Chapter 5
A Review of the Kenyan Cooperative Movement

Ndwakhulu Tshishonga and Andrew Emmanuel Okem

Abstract The Kenyan cooperative sector has undergone tremendous changes over the years. In the colonial era, the sector moved from being an exclusive white-owned state-dependent organisations to the introduction of black-owned cooperatives to raise a middle class to counter popular uprising. In the post-colonial era, the sector has moved from being state-dependent to an independent era where it now operates as a successful business entity. This chapter provides a historical overview of the Kenyan cooperative sector with the goal of establishing key success/failure indicators thereof. The aim is to identify critical lessons that can be applied in other contexts.

Keywords Cooperatives · Kenyan cooperative · Poverty · Unemployment · Self-help

5.1 Introduction and Chapter Overview

The history of the cooperative movement in Kenya cannot be divorced from the political context in which it emerged and operated. This is because, for many years, the sector was used as an instrument by the state (both the colonial and the post-colonial state) for the attainment of political end. The goal of this chapter is two-fold. Firstly, the chapter presents a brief historical account of the cooperative movement in Kenya. In the second part of the chapter, we glean important lessons that could be drawn from the Kenyan experience with the goal of identifying how these lessons can be applied for the success of cooperatives in other contexts.

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5.2 A Historicity of the Kenyan Cooperative Movement

In Kenya, the co-operative movement could be traced back to the British colonial period (Gatheru and Shaw 1998). During the colonial era, the main purpose of setting up cooperatives by the colonial government was to market cash crops produced by smallholders through marketing cooperatives. During this period, the cooperative sector was exclusively reserved for white settlers as evidenced in the 1931 Cooperative Societies Ordinance (Nyagah 2012). The Act led to the establishment of the office of the Register of cooperatives together with a special government department charged with the responsibility for registration, audit, and supervision including the dissolution of cooperative societies (Birchall 1997; Hyden 1973).

The colonial government changed its approach to cooperatives in the early 1940s by encouraging the formation of black-owned cooperatives. This strategy was a tacit attempt by the then government to create an African middle class that could counteract the sustained pressure for independence being put on the colonial government (Gyllström 1991). The instrumentalisation of cooperatives for attaining political end was underpinned by the Swynnerton Plan of 1954.[1] This attempt, however, generated little traction among the black population since there was general apprehension about the colonial government's intentions (Gyllström 1991). Further attempts to encourage the growth of African cooperatives include the restriction of the production and sale of cash crops to cooperatives (Gamba and Komo 2004).

Besides providing services in the marketing of the produce of cooperatives, the colonial government's strategy mediated the emergence of a new generation of African coffee farmers in Central Kenya including other areas in western Kenya–Kisii and Bungoma districts (Hyden 1973). Despite government support, the cooperative sector in colonial Kenya was a dual system. On the one hand, the primary black-owned cooperatives were promoted to cater for smallholder farmers. These cooperatives were economically weak and characterised by high failure rates due to mismanagement and a general lack of understanding of business principles and management of cooperatives (Hyden 1973; Muthuma 2011). On the other hand, white-owned cooperatives whose members were mostly of large-scale farmers retained control of national cooperative unions that promoted their economic interests. National unions such as Kenya Planter Co-operative Union (coffee processing), Kenya Farmers Association (cereals) and Kenya Co-operative Creameries (dairy products) operated on a commercial basis and were economically strong (Muthuma 2011: 78). The duality that characterised the Kenyan cooperative sector persisted until the country attained independence when the focus shifted to enhancing the growth of cooperatives owned by Africans.

[1]The Swynnerton Plan was an agricultural policy implemented in colonial Keya to bring about rapid development in the country's agriculture focusing particularly on cash crop production among Kenyans previously excluded from cash crop production. The Plan followed a report of a study by Roger Swynnerton, an official of the Department of Agriculture at the time. The plan, however, was largely seen as a political tool to counter the waning popularity of colonial rule.

The post-colonial era (1963–1979) was marked with a system of cooperatives similar to other African countries. During this period, political leaders implemented cooperatives as the principal strategy for achieving 'African socialism'. According to Hyden (1973: 3), "the co-operative society was to African socialism as the private firm was to capitalism and the public corporation was to communism". In reality, the growth of the cooperative movement in Kenya was boosted by the national slogan 'Harambee' which was a call on every Kenyan to pull together in a spirit of self-help and mutual assistance. The government's commitment to the cooperative sector was effected through the Sessional Paper (No. 10 of 1965) titled "African Socialism and its Application to Planning in Kenya" as well as the Co-operative Societies' Act (CAP 490). The Act presented cooperatives as an instrument of the state and resulted in the extension of financial and non-financial support to the sector and placed the cooperative movement firmly under government control. To provide various forms of technical support to smallholder farmers as well as ensuring that innovative agricultural practices reach grassroots farmers, the government implemented extensive agricultural extension programmes (Muthuma 2011).

In post-colonial Kenya, agriculture was earmarked by the state as the dominant sector of the economy. Against this backdrop, the government committed itself to developing the sector through national farms, cooperatives, companies and individual farms (Muthuma 2011: 79). The focus on agriculture translated into the provision of large-scale extension support to agricultural cooperatives as a means to transforming the sector. The concerted support given to the sector resulted in rapid growth in the number of cooperatives. Between 1963 and 1999, the Kenyan cooperative sector grew by about 14 % (Gamba and Komo 2004).

Like in the colonial period, cooperatives development in the independence era were guided by both political ideology and economic rationale. In Kenya, the cooperative movement was vertically structured along a four pyramid tier system (see Table 5.1). The first tier comprises of primary cooperatives that operate at the

Table 5.1 Kind of co-operative tiers

Kind of co-operative tiers	Nature of co-op & membership
The first tier	Primary co-operatives had membership consisted of individuals within a given locality formed the bottom tier
The second tire	Composed of secondary co-operatives or unions whose membership was restricted to primary co-operatives which also operated at a district level
The third tire	Formed by national co-operative organisations whose membership was drawn from the secondary and primary co-operatives that were not affiliated to the union
The fourth tier	This is the top tier consisted of the apex organisation, the Kenya National Federation of Cooperatives (KNFC) formed in 1964 to become the representative body for the movement

Source Muthuma (2011: 80)

local level. These cooperatives are formed at the local level and comprises of individuals as members. In the second tier are secondary cooperatives which comprises a group of individual cooperative. Primary cooperatives come together to form the third tier of cooperative organisation. The fourth tier is the national apex body that represents all cooperatives in the country.

Although actions of the post-colonial government resulted in an increase in the number of cooperatives, it has been criticised for a number of reasons. Firstly, the approach was top-down and failed to recognise that cooperatives are bottom-up member-owned organisations established to meet members' social, economic and cultural needs (Satgar and Williams 2008). The Cooperatives Societies Act (Act of 1966) as well as the Cooperative Societies Rules (of 1969) both asserted government's intention to control the cooperative sector. Gyllström (1991) notes that the control conferred on government includes:

> The exclusive rights of registration, dissolution and compulsory amalgamation of societies. He [the Commissioner of Cooperative Development] was also given the power to supervise budgets and accounts; to approve remuneration, salary or other payments to officers or members of a society, to approve the hiring and dismissal of graded staff; to dictate a society's mode of organization and activity orientation by prescribing the contents of its by-laws; and to control financial transactions through counter-signature of cheques and other instruments.

The above intention translated into the establishment of government agencies and institutions that provide oversight and management functions over the cooperative sector. The integration of cooperatives into government with bureaucratic inefficiencies that characterised government translated into inefficiencies of the cooperative sector. Effectively, the approach led to the decline of the Kenyan cooperative sector in the medium to long term as evidenced by the decreased contributions of the sector to the country's GDP between 1963 and 1973 despite a marked increase in the number of cooperatives and support institutions (Gamba and Komo 2004; Gyllström 1991). The lack of correlation between financial and non-financial support to the cooperative sector and the successes of the sector, Kenya's rising debt profile and the need for the sector to operate according to internationally recognised principles and values of the cooperative movement resulted in the recommendation that the government ends its control and support of the sector. The advocated reforms were aimed at "restructuring, strengthening and transforming cooperatives into vibrant economic entities that can confront the challenges of wealth creation, employment creation and poverty reduction as private business ventures" (Wanyama et al. 2009: 5). The Renewed Growth and Economic Management of the Economy of 1986 sought to introduce market competition into the economy by removing the practice of price control and the reduction of government participation in the economy through, for example, the privatisation of state-owned enterprises (Gamba and Komo 2004). This was later followed by the amendment of Kenya's Cooperative Ordinance Act in 1997 (Argwings-Kodhek 2004). The introduction of the Session Paper (paper 6 of 1997) further emphasised the independence of cooperatives and limited the role of government to that of the creation of an enabling environment for the cooperative sector.

The introduction of reforms produced both positive and negative outcomes for the Kenyan cooperative sector. On the one hand, the reforms eliminated the instrumentalisation of cooperatives and ensured that cooperatives operated in accordance with internationally recognised principles and values of the cooperative movement. In addition, the liberalisation of the country's economy created new business opportunities for cooperatives as the government withdrew from the provision of certain services (Owango et al. 1998). On the other hand, many cooperatives that previously depended on government collapsed in the absence of government support. One of the reasons for the collapse was their inability to compete once the monopoly and subsidies they previously enjoyed were removed (Muthuma 2011). In addition, most cooperatives lacked management skills to transition from being government dependent to operating as independent entities (Wanyama et al. 2009). This challenge was compounded by other prevailing challenges including administrative mismanagement, theft of cooperative resources, the disintegration of cooperatives and nepotism (Wanyama et al. 2009). The collapse of cooperatives during the transition era had a significant impact on the livelihood of many vulnerable groups.

Despite the challenges that Kenyan cooperative sector has faced over the years, the sector has weathered the storms of the transition to becoming one of Africa's most successful cooperative movement. According to the ICA (2013), cooperatives own 70 % of the coffee market, 76 % of diary and 95 % of cotton, and generate 31 % of national savings and deposits. Most of Nairobi skyscrapers were built by cooperatives (Muthuma 2011: 80). Cooperatives are also prevalent in rural areas employing appropriately 250 000 people. There were approximately 14,126 registered cooperatives in Kenya 60 % of which operated in the financial sector (Nyagah 2012). Financial cooperatives achieved this feat by diversifying their customer base and providing innovative financial products. This led to financial cooperatives recording 65 % growth during the liberalisation era (Muthuma 2011). Institutions such as the Co-operative Bank of Kenya Ltd play an important role in the country's cooperative sector.

In the financial sector, cooperative saving schemes have performed well by amassing substantial savings for their members. Savings and Credit Cooperatives (SACCOs) such as Mwalimu Cooperative Savings & Credit Society Limited, Kenya Bankers Saving and Credit Co-operative Society, Hazina Sacco Society Limited, Unaitas and United Women SACCO are examples of leading and productive SACCOs in Kenya. Estimates in 2011 showed that SACCOs "mobilized deposits and share capital amounting to USD 2.25 billion (Ksh. 189 billion) and loans to members of USD 2.25 billion" (Nyagah 2012: 9). The increase in the capital base of financial cooperatives in Kenya has seen an increase in investor's confidence in the sector. The sector continues to adapt to changing financial practices as evidenced by the recent introduction of e–Kenya which has repositioned CFIs to leverage the benefits of mobile technology in the provision of financial services such as the mobile money platform M-Pesa. CFIs in Kenya have ensured that members have 24 h access to financial services (Timmins 2014).

As primary coffee producing country, coffee producing cooperatives play an active role in the country's economy. The Kenya Cooperative Coffee Exporters Limited is the umbrella body of coffee producing cooperatives that produce about 60 % of Kenya coffee (Kenya Co-operative Coffee Exporters Limited 2014). Through the Kenya Cooperative Coffee Exporters Limited, coffee producers have direct linkage to the international market and better returns on investment (Kenya Co-operative Coffee Exporters Limited 2014).

One of the defining features of the Kenyan cooperative sector is the presence of horizontal and vertical networks among cooperatives. The Cooperative Alliance of Kenya, an apex body representing approximately 14,000 cooperatives, has played an active networking role in driving the agenda of the cooperative movement particularly on policy related issues (The Cooperative Alliance of Kenya Limited 2014). This includes policy advocacy and linkage to support among cooperatives.

The success of the Kenyan cooperative sector has also been linked to the Co-operative University College of Kenya, a Constituent College of Jomo Kenyatta University of Agriculture and Technology, which plays a key role in the provision of education and training on cooperative related issues (Co-operative University College of Kenya 2014). The college provides both degree and non-degree programmes that are geared towards improving understanding and management of cooperatives. The ultimate goal is to produce a crop of managers that are adept with the management of cooperatives.

5.3 Critical Insights from the Historicity of the Kenyan Cooperative Sector

Although the Kenyan cooperative sector has been characterised by successes, Ogina (cited in Pivot 2009: 41) notes that the control of the sector by the government is a contributory factor to the failure of cooperatives. Ogina went on to add that enterprise culture does not come from the government. The failure of state-led cooperatives is attributed to the fact that government's administrative role stifled growth and innovation in the sector. In addition, the financial and non-financial incentives created a dependency syndrome which resulted in the inability of cooperatives to operate independently of government.

The recent resurgence of the country's cooperative sector has been attributed to the liberalisation of the cooperative sector. Rather than being instruments of the state, cooperatives, in the new dispensation are bottom-up autonomous member-owned organisations that are formed to meet members' needs. In doing this, cooperatives have been able to re-establish their principles and their existence aligned to these principles and values.

In addition to the independence of the Kenyan cooperative sector, member education has also been critical to the success of cooperatives. In that regard, the Cooperative College has and continues to play a critical role. The presence of apex cooperative organisation has also been critical in advancing the success of the sector through advocating for friendly cooperative policies. Similarly, integration of cooperatives has enhanced the success of cooperatives as they are able to access resources within the network.

The Kenyan success story was further emphasised by Nyawinda (cited in Pivot 2009) who indicated that the cooperative sector in Kenya has achieved a critical mass of cooperatives and members are able to contribute to enormous funds that come back to them in credit, savings, bonuses and dividends. For instance, Develtere and Pollet (2008) reported that one of the largest cooperatives in Africa in terms of membership is Harambee Savings and Credit Co-operative Society in Kenya with 84,920 members followed by Mwalimu Savings & Credit Co-operatives Society with a membership of 44,400. These results point to a sector that now operates independently of government's financial support. Due to its successes, the Kenyan Model is being benchmarked for replication in many African countries including Lesotho, Malawi, Rwanda and Tanzania (Pivot 2009).

5.4 Conclusion

This chapter aimed to provide a historical overview of the Kenyan cooperative movement. In presenting the historical account of cooperatives, the chapter attempted to highlight factors that contributed to the success and failures of cooperatives in Kenya. The historicity of the Kenyan cooperative sector showed that cooperatives in both colonial and post-colonial eras were used to advance the interest of the state. An outcome of the state-led approach was the failure of the cooperative sector to develop into an independent vibrant movement. The chapter noted that although the transition from the state-led approach to an independent cooperative movement resulted in the failure of many cooperatives, the transition nonetheless led to the emergence of a strong cooperative sector that operates in line with the internationally recognised principles and values of the cooperative movement. The Kenyan cooperative sector thus provides valuable lessons that could be applied in other contexts.

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