



**International Co-operative
Alliance – Africa**
A Region of the International
Co-operative Alliance

MAPPING: KEY FIGURES

NATIONAL REPORT: KENYA

ICA-EU PARTNERSHIP



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I. INTRODUCTION AND CONTEXT

This report is part of a Mapping exercise launched by the International Co-operative Alliance and its regional offices within the framework of a partnership signed with the European Commission for the period 2016-2020, which aims to strengthen the cooperative movement and its capacity to promote international development. Other research projects led within this partnership include a worldwide Legal Frameworks Analysis, and several thematic researches on themes of significance for cooperatives.

Responding to challenges and existing knowledge gaps facing the cooperative movement, this research seeks to provide exhaustive information on cooperatives worldwide. This is achieved through a process jointly conducted by the ICA and its four regional offices – Cooperatives of the Americas, Cooperatives Europe, ICA Africa, and ICA Asia-Pacific – using a common methodology. Each office collected the input of ICA members present in the countries within its geographic area, by using the same questionnaire, and completing it with relevant national statistics, in order to obtain an accurate picture of the national situation. Mapping out cooperatives in each country provides a more precise picture of the cooperative context at national and regional levels, enhances the movement's visibility, networking, partnerships opportunities, as well as advocacy, and empowers cooperators by providing them tools for positive change.

Within this framework, the present report showcases information about the cooperative landscape in Kenya.

i. Historical Background

In Kenya, cooperatives have grown since the first dairy cooperative was established in 1908 called Lumbwa under the colonial government at a place called Kipkelion in the Great Rift Valley. In 1931 the government's first involvement in cooperatives was with cooperative ordinance enacted to regulate the operations of cooperatives. At that time, there was no specific Co-operative legislation, and Lumbwa Cooperative Society was registered under the Business Practices Ordinance as legislated in Great Britain, adopted in India and practiced in Kenya. The society was also to address the farming needs, livestock requirements and marketing channels for the products from the area under its operation.

However, the Society was disrupted when its members were called up to the First World War. This did not dampen the spirit of the settlers who decided to concentrate on agricultural business and chose the Co-operative model so as to reap optimum returns.

Later in the 1950's African smallholder farmers were allowed to promote and register Co-operatives for cash crops like coffee and pyrethrum. At Kenya's independence in 1963, there were 1,030 Co-operative Societies with 655 being active with a total membership of 355,000.

The Swynnerton plan of 1955 opened the formation of cooperatives after Africans got involved in growing of cash crops. Key cooperatives were registered –Kenya Cooperative Creameries (KCC -1925), Kenya Planters Co-operative union (KPCU-1923) and Kenya Farmers Association (KFA-1923). In 1965 Sessional Paper No. 10 “African Socialism” gave impetus to rapid Africanization of Kenya economy and poverty eradication based on principles similar by the cooperative.

In 1975 the government reviewed the cooperative development policy that continued to recognize cooperatives as vital organs for mobilizing human and financial resources for national development. Through Sessional Paper No.4.of 1987 on “Renewed growth through cooperative movement”, the government reiterated its commitment to enhance participation of Kenyans in the economy through cooperatives. The management and organization of cooperatives was left to the members and the government played an advisory role.

In 1997, the government reviewed its involvement in the management of cooperatives by providing a legislative framework under which cooperatives were to survive in a competitive environment through sessional paper No.6 of 1997, on “Cooperatives in a Liberalized Environment”. The enactment of Cooperative Societies Act No.12 of 1997 removed completely the government’s role in the affairs of cooperative societies. This resulted into near collapse of the entire cooperative movement in the country. This Act was amended in 2004 and in 2008 the Sacco societies Act was enacted. The promulgation of the Kenya constitution 2010 introduced significant changes that impacted on cooperatives to be a devolved function of the county governments.

The cooperative movement cuts across all sectors of the Kenyan economy both formal and informal. The benefits that have accrued to Kenyans through cooperative enterprises include wealth creation ,agricultural production, processing and marketing, transport, allowing members to access credit, mobilization of savings, provision of housing, handicrafts ,manufacturing ,real estate and mining.

The Kenya government recognizes cooperative societies as important vehicles for realizing its medium and long term economic and social development objectives as envisaged in vision 2030 blue print. They have potential of wealth creation, poverty alleviation and creation of employment. Cooperatives continue to play a major role in agriculture, financial services, trade, and manufacturing among other sectors of the economy.

Co-operatives cut across all sectors of the national economy which include; Agriculture, Finance, Housing, Manufacturing, Tourism, Transport, Handicraft and Information Communication Technology sectors. This explains the importance of Co-operatives in Socio-Economic integration as they create wealth and generate employment to over 600,000 people. Approximately 63% of the Kenyan population depends directly/indirectly on Co-operative related activities for their livelihood¹.

Co-operatives in Kenya have continued to provide the institutional infrastructure upon which both the underprivileged and middle class have organized themselves socially, culturally and economically.

The Agricultural Co-operatives in Kenya previously handled 75% of Coffee, 98% of pyrethrum, 95% of cotton and 65% of dairy produce. This dropped significantly as a result of economic liberalization and the unpreparedness by the farmers to participate in a competitive market environment. The agricultural Co-operatives are expected by Kenya's National Development Policy, Vision 2030, to play a leading role in revitalizing agricultural production.

On the other hand, the financial sectors in Kenya, the Savings and Credit Co-operatives (SACCOs), have registered tremendous growth. The SACCOs have embraced all classes of Kenyans; - workers in public/private institutions, informal self-employed people and small-scale farmers etc, where they have not only mobilized savings of over Kshs. 730 billion, but some have embraced appropriate ICT platforms for improved services among others. There has been tremendous growth of this sector in the past few years where only 11% of Kenyans have no access to formal financial services.

MAIN CHALLENGES OF COOPERATIVE MOVEMENT IN KENYA

Though the cooperative movement in Kenya is vibrant, the following challenges are being experienced by cooperative movement in Kenya:

- Mismanagement of cooperative resources by committee/board members,

¹ As reported by the Cooperative Alliance of Kenya

- Lack of harmonization of the legal framework with the Constitution of Kenya,
- The dual legal incorporation of entities under companies Act and cooperative societies Act complicates the supervision and regulation of such cooperatives,
- Low savings culture, and consistent high interest on loans making credit unaffordable,
- Poor infrastructure render cooperatives to incur post-harvest loses on agricultural produce,
- Weak governance structures inherent in cooperative societies,
- Accumulation of huge debts by commodity and agricultural cooperatives due to weather adverse effects,
- Low uptake of technology in operations of cooperatives and many lack competent personnel. The cooperatives do not have access to reliable data,
- Use of obsolete machinery especially in produce processing cooperatives,
- Provision of education and training is not regulated in cooperatives giving rise to a proliferation of service providers with questionable credentials,
- Non- remittance of employee deductions by employers,
- Cyber – security risks exposed to frauds and hacking of societies data,
- Low participation of the youth, women and people living with disabilities in the cooperative movement,
- Diversion of members deposits to non- core activities,

The general view of the cooperative movement is that despite the economic challenges there is potential of growth and stability with necessary legal framework in place. The government is expected to play a key role in creating an enabling business environment to enable the cooperative movement to thrive. The apex cooperatives have to take a leading role in advocacy of cooperative matters.

The new National Co-operative Policy was approved and it is currently in Parliament awaiting enactment as a Sessional Paper by Parliament.

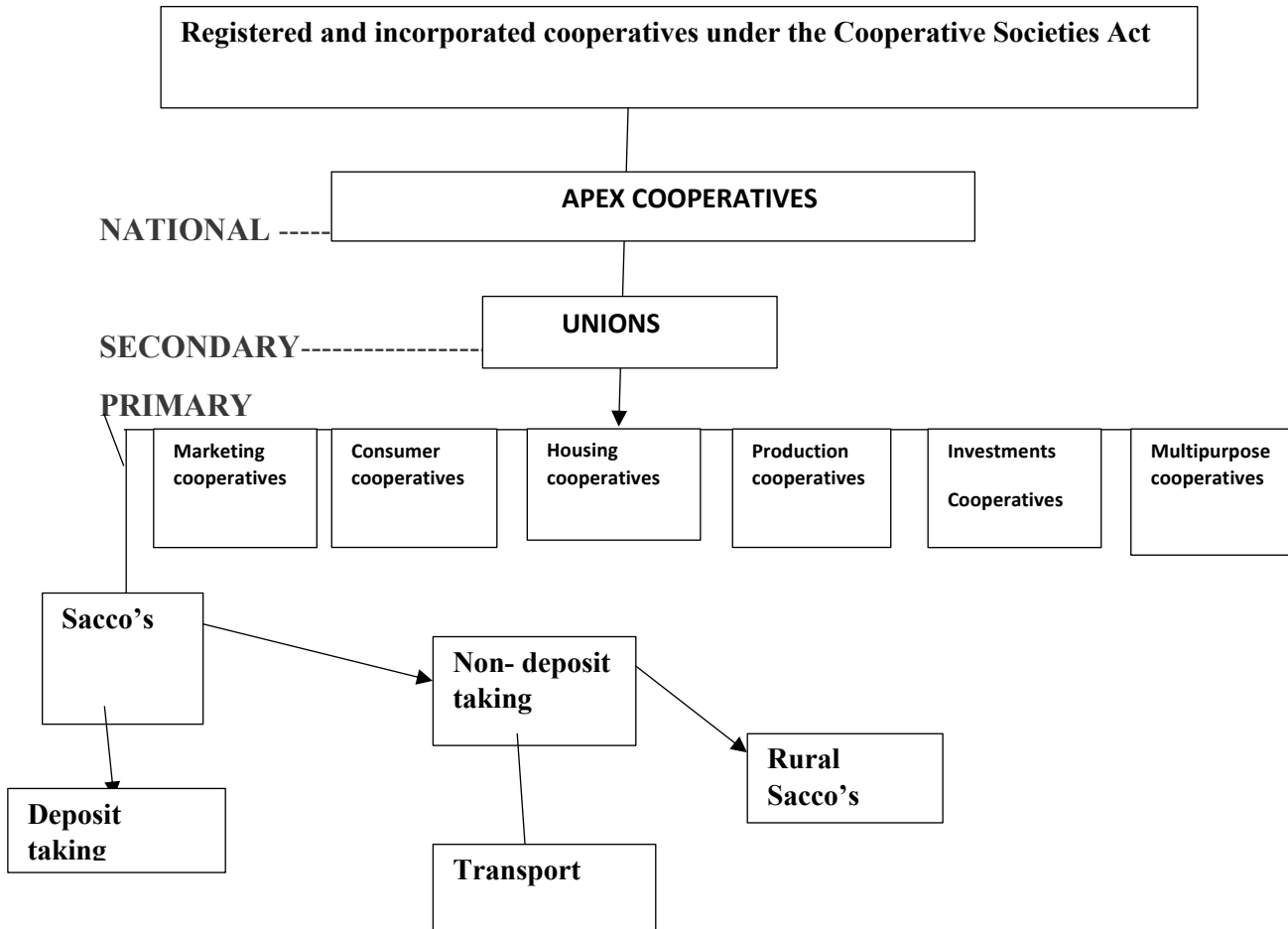
The Cabinet Secretary, Ministry of Agriculture Livestock, Fisheries and Cooperatives appointed a Taskforce in December 2020 to initiate and develop a framework for the implementation of the national co-operative policy within 90 days. The implementation will be done thereafter.

ii. PUBLIC NATIONAL STATISTICS AVAILABLE

- Number of cooperatives – 25,050 as at 19th June, 2020
- Membership- Over 14 million persons
- Employment- 63% of Kenyans derive livelihood directly or indirectly
- Mobilized savings- 7.32 Billion over 30% of national savings
- Agricultural sector performance 2018
 - Overall marketed production Ksh.497.9 Billion
 - Maize -44.6 million bags
 - Horticulture- Ksh.146.8 billion
 - Natural resources- minerals value -30.4 Billion
 - Fish- 19.4 Billion

Source: KNBS: Economic Survey, 2019.

TOPOLOGY OF CO-OPERATIVES IN KENYA



Distribution of cooperatives by type of Activity/ Commodity

<i>Type of Society / Activity</i>	<i>Number</i>
<i>Handicraft</i>	<i>33</i>
<i>Sand harvesting</i>	<i>52</i>
<i>Coffee</i>	<i>368</i>
<i>Dairy</i>	<i>438</i>
<i>Housing</i>	<i>447</i>
<i>Savings & credit</i>	<i>3,052</i>
<i>Transport</i>	<i>235</i>
<i>Fishing</i>	<i>54</i>
<i>Horticulture</i>	<i>96</i>
<i>Beekeeping</i>	<i>96</i>
<i>Cereals</i>	<i>149</i>
<i>Legumes</i>	<i>32</i>
<i>Industrial</i>	<i>12</i>
<i>Tea</i>	<i>12</i>
<i>Cotton</i>	<i>26</i>
<i>Pyrethrum</i>	<i>24</i>
<i>Timber</i>	<i>9</i>
<i>Others</i>	<i>146</i>
<i>Total</i>	<i>5262</i>

NB: The figure differs with total registered because some are dormant or liquidated. The number above is for the active societies in counties who responded to the survey.

Source: National Survey Report - State Department for Cooperatives, 2020

iii. Research Methodology

The aim of the mapping research is to collect and make publicly available reliable and up-to-date data to understand what the cooperative movement represents in the targeted country. With this view, the data detailed in the present report has been collected using the methodology detailed below.

The methodological tools include a questionnaire used to collect the data, which was distributed online to the members, as well as a methodological note provided for further guidance. They were built jointly with all ICA regional offices with the support of external experts from the European Research Institute on Cooperative and Social Enterprises (Euricse) and are applied in a harmonised way in all the target countries.

The classifications used in the research are consistent with the internal system used within the ICA movement (e.g. on membership status and types of cooperative organisations) and with standards increasingly adopted in recent studies and by international organisations like the ILO – e.g. using international classifications of economic activities such as the International Standard Industrial Classification (ISIC) rev. 4, which ensures the comparability of statistics both nationally and internationally, as well as with statistics on other forms of enterprises.

Regarding the target organizations, considering that a worldwide survey has very challenging goals, and while the value of directly collecting data from non-member cooperatives must be recognized, the present Mapping exercise targets cooperative organizations members of the ICA.

Furthermore, in order to complete the ICA members' data, the decision was taken to also look at external sources, to provide additional and more exhaustive cooperative statistics for the country. As a result, the data is collected following two strategies contemporaneously: 1) collecting statistics already available in the country; 2) carrying out a survey targeting ICA cooperative members.

In Kenya, the Mapping questionnaire, was distributed to, and completed by one ICA member in the country. After some additional follow-up and clarifications from the member, the figures provided were compiled to be presented in the next section.

II. KEY FIGURES

This section presents the results of the data collection directed by the ICA members. It is different from the general estimates for the country provided in the public national statistics.

i. ICA Member Data

Kenya counts 6 ICA full member organization² and 1 associate member organization. They are Cooperative Bank of Kenya, National Cooperative Housing Union Ltd (NACHU), Cooperative Insurance Co. of Kenya Ltd (CIC), Cooperative Alliance of Kenya (CAK), Kenya Cooperative Coffee Exporters Ltd (KCCE), Cooperative University of Kenya (CUK), and Kenya Union of Savings and Credit Cooperative Ltd (KUSCCO).

iv. Kenya Union of Savings and Credit Cooperative Ltd (KUSCCO)

KUSCCO is the umbrella body for SACCOs and its key roles are mainly advocacy and representation. In addition, KUSCCO offer SACCOs and other cooperatives financial and technical assistance, tailored to largely benefit the middle- and low-income earners both in Kenya's rural and urban areas. This is a significant fraction of Kenya's population that drives the country's economy through the small and medium enterprise (SME) engine.

Objectives

- To provide advocacy, lobby, advice and protect members against adverse legislation and/or restrictions;
- To act as the principal local and international representative and mouth-piece of all SACCOs in Kenya;
- To promote the organization and development of viable SACCOs in Kenya;
- To help improve the internal management of savings and credit societies by providing a standardized management system for the SACCOs and the cooperative movement in Kenya;
- To promote a common code of ethics based on co-operative principles among SACCOs, their officials, employees and members.
- To promote among SACCOs, and their officials, employees and members a common code of ethics based on co-operative principles.

Vision

“To be a world class national co-operative organization for SACCOs.”

Mission

“Promotion of SACCOs through advocacy and provision of quality, diversified, innovative and market-driven products and services for sustainability.”

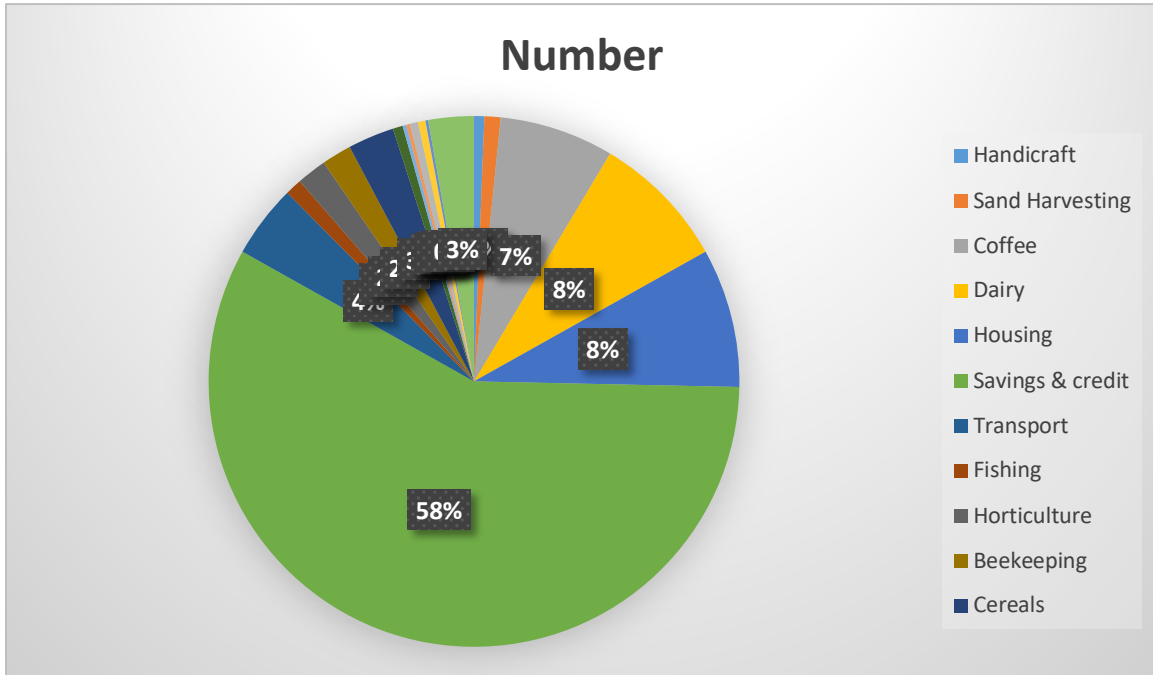
Membership

KUSCCO offers corporate membership and so far, represents 3,600 cooperatives. The number of cooperative members is 2,290,909.

² This category covers members with voting rights – as opposed to associate members (which can include for instance governmental agencies).

III. GRAPHS

i. Number of active cooperatives in Kenya by sector:



Contacts

Further details on the Mapping research and other country reports are available on

www.coops4dev.coop

The production of this report was overseen by staff from ICA-Africa and the International Cooperative Alliance. For any further information or clarification, please contact mappingresearch@ica.coop

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