds due for payment to individual members for produce sold should be immune from such attachment unless the attachment is directed to an individual member. Similarly, members produce held by co-operatives while waiting to be sold should not be attached in connection with debts incurred by the society. The Government will introduce appropriate measures to ensure that the individual co-operators are not unduly victimized or otherwise penalized for the mistakes of a corporate body, in this case a co-operative, with separate legal identity and existence. The distinction between the individual member or shareholder and his co-operative as body corporate must continue to be recognized and maintained as the co-operatives diversify into various activities and get involved in more complex business undertakings in the national economy.

### **Investment by Co-operatives**

5.7. For quite a long time, co-operatives confined themselves to primary production of agricultural commodities and savings and credit activities. In recent years however, co-operatives have diversified their undertakings and have invested their resources in such ventures as banking, real estate, manufacturing, tourist hotels and cinemas. These endeavours are only a modest beginning of the movement's participation in the modern sector of the Kenya's economy. The Government will continue to encourage co-operative investments in Kenya's modern sector so long as the investments serve the primary objective of co-operatives, are viable and the benefits derived therefrom accrue to members. Up to now most of the investments in the modern sector have been undertaken by agricultural marketing co-operatives whose initial objectives might not have included such ventures. Moreover, when a commercial investment is undertaken in the name of a marketing or SACCO society it entails exposure of members funds and other assets to the risks inherent in such secondary ventures. In order to minimize such exposure and problems of managing new commercial investments, co-operatives will be encouraged to set up investment



co-operatives through which large commercial investments could be undertaken and managed. Shareholding in these investment entities will be limited to individual members who have contributed to the investment and who will be entitled to reap the benefits from the investments in perpetuity. This approach would provide adequate protection of members savings, deposits and payouts from attachment by creditors because of debts arising from secondary commercial activities carried out by subsidiary or associated bodies. This pattern of institutional arrangement to suit the investments being undertaken is not new to the co-operative movement and it has already been applied in connection with the Co-operative Insurance Services Ltd. which was created to provide insurance services which the K.N.F.C. had initiated as an activity under its umbrella.

5.8. All co-operative investment programmes with or without Government participation will continue to be appraised and approved in accordance with the co-operative legislation and the by-laws of the co-operative concerned. In encouraging co-operative investments the Government will ensure that members funds are invested only in economically viable projects and that funds from marketing and the SACCO societies will be invested in new projects only with the approval of members and after the necessary requirements have been met.

5.9. A number of co-operatives have invested their funds in real estate in the major urban areas. Although the return on such investments could be high and therefore financially attractive, their developmental effects and benefits to the members of the co-operative concerned might be less favourable compared to capital projects like coffee factories or cotton ginneries, etc. In their choice of projects therefore, co-operatives will be encouraged to give preference to those projects which will enhance their productivity and at the same time yield maximum benefits to their members. With regard to short-term investment of liquid assets, co-operatives will be discouraged from investing in or entrusting such assets to finance companies or other organizations whose status is not well established in financial markets. Co-operatives will be encouraged to invest liquid assets in sound financial institutions.

### **Development of Co-operative Financial Institutions**

5.10 Kenya has a well established banking system which provides services in urban and peri-urban areas of the country. Where these banks have moved into rural settings their prime goals in such areas have been to tap the local savings for lending to their commercial and industrial clientele in major urban areas. This banking system is an integral part of the growing money market which is not very responsive to the needs of a rural economy. Through the instruments of monetary policy the Government intervenes from time to time by directing the commercial banks to lend certain portion of deposits to certain sectors like agriculture and small business. At the same time, and in pursuit of its long-term objective of integration and



expansion of the economy the Government expects the banking system to play an important role in the modernization and monetization of Kenya's rural economy by mobilizing domestic savings and extending production credit to those who need it.

5.11. The Government encouraged and assisted in the setting up of the Co-operative Bank of Kenya in order to ensure that the savings and other deposits accruing within the co-operatives sector were available for re-investment in the same sector to generate more income for the co-operators. The bank started operations in 1968 with a share capital of KSh. 225,800 from the co-operative societies and a Government grant of KSh. 214,000. Since inception the reserves of the bank grew to KSh. 7,261,800 with deposits amounting to KSh. 804,648,800 as at 30th June, 1985. Its share capital stood at KSh. 53,797,000 subscribed by 1,800 co-operatives. From its own resources the bank had extended loans amounting to about KSh. 359,062,336 to co-operatives since inception. Although since 1981 the bank has opened branches in Kisumu, Meru, Nakuru, Kisii, Industrial Area in Nairobi, and a mobile agency service in Chuka in Meru, the Co-operative Bank of Kenya will be encouraged to make services more accessible to the members of the co-operative movement, particularly in the rural areas.

5.12. The Co-operative Bank has made effort to meet the short-term financial needs and some medium-term loan requirements of the co-operatives. Arrangements are being made by the Co-operative Bank of Kenya to meet the co-operatives needs for long-term loans.

### **Taxation**

5.13. Under the current provisions of the Income Tax Act, a marketing co-operative is exempted from paying tax on all income resulting from sale of members produce, so long as the income is not retained but paid out to the members after deducting marketing expenses. In fact the tax law not only exempts income due to producers from tax but also encourages the society to pay the producers. This is consistent with the Government policy which requires that benefits of prices guaranteed by the Government must be received by the producers. For savings and credit societies, interest arising out of "trading" with members is tax free. The co-operative taxation will be kept in constant review to ensure clear distinction is made between individual members' income and the society's income so as to avoid double taxation upon the members as individuals.

### **Co-operative Insurance**

5.14. The idea of introducing co-operative insurance in Kenya was mooted in 1968 by the Kenya National Federation of Co-operatives (K.N.F.C.) Ltd., when it was considered that co-operatives would stand to gain by channelling their insurance policies through a central point. In August of the same year an agency on commission basis was started and by the end of 1969 the agency had three clients. But it was not until after 1972 that the



agency grew from three participating co-operatives in that year to 137 in 1977. The premiums also rose from KSh. 266,855 to KSh. 3,072,000 during the period. The performance of the agency in terms of premiums and claims showed that the business was good enough to justify the establishment of an insurance society. In May, 1978, the Co-operative Insurance Services Ltd., was registered as an insurer under the Companies Act. It was licensed under the Insurance Act to transact all classes of non-life insurance business. Gross premium income grew from KSh. 3.5 million in 1979 to KSh. 21.2 million in 1984. Claim expenses grew from KSh. 0.2 million to KSh. 4.8 million respectively. In meeting the insurance needs of the co-operative sector, the Co-operative Insurance Services Ltd. operates several classes of insurance including:

- (i) Fire insurance to cover damages or losses occasioned by fire.
- (ii) General accident insurance to cover damages, losses or injuries arising out of accidents.
- (iii) Motor insurance to cover damages, losses or liabilities arising from operating motor vehicles.
- (iv) Loan protection and insurance for members savings for protecting society's loans and members savings in the event of death of a member.
- (v) Employee group life insurance to provide benefits to dependants in events of death of an employee.

5.15. Although it has made considerable progress, the Co-operative Insurance Services Ltd. (C.I.S.) is still a young organization and has therefore a lot of scope and potential for development. Out of an authorized share capital of KSh. 10 million, KSh. 3 million has been subscribed. Out of 1,000 savings and credit co-operative societies registered by the end of 1983, only 445 had protected their loans to members and insured members savings through C.I.S. It is further estimated that only 50 per cent of the marketing co-operatives have insured with C.I.S. and even then only for limited aspects of their insurance needs. On the other hand, the need for and the benefits of insurance are not fully understood and accepted within the co-operative sector. For instance, out of 1,000 savings and credit societies registered by the end of 1983, only 445 had insurance. In other types of co-operative societies the majority of members know little about insurance and it is not uncommon to find that only the clearly statutory insurance is taken out. Clearly therefore a lot of education and marketing efforts by the industry including C.I.S. will require to be undertaken to increase awareness of the importance and benefits of insurance within the country. This will have the objective of ensuring that all the insurance needs



of co-operative societies and their members are well satisfied in the long run.

5.16. In taking up insurance cover for themselves and their members the co-operatives will be encouraged to patronize the C.I.S. because it is owned and controlled by the movement and because they stand to benefit from surpluses made from the business of C.I.S. In the development of co-operative insurance a number of measures will be taken including the following:

- (a) All SACCO societies will be required to take up insurance through KUSCCO to protect their loans and members savings in the event of death. Societies will be encouraged to cover these risks with C.I.S. as long as C.I.S. offers efficient services on competitive terms.
- (b) Co-operative societies will be encouraged to take up group life insurance for employees.
- (c) Attention will seriously be given to the insurance needs of members as distinct from those of co-operatives as corporate entities including life insurance, protection against accidents, sickness and provision for education of children.
- (d) C.I.S. will be encouraged to relate to Government policies particularly the re-introduced G.M.R., including insurance of members livestock.

5.17. Overall, the system of co-operative finance elaborated in this paper should be able to provide efficient financial services to the co-operative movement at reasonable cost and to serve as a channel through which the movement will have access to wider market for loanable funds. The realization of the goals of this policy will depend on the availability of competent and honest management staff and resourceful board members to guide the staff of the institutions. The co-operative movement in collaboration with the Government will work out a programme for training of the requisite manpower for these co-operative financial institutions including the use of the recently established Co-operative Bank of Kenya Training Centre and the Co-operative College.



## CHAPTER 6—THE ROLE OF GOVERNMENT IN CO-OPERATIVE DEVELOPMENT AND MANAGEMENT

6.1. As stressed throughout this paper co-operatives are privately owned business enterprises organized by the owners to achieve certain objectives spelt in their respective by-laws. The management of the co-operatives is entrusted to elected management committees (or boards) and employees hired by them. Basically the role of Government is, firstly to register the co-operative so as to bring them into existence as legal entities each with its own corporate identity and, secondly, to assist the co-operatives to achieve the objectives for which they are formed.

6.2. Right from its inception in 1930s the co-operative movement in Kenya has enjoyed total Government support because of its strong links and direct involvement with the majority of small-scale farmers and, lately, large numbers of salaried workers in the development of the country. Soon after independence the then department of co-operative development was strengthened and charged with responsibility for registering co-operatives and then guiding, supervising and controlling their operations so as to enable them achieve their objectives. With widespread growth of the co-operative movement its important role in the economic development of the country also grew but not without internal problems of management and leadership. The Government found it appropriate to create a Ministry of Co-operative Development incorporating the then department of co-operative development in order to give adequate attention to the growth and management of co-operative enterprises. The ministry was created in 1974 with the prime objective of developing co-operatives into viable, self-sustaining business entities with responsible leadership and competent management capable of fulfilling the aspirations of their respective members. In pursuit of that objective the ministry renders a variety of business advisory services to co-operatives by undertaking several tasks, of which the main ones are:

- (a) To formulate policy for governing the development of the co-operative sector in order to ensure that the growth of the sector is in keeping with the overall national development policies and priorities.
- (b) Registration of societies.
- (c) To evaluate on a continuous basis the viability of the existing co-operatives with a view to recommending to the members the re-organization and/or restructuring to enhance operational efficiency for the benefit of members.
- (d) To advise co-operatives on better management of their resources for higher productivity and better financial return and other benefits to the members.



- (e) To design suitable management systems including accounting systems to be used by co-operatives in order to facilitate the achievement of the objectives for which they were established.
- (f) To audit or arrange for the audit of the co-operatives books of accounts and for *ad hoc* audit and inspection of co-operatives operations and activities as and when necessary in order to ascertain proper and legitimate use of co-operatives resources, as prescribed in the law and the co-operatives by-laws.
- (g) To plan and implement suitable educational and training programmes for the enlightenment of the general membership of the co-operatives movement and for imparting knowledge and skills to management committees and their employees so that they can improve the quality of their service to members.
- (h) To provide development loans and credit facilities which members can avail themselves of (through their respective co-operatives) to finance productive enterprises.
- (i) To supervise or otherwise oversee generally the operations of co-operative societies, unions and apex organizations to ensure that members interests are served in the best way possible, that their funds are well secured, and that management committees and staff remain fully accountable to their members. The justification for Government involvement in these functions and the proposed policy changes are outlined in the following paragraphs.

### **Administration and Management Services**

6.3. Formulation of co-operative development policies has been the primary responsibility of Government in as much as it has responsibility for formulating policies for other sectors of the economy. The first paper was published by the Government in 1970 as Sessional Paper No. 8 of that year. Second paper was published and issued as Sessional Paper No. 14 of 1975. It is the intention of the Government to continue the responsibility for formulating policy on co-operative development. It is in the exercise of that responsibility that this paper is being issued.

6.4. Co-operatives are created as corporate bodies through registration by the Government which will continue to exercise control over the registration of co-operatives in accordance with the law. More thorough appraisal methods will be introduced to ensure that only economically viable co-operatives are registered. This will avoid the waste of valuable resources that has been experienced over the years when members tried to shore-up un-economic co-operative enterprises. In 1985 there were 4,500 registered co-operatives out of which over 3,000 were reported to be active



and serving their respective members. The Government has no intention of keeping dormant co-operatives on the register. Efforts will therefore be made to wind-up and cancel the registration of all dormant co-operatives.

6.5. After registration, co-operatives would normally be left to manage their affairs as efficiently and as responsibly as they can in accordance with their by-laws and the legislation in force. However, the involvement of Government in the administration and management of the co-operatives is promoted by several factors including:

- (a) The economic importance of the co-operatives to the nation.
- (b) The inability of the members themselves to control and direct their co-operatives owing to inadequate education and lack of business acumen.
- (c) Lack of commitment and know how among some of the members of management committees and staff of the co-operative with the consequent misuse of members funds and other resources.
- (d) Conflicts brought about in the affairs of co-operatives by individuals for personal interests. Government involvement has been by way of managerial guidance and supervision, education and training of members of staff and financial support. In particular the Government assists co-operatives in designing and implementing management systems so as to enhance efficiency in the use of resources.

The systems include personnel management guidelines and systems for merchandise, transport and office management. The Government will continue giving this type of help but the co-operatives will be expected to develop the appropriate management capability to take full control of their own affairs.

6.6. Besides the problems of administration and general management, the co-operatives, especially those dealing in agricultural produce, have had problems of marketing and market research. Information of market trends, consumer behaviour, and the emergence of other competing products has not been available in time for co-operatives to institute appropriate measures or to advise their members on the right course of action. This problem has affected commodities like horticultural crops, bixa, cashew-nuts and others in varying degrees. Government will assist in finding solutions to this problem while expecting the co-operatives to assume responsibility for marketing and market research for the products they are handling for and on behalf of their members.

6.7. Financial management and proper accounting are so important to modern institutions including co-operatives that the Government found it necessary to help the co-operatives to improve on their own performance of this function. The Government's policy in co-operative accounting aims at



ensuring that adequate accounting and financial control systems are developed, implemented and maintained by the co-operative societies and unions. The purpose of such systems is threefold. Firstly, the maintainance of accounting and financial control systems provide the management with relevant accounting information for planning, decision-making and control. Secondly, the data obtained through the accounting systems enables members and other interested parties to evaluate the performance of the management and to have a fair impression of the economic and financial position of the co-operatives. Thirdly, the accounting systems facilitate the safe-guarding of cash, inventory, produce and other assets of the co-operatives.

6.8. Since independence, the Government has designed various accounting and financial control systems for implementation in those societies and unions, handling or dealing in coffee, milk, pyrethrum, cotton, fisheries, sugar-cane, handicraft and Union Banking Sections. Other systems have also been designed for savings and credit co-operatives now referred to as SACCO societies. The systems have worked reasonably well in many societies but there have been difficulties in making the systems work in some co-operatives. These difficulties are attributed mainly to:

- (a) Reluctance on the part of some of management committees and their senior staff to implement the systems.
- (b) Lack of adequately trained personnel to implement and maintain the systems.
- (c) High turnover of good accounts staff in Government and the co-operative movement owing to the more attractive remuneration offered by the modern private sector.
- (d) Application of the systems to marginally viable or unviable co-operatives.

6.9. Government will continue to insist on efficient financial management and proper accounting in all co-operatives throughout the country and will expect the co-operative establishments to conform to the discipline that goes with the finance function. In directing and managing the affairs of the unions and societies, the management committees are holding positions of trust and, as such, they are expected to account for all the funds and other resources at their care by keeping accurate records and accounts capable of independent scrutiny. The preparation of budgets, the keeping of proper books of accounts and production of annual accounts will continue to be mandatory for all co-operatives in order to ensure that good financial management is practised and that proper accounting systems are maintained in all societies. On its part the Government will continue to assist with the design and implementation of accounting systems but it will be the responsibility of the co-operative management to ensure that the systems are operating as expected. The copyright for the systems will be retained by



the Government, for the benefit of the co-operatives. In order to enhance the managements accountability to the members, all co-operatives will be required to publicise their budgets and annual accounts to members prior to convening the general meetings intended to approve the budgets and/or accounts. Other measures will include intensification of training for all co-operative employees and Government officers involved in finance management and accounting and a more thorough appraisal of the co-operatives to ascertain their economic viability before implementation of the systems. In addition, co-operatives will be encouraged to set up internal audit units which will be reporting to the management committees.

### Audit Services

6.10. The audit of books of accounts is an important facet of modern business administration, if properly carried out, it can yield useful information for the management and other parties interested in the state of enterprise. Besides it being a statutory requirement there are other desirable objectives for auditing accounts of co-operatives, the main ones being:

- (a) To examine the recorded accounting transactions so as to ascertain whether—
  - (i) they reflect fairly the true financial position of the co-operative;
  - (ii) they comply with the generally accepted accounting principles;
  - (iii) they comply with the approved budgets, the co-operative legislation in force and the by-laws of the co-operative;
  - (iv) any frauds or errors have been committed and to what extent, and to recommend remedial measures necessary;
  - (v) to state whether profit or loss is genuine.
- (b) To certify whether the figures contained in the final accounts can be relied upon by either the shareholders or interested third parties.
- (c) To generally comment on the financial performance of the co-operative if need be and where warranted.

Despite the obvious importance audit appears to be, many co-operatives have not had their books audited for several years. By the end of 1985, only 174 societies had their audits up-to-date, and 512 societies up to the end of 1984. So far societies with audit in arrears up to 2 years are 322, those up to 3 years are 254 and those over 3 years are 591.



6.11. Under the present legislation the responsibility for auditing the societies books lies with the Government and is exercised by the Commissioner for Co-operative Development who has the statutory duty to see that the books are audited by an auditor appointed or approved by him. At present the Government auditors are capable of handling about 40 per cent in any one year while 60 per cent is done by private auditors.

6.12. Some of the co-operatives are financially weak and incapable of paying the high fees demanded by the private auditors. Some officials of the co-operatives do not appreciate fully the role of audit in the management of their enterprises and they only have their accounts audited to satisfy the Government requirements especially the tax authorities. This situation makes it difficult for the Government to divest itself of the responsibility for auditing the co-operative books of accounts because the alternative to providing the service would be to compel the co-operatives to have their books audited at the pain of prosecution. Such a move would not be in the interest of the co-operatives or the country.

6.13. The Government will therefore continue to ensure that the audit services are provided but the duty to have the accounts audited shall lie with the co-operatives themselves. However, the Commissioner for Co-operative Development will have the power to cause the societies to have their books audited where the societies fail to submit their books for audit within three months after the end of the financial year. In its effort to improve the audit service, the Government has been faced with constraints, the main ones being:

- (a) The scarcity of qualified auditors and accountants within the country generally and particularly in the Ministry of Co-operative Development.
- (b) Poor book-keeping in some co-operatives which makes their audit more time-consuming and hence unpopular with private auditors.
- (c) Inability of some of the co-operatives to pay competitive fees to private auditors with consequent over-reliance on the few Government auditors.
- (d) Scarcity of funds in Government to equip and facilitate the mobility of the few auditors available.

6.14. Through its education and training programme the Government has done its best to ease the scarcity of accountants and auditors and the situation is expected to improve as more of these professionals come into the labour market from various institutions within and outside the country. With more and better qualified auditors the service is expected to improve. The co-operatives will be expected to meet a large portion if not the full cost of the audit services provided to them by the Government. In addition the Government has established a full-fledged department of audit within the



ministry. The department will be strengthened with a view to doing all the audit work in the co-operative sector in collaboration with K.N.F.C. In the long run, the co-operatives will also be encouraged to set up internal audit units which will be reporting to the management.

6.15. All the Government functions described in this chapter aim at complementing the efforts of the co-operatives and assisting them realize the objectives stated in their respective by-laws. These objectives invariably aim at the betterment of the life of the members. Like other enterprises in the private sector, the existence and success of the co-operatives will depend on efficient management of their business and the support of their members and customers rather than on Government assistance or patronage. Indeed it is a long-term policy of the Government to gradually phase out its assistance and direct intervention in the affairs of co-operatives as they develop the necessary managerial capability and responsible leadership. Efforts will be made to create a climate of confidence and working relationship in which such management and leadership can develop unhampered. For the time being, however, it is necessary for the Government to continue providing business advisory services and some limited financial support to co-operatives for reasons stated in this paper. Government will intervene in the day-to-day running of co-operatives only when it is necessary to correct or forestall abuse by staff and leaders of the movement. It is in the interest of management committees and their staff to minimize such intervention by conducting the affairs of their co-operatives in an honest and efficient manner as expected of them by their members.



## CHAPTER 7—CO-OPERATIVE EDUCATION AND TRAINING SERVICE

7.1. As already indicated in several parts of this paper, many of the problems afflicting the co-operative movement in Kenya have been traced back to lack of the necessary management skills and knowledge among the members and employees of the co-operatives. Although they have become some of the most widespread institutions and are now quite a prominent feature of Kenya's economy, co-operatives are relatively modern organizations the management of which requires modern skills and knowledge including change of attitudes. The manpower constraints within the co-operatives and consequent inefficient operations and losses of funds tended to frustrate the commendable efforts of the ordinary members who had little or no means of solving their problems. The Government was also constrained by a shortage of competent personnel capable of providing the services needed by the movement. It therefore became necessary to initiate training programmes for the members of the movement and their employees on the one hand and public officers who were to provide specialized services needed by the co-operatives on the other.

7.2. The Government policy in co-operative education and training aims at:

- (a) Developing an enlightened and responsible leadership capable of directing and effectively controlling enterprises for the benefit of members.
- (b) Imparting knowledge and skills needed to enhance efficiency and effectiveness in the services rendered to the co-operatives by the movements employees and the public officers.
- (c) Encouraging the members, the officials, the employees of the movement and the public officers to cultivate the time-honoured values of diligence and integrity, to be mindful of members' welfare and to uphold the ideals of co-operation for continued prosperity of the movement and the nation.

7.3. In order to achieve these aims the Government and the movement will organize various educational programmes, seminars and courses both at district level and at the Co-operative College, the main ones being:

- (a) Members educational programmes.
- (b) Committee members courses and seminars.
- (c) Co-operative Business Administration course (C.B.A.).
- (d) Certificate in Co-operative Administration course (C.C.A.).



(e) Co-operative Banking Management course (C.B.M.).

(f) Diploma Course in Co-operative Management.

(g) Specialized courses both locally and overseas.

7.4. The curricula for all the courses are designed to meet the need for skills and knowledge in the co-operative sector. For educational programmes organized for the committee members, the emphasis is on the general understanding of co-operative legislation, principles of co-operation and the by-laws of the societies, procedure for convening and conducting meetings, simple book-keeping and accounting, and some elementary knowledge of financial management. The main aim of members educational programmes is to enable the members to understand the democratic nature of the co-operatives, the accountability of the management committees to the members, and to gain an insight into the work of their co-operative employees so that they (members) can supervise and control the activities of their employees. The overall objective is to enable the members to evaluate information and to make sound decisions.

7.5. The C .B. A., C. C. A., C. B. M. and diploma courses are aimed at imparting specialized knowledge and professional skills into the employees of the movement and the public officers responsible for providing business advisory services to co-operatives. Emphasis is placed on business management skills including financial management and accounting, auditing, personnel management, merchandise management and commercial and co-operative laws. The overall objective of these courses is to improve the quality of service and to enhance the efficiency in the use of co-operative resources for the benefit of the members and their organizations.

7.6. Over the last three years the number of active co-operatives have risen from 2,424 (1981) with 1,490,538 members to 3,064 in 1984 with 1,722,517 members. During the same period the Government ran 1,378 courses and seminars for 17,897 committee members from unions and societies. For the employees of the movement 618 courses were organized for 19,731 staff over the same period. In the past four years (1981-85) 333 Government officers were trained. Some of these courses were held in the Co-operative College of Kenya and others, particularly members and committee members educational programmes, were held at the farmers training and district development centres, colleges of science and technology and other places. The K.N.F.C. also conducted a number of seminars and field days for the members. Government officers serving the movement have principally been trained at the Co-operative College although others have been offered training opportunities in institutions such as G.T.I., Maseno and K.I.A. Others have been sent abroad for specialized training.

7.7. With the rapid expansion and growth of the co-operative movement and diversification of its activities there has been an increase in demand for



training of the personnel involved in running of co-operative enterprise. Owing to certain constraints the Government has found it increasingly difficult to cope with such demand. The main constraints are:

- (a) Inadequacy of the existing training facilities and lack of funds to expand them or build new ones.
- (b) High turnover of the training staff.
- (c) Inability of some of the co-operatives to retain their trained staff owing to poor remuneration and job security.

7.8. The main training institution for the movement is the Co-operative College of Kenya which was established in 1967 with a capacity of 10 students and has now a capacity of 320 students. 80 per cent of the college capacity is devoted to the movement's needs for training of its members and employees, while 20 per cent is taken up by Government for training of public officers who go out to supervise and advise co-operatives on better ways of managing their business. Since its inception, the college has trained 4,953 committee members, and 11,234 employees of the movement. The college will continue to be the business school for the movement. The number of permanent staff of the movement requiring training stands at over 30,000 employees and in order to cope with this demand, the college capacity will need to be expanded considerable. Towards this end, the Government will look into the possibilities of expanding the facilities of the college.

7.9. In order to complement the facilities available at the college the Government will encourage the decentralization of training to the district level where the movement will be expected to play a more active role than hitherto, for instance in the establishment of district co-operative training centres. In order to facilitate effective decentralization, the college will undertake an expeditious training of trainers programme. Similarly there will be a greater emphasis on on-the-job training for employees of the co-operatives so that training becomes result oriented including finding solutions to the real problems facing the movement.

7.10. The administration of the Co-operative College will be reorganized and put under an independent Board of Governors which will replace the present college committee. This will give the college its rightful status and allow it to function flexibly like other institutions of higher learning and to give better service to the movement and the country. The board will be appointed by the Minister for Co-operative Development and shall consist of representatives of the co-operative movement.

7.11. In view of the rapid expansion of the co-operative movement and the growth of the co-operative institutions, there will be a growing demand for high level manpower. To meet this demand, the Government will call upon the local universities to introduce co-operative management as a full degree course in addition to courses offered at the Co-operative College of Kenya.



7.12. In order to improve the efficiency of management, the movement will be called upon to meet an increasing part of the cost of training the co-operative movement staff, committee member and the members. Towards this end, the Government will introduce a training levy on the co-operative movement to be based on turnover. The levy will be administered by a Board of Trustees appointed by the Minister for Co-operative Development, who will publish their names in the official *Kenya Gazette*.



## CHAPTER 8—CONCLUSION

8.1. The rate at which social and economic changes are taking place in Kenya is fairly fast and the country's institutions will have to keep on adjusting themselves to the changes if they are to continue to exist. One of these very important changes is the new strategy of District Focus for Rural Development. The policies described in this paper are meant to clarify the framework within which the co-operatives will continue to operate and to adjust themselves in their effort to cope with the changes in their environment and particularly with the new strategy. In an effort to direct and manage some of the changes, the Government produced its Fifth Development Plan 1983-88 the theme of which was mobilization of resources for development. The co-operatives are expected to play their role fully in the process of mobilizing domestic resources for development and the policies spelt out in this paper should enhance their ability to do so. These policies should also enable the co-operatives to seize each and every available opportunity to promote their interests and advance the causes of their members.

8.2. The policy of the Government is to leave the people to choose the form of economic organization which suits them best. However, as a democratic Government, it will continue to help the people in their efforts to help themselves. The responsibility for organization and the management of co-operatives will continue to be that of the members and their management committees. The role of the Government will continue to be that of advising and assisting the co-operatives to manage their enterprises for the optimum benefit of their members.

8.3. Co-operatives are involved in a wide spectrum of economic activities and this diversity necessitates the co-operation of most of Government agencies in helping to resolve many of the problems affecting co-operatives enterprises. It is therefore expected that, in addition to the services the Government will provide to the movement through the ministry responsible for co-operative development for the implementation of these policies, all other Government ministries, departments and agencies will offer their assistance whenever they are required to do so so as to enhance co-operative development in the spirit of the policies described in this paper.