CURRENT FEATURES OF THE CO-OPERATIVE MOVEMENT IN KENYA

by

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1. Introduction

The Kenya Co-operative movement is Government promoted, guided and supervised through the Ministry for Co-operative Development that was founded in 1975. The movement however continues to enjoy democratic control and management by and for members themselves, through elected committee members (Directors) at Annual General Meetings of members.

Support by the Ministry for Co-operative Development is mainly geared towards enhancement of:-

a) Promotion of new Co-operatives and expansion into new areas

b) Continuous supervision aimed at control and development functions

c) Education of members, committee members and society employees to improve the quality of management of Co-operative societies.

The Government uses the Co-operative movement as a tool for promotion particularly of agricultural production of both food and cash crops, mainly because Kenya is basically an agricultural country. A deliberate move has also been made to mobilise local savings for use by Co-operators, in all possible ways that will help increase their finances for investment and overall alleviation of living standards.

However, for the Co-operative movement to "warrant continued investment of Government resources at the expense of other development projects, the movement has to prove that it can offer comparably competitive goods and services like other organisations" (Kenya Government Development Plan 1979/83). This challenge has been met to a reasonable extent as will be seen later from current statistics.

2. Types of Co-operatives in Kenya

The following are the types of Co-operatives in Kenya at the moment, and in order of economic impact in the country:-

a) Agricultural Marketing - Handling Cash Crops Mainly:

i) Coffee - The main foreign exchange earner for Kenya, and second to tourism.

ii) Cotton - Provides almost all the cotton needed for local textile industries

iii) Pyrethrum - For export and local use for production of insecticides.

iv) Dairy - Supplies enough milk and other dairy products for local market (some export) through Kenya Co-operative creameries.

v) Sugar Cane - Produces enough sugar for local consumption (some export) to some African countries.

vi) Others, nuts e.g. cashew nuts, ground nuts, poultry, cereals etc.

b) Non-agricultural Co-operatives

i) Savings and Credit (Credit Unions)

are operational mainly within the capital city (Nairobi) and other urban area, plantations, churches amongst regular income earners. The 1982 WOCCU (World Council of Credit Unions) report indicated that Kenya was leading in Credit Union Development in Africa.

ii) Handcraft Co-operatives:

Are doing well especially in rural areas. Main activities are wood carving, weaving, pottery and knitting.

iii) Consumer Co-operatives:

Mainly retail Co-operatives, with a national Nairobi Consumers Co-operative Union. These have not been very successful due to various operational problems - leakages being the main ones.

iv) Housing Co-operatives:

Mainly for middle and low income groups. They operate in both rural and urban areas. They are not successful due to problems of raising the initial capital and the high cost of land and construction in urban areas.

v) Fisheries Co-operatives:

These are restricted to lake areas and the coastal strip of the Indian Ocean. These Co-operatives would do better with adequate facilities for modern fishing methods, storage and marketing technique and equipment.

vi) Timber and Charcoal:

Newly introduced and are faced by problems of capital and other resources as well as private dealers competition.

vii) Transport:

Relatively new and faced by some problems.

viii) Building and Construction (Contractors):

These Co-operatives are new but doing well beside competition by private well established dealers.

c) Other Types of Co-operative Organisation

i) K.N.F.C.

Kenya National Federation of Co-operatives is an affiliate of International Co-operate Alliance and the umbrella of all Co-operatives in Kenya. Its

Directors are elected at the Delegates Annual General Meetings. Delegates are drawn from K.N.F.C. affiliates who are mainly District Co-operative Unions and other secondary or primary Co-operative Organisations. K.N.F.C. offers the following services to the Co-operative movement:

- Printing — Currently supplies 50% of Co-operative stationeries in the country.
- Audit — Currently handles 8% of the Co-operative movement audits.
- C.I.S. — Co-operative Insurance Services Ltd. (an insurer for the Kenya Co-operative movement) is a brainchild of K.N.F.C., though at the moment, C.I.S. operates independently.

ii) <u>K.U.S.C.C.O.</u>

Kenya Union of Savings and Credit Co-operatives is the umbrella organisation for Savings and Credit Co-operatives in Kenya and though faced by managerial and financial problems offers the following services to Credit Co-operatives:

- Promotion of new Credit Co-operatives in collaboration with Ministerial officers.
- Sale of Co-operative stationeries as an agent of K.N.F.C.

- Keeping services for financially weak credit co-operatives at a subsidised fee.

- Education and training

- A risk management programme - coverage on savings and loans for members.

K.U.S.C.C.O. is run by Directors elected at Delegates Annual General Meetings of K.U.S.C.C.O. affiliates all over the country. Affiliates are the country's credit Co-operatives.

iii) K.P.C.U.

Kenya Planters Co-operative Union deals with final processing of coffee for the country's Co-operative organisations who are also affiliates. These are mainly District Co-operative Unions and some coffee primary Co-operatives as well as a few coffee farmers. The union is run by a Board of Directors drawn from C-operative organisations it represents. K.P.C.U. works closely with coffee board of Kenya that markets Kenya coffee.

iv) K.C.C.

Kenya Co-operative Creameries - Handles milk from dairy Co-operatives in the country and that from private dairy farmers. K.C.C. processes all the dairy products e.g. cheese, butter and milk in various forms. K.C.C. provides enough milk and dairy products for the local market. K.C.C. operates through branches in key areas all over the country.

v) K.F.A.

Kenya Farmers Association is a major distributor of agricultural inputs (mainly to agricultural Co-operatives) and markets farm produce from cereals co-operative societies and individual farmers. The main crops are maize, wheat, barley and oats.

vi) Co-operative Bank of Kenya

is the banker for the Co-operative movement and run by board members elected at a Delegates Annual General Meeting. Delegates represent bank members who are either secondary or primary Co-operative Societies. The Bank has its Headquarters in Co-operative House Ltd. in Nairobi and branches in major provinces in the country. The bank that is now referred to as "the bank on the move" has made tremendous progress over a short time and is still growing as evidenced by ownership of 50% shares in Co-operative House Headquarters, a 27 storey building at the city centre of Nairobi and the planned investments that include opening of more branches in the country as well as the floating of a Co-operative investments company. The bank has shares in Co-operative Insurance Services (C.I.S.).

80% of Co-operative Societies in the country at the moment bank their money with Kenya Co-op. Bank and the remaining 20% are those operating where the bank has no branches.

vii) Kenya Co-operative College

is Government owned but deals with education and training of both the movement and ministerial officers. The primary aim is to equip the movement with adequate techniques in the management of Co-operatives. The college though with more room for expansion has a capacity of 300 students. At the moment about 65% of the movement staff owe their training to the college.

viii) N.H.C.U.

National Housing Co-operative Union is the umbrella organisation for housing Co-operatives and though formed in 1978 has not taken off the ground due to limitations in funds. Its main services were intended to be:

- Provision of loan capital to primary Co-ops.

- Technical advice in building and construction work.

- Education to members.

ix) K.C.U.

Kenya Crafts Union is the umbrella organisation for handcraft Co-operatives and though faced by managerial and financial problems is doing well. Some crafts are now exported to U.K., U.S. and West Germany.

3. Distribution of Co-operatives in Kenya

a) Agricultural Marketing

Mainly in the rural areas amongst peasant farmers; and in form of primary agricultural Co-operatives affiliated to Multi-purpose District Co-operative Unions in all districts all over the country. The multi-purpose activities of the Union are:

- Supply of farm inputs in cash or on credit that is usually tied up to marketing of produce. Monopoly of marketing major cash crops is restricted to Co-operatives. There are several credit schemes covering both cash and food crops separately and administered through Kenya Co-operative Bank.

- Accounting and managerial services.

- Part processing of produce.

- Banking services - mainly of proceeds of marketed produce to encourage members thrift and improve credit worthiness.

- Education and training of Co-operators and society staff through Union's C.E.P.O.S. - Co-operative Education and Publicity Officers.

b) Savings and Credit Co-operatives

Mainly in the urban areas with the capital city (Nairobi) taking the lion's share of 75%. These Co-operatives have developed astronomically due to "check-off system facilities" - a systematic arrangement between employer organisation and Co-operative Societies whereby a member's monthly savings loan repayment and interest are deducted from a member's salary at source each month and total proceeds paid to the Co-operative by cheque every end of month. At the moment, there are credit Co-ops. in all Government Ministries, Departments, Training and other Institutions, Government parastatal organisations, all multinational companies and other companies, local authority employees, teachers etc.

The following statistics indicate the growth of credit Co-ops. in Kenya:

Year	No. of Co-ops	Savings in Kenya shillings	Loans in Kenya shillings
1975	100	100,000,000	90,000,000
1978	630	375,000,000	375,000,000
1980	900	898,000,000	742,000,000
1982	1200	1,500,000,000	1,300,000,000

Regardless of the astronomical growth, there have been problems of standard accounting documents and accounting systems, sound investment policy, internal control techniques, management reporting systems and lack of adequate qualified honest employees as well as committee members.

c) Handcraft Co-operatives

Spread out in rural and urban areas.

d) Consumers

Mainly in urban residential areas.

e) Housing

Both rural and urban areas.

f) Fisheries

At lake shores and the Indian ocean coast.

g) Timber and Charcoal

Rural and urban areas.

h) Others

Mainly in urban areas where incomes are higher.

4. Statistical Information Showing Overall Co-operative Activity in the Country as at 31.12.82

Type	No. of Co-ops	Members	Turn over (in Kshs) 1982
1. Agricultural Marketing	1,222	1,026,474	220,856,000
2. Savings & Credit	928	526,317	160,000,000
3. Others	457	66,827	180,000,000
Total	2,607	1,619,618	560,856,000

Out of the near 18 million Kenyans at the moment, nearly all are involved in the Co-operative movement either as members of families that belong to a Co-operative Society or as individual members - though the involvement is mainly that one of family circles.

5. Problems

The main problems facing the Kenya Co-operative movement are:

a) Lack of adequate technical knowhow in the part of Government Supervising officers, Co-operative leaders and employees.

b) Weak accounting, internal control and investment policies and systems.

c) Misapplication and misappropriation of funds.

d) Inadequate resources such as transport and finances.

e) Competition from private middlemen besides Government efforts to give the movement a reasonable degree of monopoly.

f) Limited and inadequate processing, storage and marketing facilities.

Note of the Author

Mrs. DORIS A.N. NJEHA holds the Diploma in Co-operative Management (Kenya) and now from the 1982/3 course at the I.C.T.C. the Diploma in Co-operative Accountancy and Financial Management from Loughborough University. She has been employed in the Ministry of Co-operative Development for nine years.