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**CO-OPERATIVE DEVELOPMENT
POLICY FOR KENYA**

MINISTRY OF CO-OPERATIVE DEVELOPMENT
NAIROBI

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CO-OPERATIVE DEVELOPMENT POLICY

I.—Preamble

In the Sessional Paper No. 8 of 1970, the Government promised that the development of the co-operative movement and the responsibilities it could undertake would be kept under review during the five years that are now elapsing. Considerable progress has been made in the co-operative sector since that time, but with the creation of the new Ministry of Co-operative Development, it is felt that the time is opportune for a re-definition of clear policy objectives for the development of the movement in Kenya in the foreseeable future, so as to set priority guidelines for the Department of Co-operative Development and fields which co-operative expansion should cover. It is also necessary to signify the major constraints that have inhibited the sound growth of the co-operatives in general and to indicate the directions towards which specific co-operative programmes should be geared. The following paragraphs, therefore, set out the policies and measures which the Government will adopt to strengthen the movement and to ensure that it is organized and developed in a purposeful and orderly way. They also re-examine the basis of the policy as enunciated in the Sessional Paper of 1970 and highlight the progress of the movement since that time.

II.—National Objectives

2.1. In the Sessional Paper No. 10 of 1965 on "African Socialism and its Application to Planning in Kenya", the Government outlined the basic objectives for independent Kenya and the ways to achieve them. The objectives included individual freedom; freedom from want, disease, ignorance and exploitation, expansion of the economy, with equitable sharing in its benefits; and the integration of the national economy.

2.2. The current Development Plan, 1974/78—the third in the series since Independence—outlines the country's efforts in continuing to achieve these objectives, through firstly, the promotion of rural development; secondly, equitable distribution of income; and, thirdly, the creation of additional employment opportunities.

2.3. The basic aim is economic and social betterment for each individual in the society, the key to which is an expanding economy which provides the people with the material means to overcome poverty and to enjoy a higher standard of living.

2.4. In working towards these goals, the Government has chosen to continue its commitment to a mixed economy in which public and private participation is allowed, dictated by the desire to utilize all resources fully, both domestic and external. It is within the foregoing context that the co-operative movement will continue to play an active role in the national efforts towards accelerated economic development and will be free to compete, on the basis of its efficiency and service to the members, with other State and private enterprises in those sectors of the economy in which they are able to participate.

2.5. Over the next five years the policy will be to give the highest priority to consolidation and improvement of efficiency in those spheres of the economy where co-operatives are already active, while also extending their participation in the small-scale farming sector by the provision of credit, supply of farm inputs and marketing facilities for their members.

2.6. During the next four years it is expected that agricultural credit amounting to more than K£10 million will be channelled to the smallholders through the co-operative movement. This programme is well established in a number of districts in Central, Eastern, Rift Valley and parts of Nyanza Provinces, and is being extended to other parts of the country during the Plan period. Thus, the main priority for co-operative development will be in the smallholder agricultural sector and in the promotion of co-operative savings and credit, including co-operative housing for the workers.

2.7. Emphasis will also be given to co-operative participation in fishing and light rural industries, including the making and marketing of handicrafts. In promoting these industries, co-operatives will be encouraged to collaborate with the rural industrial development centres under the Ministry of Commerce and Industry so as to benefit from the expertise and knowledge available in these institutions.

2.8. Government recognizes that in order to increase the efficiency and effectiveness of the co-operatives, priority must continue to be placed also on the training and education of the employees and general membership of the movement, as well as of the staff of the Department of Co-operatives, which is charged with the responsibility for promoting co-operative development.

III.—Co-operative Role in National Economic Development

3.1. The co-operative movement has been in existence in Kenya for the last 30 years as an officially recognized movement. In 1970, when the first Sessional Paper on "Co-operative Development Policy for Kenya" was published, there were 1,494 societies in the register and slightly over 1,000 active. This figure has not changed significantly, because, as stated in that Sessional Paper, the policy over the last four years has been that of consolidation rather than expansion.

3.2. Co-operatives in this country are engaged in a wide range of basic economic activities, including marketing members' produce, provision of savings and credit facilities, distribution of agricultural inputs, consumers' stores, purchasing farms formerly owned by expatriates, processing farm produce, provision of housing to members and provision of various other secondary services.

3.3. Marketing societies were the first type of societies to be formed and still constitute the predominant group making up over half of all the active societies. Their total turnover for 1973 was approximately K£27 million, contributed mainly by the marketing co-operative societies in pyrethrum, coffee, cotton, sugar-cane and dairy.

3.4. Market share of pyrethrum co-operative societies in both quantities produced and marketed has increased steadily over the years. The production has increased from 95 metric tons in 1970 to 157 metric tons in 1973; in whose co-operative share was 90 per cent of total production. The market share of coffee co-operative societies has also risen from about 25 per cent in 1963 to over 50 per cent in 1973. The market share of cotton co-operatives has also increased over the last few years so that by 1973 co-operatives were handling 65 per cent of all seed cotton produced in the country, whilst the share of sugar-cane produced by co-operative members has increased from 24.3 per cent (257,929 metric tons) in 1972 to 28.5 per cent (440,335 metric tons) in 1973.

3.5. In the next few years the Government will not only ensure that this achievement is sustained, but will also aim towards an increased share by co-operatives in the marketed production of most agricultural commodities, especially in view of the current emphasis on smallholder production as a means to accelerate agricultural development in Kenya.

3.6. Besides agricultural produce marketing, co-operatives have diversified into other basic economic activities, including farm purchase, savings and credit, consumer shops, fishing, housing and construction and handicraft development. Besides, the policy of developing multi-purpose/multi-commodity unions/societies has been pursued with a fair degree of success and significant achievements have been made in this direction.

3.7. The Government will pursue and promote multi-purpose co-operative development and the process of diversification through vertical and horizontal expansion of co-operative activities. In this way, co-operatives will widen the spectrum of their involvement in the national effort at economic development and thereby diversify the economy of the smallholder and uplift his economic well-being. This diversified participation in the various sectors of the economy will, however, receive prior Government scrutiny to ensure conformity with the objectives for the respective sectors.

3.8. With co-operatives growing stronger both financially and in management skills, new horizons have been opened to them. Some co-operative unions have already acquired some processing

plants such as ginneries, and some others have bought shares in various manufacturing industries. This trend will be encouraged and accelerated. Co-operatives will increase their involvement in housing programmes for their members, especially in providing better houses in the urban and rural areas.

3.9. With the foregoing in view, co-operatives will increasingly continue to be powerful tools in mobilizing the natural, human and financial resources for national development. Their vital role as agents for opening up development in less developed areas has been duly recognized and will be enhanced. Their potential as important forums for promoting education and accelerating all-round development in rural areas is obvious and will be exploited vigorously.

IV.—Structure and Operation of the Co-operative Movement

4.1. From the time of Independence, a structure has been evolved for the movement in which district co-operative unions are being developed as the focal point of co-operative activity. In practically all areas of the country in which there are co-operative enterprises, a district co-operative union has been registered, to which all primary societies are affiliated and around which all co-operative development is being centred. In an effort to achieve greater efficiency and economies of scale, some of the functions of primary societies, such as banking, book-keeping and accountancy, as well as the bulk purchasing of stationery, farm inputs and stores, have been centralized under the district unions with positive results. The policy is to continue to centralize more of the functions of the primaries under the unions as and when the latter prove their ability to render such services more efficiently. Government guidance and control is also provided more effectively at this level. The provision of centralized services under the district unions allows for the intensification of education and training programmes among members, committeemen and personnel of the primaries.

4.2. At the local level, the policy is one of developing primaries on a multi-commodity, multi-purpose pattern so as to increase their economic viability and service to the members, particularly

in the more arid areas where societies based on single crops tend to be dormant during certain periods of the year. The policy is that they should be active throughout the year by undertaking essential services such as encouraging the farmers to accept good husbandry by providing farm inputs and requisites, as well as the provision of facilities for ploughing and marketing.

4.3. In the case of certain agricultural industries, such as coffee, dairy and horticulture, the co-operative structure ends up at the national level with country-wide co-operative unions which embrace all the district unions handling the respective commodities.

4.4. Policies of organization and structure in the co-operative movement will continue to be guided by the principle of total and unhampered development of agriculture, which is the mainstay of Kenya's economy, and which development is heavily dependent on an efficient provision and distribution of inputs to support farm production, and on a similarly efficient collection and marketing of produce. The policy is also to uphold the democratic participation by co-operators in the whole hierarchy of the co-operative movement.

V.—Co-operatives and Marketing Boards

5.1. The co-operative movement in the country now handles an increasingly significant part of the various agricultural commodities. Co-operatives, for instance, handle 90 per cent of pyrethrum production, about 65 per cent of cotton produced in the country and over 50 per cent of the coffee crop. With the current emphasis on increased agricultural production through the small-scale farmers, co-operatives' share in the field of agriculture will continue to grow. This is in line with what has been stated in the preceding paragraph, which is that the movement in Kenya is guided by the principle of total and unhampered development of agriculture, which development depends on an efficient provision and distribution of farm inputs to support production.

5.2. With that in view, it is necessary to indicate how co-operatives should function in relation to the boards which have been set up as specialized agencies of the Government to promote, develop and regulate their respective agricultural industries. Those

boards that undertake marketing of produce have evolved sophisticated systems over the years, and have established market outlets for their products. While, therefore, the Government accepts that co-operative role in Kenya's economy will continue to grow, for the time being, in agriculture in particular, the Government wishes to see this role directed mainly to the mobilization and education of the small-scale farmers, and assisting them in the production and collection of produce for eventual delivery to the marketing agencies. Where possible, co-operative participation in agricultural processing will continue to be encouraged.

5.2.1. The Government policy is that agricultural boards should continue to carry out the functions for which they have been established, but at the same time, the movement must be encouraged to concentrate on the mobilization of human and material resources for increased production. Both the Government and the marketing boards rely heavily on the contribution of co-operatives in this field, and the Government is prepared to channel much of its aid to small-scale farming through the movement to enable it to play this role effectively.

5.2.2. The functions of the marketing boards and those of the agricultural co-operatives should be seen, therefore, as complementary rather than competitive. The Commissioner for Co-operatives is a member of all the agricultural boards. In addition, grower co-operatives are represented on these boards. Through this representation, which can be strengthened where circumstances warrant, co-operatives are in a position to influence the policies of the respective boards and in that way to safeguard marketing efficiency. The guiding principle is that efficiency in agricultural production and overall marketing must be safeguarded so as to ensure that Kenya's export of agricultural commodities continues to expand.

5.2.3. It is hoped that this guideline on the division of roles will remove possible friction or duplication of effort at the operational level between co-operatives and the marketing boards. Continuous consultations will be encouraged between the Ministries of Agriculture and Co-operatives at all levels of administration in furtherance of this policy. At the national level, in particular, these consultations will normally take place through the proposed

Co-operative Development Council, whose task will be to advise the Government on the extent to which co-operative participation should be allowed in agriculture and other sectors of the economy.

VI.—Major Co-operative Activities

COFFEE

6.1. Coffee is Kenya's most important cash crop and export commodity. Coffee is also the most important crop for the co-operatives and accounts for over thirty per cent of the total turn-over of marketing co-operatives, and for 300,000 families, coffee is the main source of income.

6.2. In view of this, the Government will make every effort to ensure that the high quality of coffee delivered by co-operatives is enhanced and will also encourage an increase in the yield from the small-scale farmers.

PYRETHRUM

6.3. The pyrethrum production is expected to increase to 21,000 tons of dried flower during the current development period. The increased production will come primarily from 80,000 small-scale co-operative farmers today delivering 90 per cent of the total production in Kenya. The Government will continue to assist the small-scale farmers to improve yields and the pyrethrum content of the flowers through better husbandry and the use of improved varieties.

6.4. Because of the importance of co-operatives in the production and marketing of pyrethrum, the Government will examine the possibility of increasing representation of the co-operatives on the Pyrethrum Board to reflect their share in the industry.

DAIRY

6.5. The marketing of milk in the country is dominated by the Kenya Co-operative Creameries (K.C.C.), with co-operative members supplying 40 per cent of the total production. The Government sees co-operatives carrying an even greater responsibility in the collection and distribution of fresh milk, and in the manufacture of dairy products, and will, therefore, assist the Kenya Co-operative Creameries and other dairy co-operatives to become more efficient in their operations.

COTTON

6.6. The Government places a high priority on increased production of cotton and will continue to support smallholder cotton production through the extension services, cotton research and development programmes. The Government expects also that more benefits will accrue to the co-operatives through an increased participation in cotton ginning and marketing.

SUGAR

6.7. Sugar consumption in Kenya has recently increased faster than anticipated, but production has been below target. In pursuit of its policy of self-sufficiency in sugar, especially in view of the recent high prices in the world market for sugar, the Government will increase its efforts to achieve self-sufficiency in sugar as soon as possible.

6.8. Concerted efforts will be made to intensify and improve sugar-cane production by the small-holders. Towards that end, emphasis will be put on the improvement of sugar-cane transport, which is one of the most vital links in the industry, and on the development of a suitable accountancy system on which production, supporting credit and farm input activities can be based.

MAIZE

6.9. Maize is the most important staple food in Kenya with less than 70 per cent of the total production going through commercial channels. The Government will encourage increased production especially through co-operatives and for that purpose will assist them to establish an efficient and viable structure for the collection and storage of their members' produce before delivery to the Maize and Produce Board.

CASHEW NUTS

6.1.0. Cashew nuts produced at the Coast are becoming a crop of considerable importance and the value of marketed production in 1978 is forecast at more than K.Sh. 30 million. Recently the Kilifi District Co-operative Union has gone into a joint venture with the Maize and Produce Board in setting up a cashew nut factory at the coast. A development programme for cashew nuts will be implemented to support the factory.

COPRA

6.1.1. Copra, the dried coconut, is produced at the Coast. The oil extracting facilities are however inadequate and the Government will therefore assist the co-operatives to establish a copra mill at the Coast in view of the growing importance of this crop. A development programme for copra will be undertaken and implemented to support the proposed co-operative mill.

OTHER PRODUCE

6.1.2. Other crops in which co-operatives contribute are beans, pulses, oil seeds, tobacco and horticulture. The Government plans to increase the production rapidly in the next few years and will assist the co-operatives to participate in the production and marketing of these crops.

FISHERIES CO-OPERATIVES

6.1.3. The Government will continue to encourage the development of fisheries co-operatives as a means of improving the livelihood of Kenya fishermen. It recognizes that fish protein is an important ingredient needed for the good health of the nation, the supply of which should be increased.

There is already a large number of registered fishermen's societies in the country. Most of these are doing fairly well. However, due to lack of sophistication on the part of the fishermen, as well as lack of stronger fishing gear and larger vessels, their operations are confined mainly to coastal waters. There is need for extended off-shore fishing if a more thriving industry is to grow. Government policy towards fishermen's co-operatives is to enable them to become viable economic enterprises. Assistance will be in terms of capital for the development of off-shore fishing, the processing of fish products, as well as for fish breeding inland and at the Coast. Aid will also be given in the form of personnel to provide the much needed technical advice to these co-operatives. They will be afforded every encouragement to form themselves into a national union to co-ordinate services required by fisheries co-operatives, more especially as regards processing and marketing of fish products, as well as acquisition and manufacturing of fishing gear and vessels.

HORTICULTURE

6.1.4. Efforts by the primary societies in the horticultural industry have not been very successful, despite the fact that horticulture is assuming an important place in Kenya's agriculture. In some settlement schemes, particularly in Central Province and the Machakos District, the contribution of horticultural crops to the overall economy of the individual farms is substantial, especially in schemes around the main urban centres of Nairobi, Machakos, Nakuru, Eldoret, Kitale and Nyeri. This development should be intensified and co-operatives should build an efficient marketing organization so as to encourage their members to grow more horticultural crops. In particular, the Horticultural Co-operative Union will be afforded technical assistance so that it improves its management and competes more successfully in this industry.

CONSUMER CO-OPERATIVES

6.1.5. In keeping with the Government policy of Africanization of the retail trade, consumer co-operatives play an important role towards the implementation of this policy and will eventually have a useful stabilizing effect on prices of consumer goods.

6.1.6. The majority of existing consumer societies are urban and while urban consumer co-operatives will continue to be formed, attention will also be given to the rural areas. However, in view of the comparatively low consumption pattern and purchasing power of the rural population, the extension of single purpose consumer societies in rural areas will be handled with caution. Consideration will be given to the distribution of consumer goods in rural areas through already existing co-operatives such as marketing, merchandise and farm inputs societies, as well as the district co-operative unions already involved in retail activities. This multi-purpose approach will help reduce backlashes experienced by consumer shops through lack of finance and necessary managerial skills.

6.1.7. Trained personnel in this business field is still in short supply in Kenya. In order to avoid failures, Government agrees to provide the movement with appropriate training facilities, technical and financial assistance to enable the movement to

develop a viable consumer co-operative sector able to compete with private traders in the normal manner for the benefit of the whole country.

INTEGRATED CO-OPERATIVE DEVELOPMENT PROJECTS (MULTI-PURPOSE CO-OPERATIVE SOCIETIES)

6.1.8. The integrated co-operative development project approach is another tool which the Government intends to use in the development of the rural areas. The major objectives within this approach are to increase incomes by raising farm production, and providing social services on a co-operative basis. Integrated co-operative development projects of this nature encompass co-operative activities, that is, production and marketing; agriculture—dairy and crop development; health services—maternal and child care services; community development and social services—nursery schools, social welfare services, adult education and women activities, etc.

6.1.9. There are only three such societies at the moment and it is the Government policy to promote this type of society to cover the whole country.

HOUSING

6.2.0. There exists an acute shortage of housing in the country, especially for the low-income segment of the working population. This shortage has been aggravated in the urban areas by the influx of rural people. The Government is committed to providing housing facilities for citizens through its resources, those of the local authorities, private organizations and through the peoples' own efforts. In this regard, the Government will encourage the promotion of co-operative housing programmes in both urban and rural areas. This development is possible to carry out with the financial assistance from co-operative credit and savings societies and the Co-operative Bank in their efforts to mobilize long-term capital for the purpose.

BUILDING AND CONSTRUCTION CO-OPERATIVES

6.2.1. Formed by young people who graduate from village polytechnics in masonry and carpentry, building and construction co-operatives have helped create gainful employment for young

people in various work opportunities that abound in the rural areas. They have also helped Kenyanize the construction of local projects financed through peoples' own efforts.

6.2.2. Based on the need to organize these graduates into viable economic entities through which development capital, supervision, guidance, and technical expertise can be effectively channelled, it is Government policy to develop and promote building and construction co-operatives throughout the country to ensure effective employment of trained youth.

6.2.3. To strengthen the operations of these co-operatives, apex unions will be formed to provide such central services as accounting, tender and contractual arrangements and bulk purchases.

LARGE-SCALE CO-OPERATIVE FARMING

6.2.4. Large-scale co-operative farms, which include farm purchase co-operatives, co-operative ranches and shirika farms, form a significant component of contemporary agricultural development in the country and continue to be used as an important means of effecting the orderly transfer of land ownership from expatriate farmers to Kenyans.

6.2.5. The shirika farm programme, for example, was introduced in 1971 with the aim of settling landless families, destitutes and the unemployed on a co-operative basis.

6.2.6. In general, however, large-scale co-operative farms have had persistent managerial and financial problems in recent years and a number have fallen by the wayside. The Government policy, therefore, is to provide working capital and technical assistance to those that need rehabilitation, and where necessary, to assist in the orderly sub-division of those that are beyond the scope of rehabilitation, or cannot succeed as large-scale farms.

Co-operative Taxation

6.2.7. Production societies such as ranching, large-scale farming and investment co-operatives are pressing for a review of Co-operative Taxation since all their income, including profit, rent income and dividends on stocks and shares is liable to Corporation Tax.

6.2.8. Besides this tax, these co-operatives are obliged to pay Withholding Tax in connexion with payments made for professional services, royalties or dividends. Finally, the same societies are required to pay county council cess in their respective areas, besides the statutory reserve of 25 per cent.

6.2.9. The societies claim that this taxation leaves very little of the returns to be shared out to members and that, invariably, what is eventually shared out is far below K£150 per member per annum, which is the income tax limit for agricultural marketing societies. The Government agrees to study this whole matter with a view to establishing whether or not the current approach to the taxation of these societies meets the objective of equity, which is that, as far as taxation of the income of co-operative societies is concerned, the objective should be to ensure that their income gets equitable treatment. *vis-à-vis*, the income of companies and individuals.

SETTLEMENT SCHEMES AND SERVICE CO-OPERATIVES

6.3.0. A vital aspect of the development of land settlement schemes has been the simultaneous establishment of service co-operatives created to perform such basic functions as contract cultivation, provision of production credit and farm inputs, preliminary processing and marketing of members produce and the provision of other related ancillary services like collection of loan repayments, running transport, etc. There are 165 such co-operatives in the country. These are formed through the settlement of landless families on large farms run on their behalf by experienced managers appointed by the Settlement Fund Trustees.

6.3.1. The Government will continue to promote and encourage the establishment of service co-operatives in the settlement schemes to provide basic services to farmer-members in those areas, and will also pursue its policy of buying out expatriate farmers and settling the landless on a co-operative basis. Emphasis will be put on enhancing the management capabilities of these farms to ensure that the co-operative farms are managed and run efficiently, and to subserve that objective, the Government will increase its supervisory and audit staff as a basis for proper management of the co-operative farms.

6.3.2. There exists a section of the Department of Co-operative Development headed by an Assistant Commissioner and charged with responsibility for the supervision of co-operative societies in the settlement schemes. This division functions under the Director of Settlement for ease of liaison and co-ordination. This arrangement will continue over the Plan period, but it is necessary that some adjustments should be made at the district level to ensure effective integration and co-ordination of co-operative programmes at the grassroots and to facilitate close collaboration between co-operative personnel working in settlement schemes and those based on traditional co-operative areas. The Commissioner for Co-operative Development and the Director of Settlement are examining this matter with a view to achieving effective collaboration by the two Departments in promoting co-operative development at all levels.

MINING SOCIETIES

6.3.3. For a long time now, the mining industry in Kenya has been dominated by foreign firms. It is Government policy, on the other hand, to transfer the economy of the country to its citizens and more so as regards the exploitation of the country's wealth. In pursuit of that policy, the Government will continue to promote mineral prospecting and extraction by citizens and will encourage the formation of co-operatives for marketing purposes.

CO-OPERATIVES AND SMALL-SCALE INDUSTRIES

6.3.4. As part of its policy of rural industrialization, the Government will encourage co-operative participation in light rural industries, including the processing of agricultural products. Small-scale industries have considerable potential for employment creation, being by nature labour intensive. If properly planned and carefully organized, they can absorb much of the rural labour-force and also provide steady markets and reliable prices for the producers. In the more arid areas of the country, where agriculture is seasonal, light co-operative industries will be pursued as a means of diversifying the economic activities of the people and of giving them additional employment opportunities. Craftsmen, such as tailors, carpenters, masons, leather and wood workers, etc., will be assisted to organize themselves into co-operatives to facilitate training, marketing and the provision of credit for their operations.

Co-operative Finance and Farm Supplies

AGRICULTURAL CREDIT

6.3.5. The Co-operative Production Credit Scheme, was started five years ago with the aim of assisting small-scale farmers to obtain short-term loans for procuring farm inputs. This scheme has been financed partly by a Savings Scheme started simultaneously to provide savings and banking facilities. The credit scheme now covers 13 co-operative unions, and 80,000 farmers have been given a total of K.Sh. 50 million, while the savings scheme now covers 9 unions with savings from 155,000 members standing at K.Sh. 86 million at the end of 1974.

6.3.6. The two schemes will be expanded to cover other co-operative unions in the country and will be intensified in those unions where they are already operative. In view of the current emphasis on intensified rural development and the development of the small-scale farmers as a means to accelerated agricultural development, the Government has allocated approximately K£10 million within the Plan period to supplement members savings in financing production credit to the small-scale farmers.

SAVINGS AND CREDIT SOCIETIES

6.3.7. The promotion of co-operative savings and credit societies among the salary and wage earners will continue throughout the Republic. The Government supports this programme because of its impact on the welfare of workers and the saving capacity of the nation.

6.3.8. The current countrywide programme for the promotion of savings and credit societies is aimed to cover all salaried workers in both the public and private sectors, and since Government Ministries and Departments have more or less been covered, more effort will now be directed to public and private companies and local authorities.

CO-OPERATIVE BANK

6.3.9. The Co-operative Bank of Kenya was established to be a banker of the various co-operative organizations in the country and as a financial institution for the co-operatives. With the funds at its disposal, the bank has managed to meet all short-term needs and part of the medium-term requirements by co-operatives.

However, with its present level and structure of finance the bank cannot meet all medium-term and the long-term requirements, and may have to seek additional capital from the movement or donor agencies to enable the bank to finance long-term co-operative investments. The administrative capability of it will also be strengthened by expanding its personnel to enable it to operate medium and long-term financing. The Government will also assist the Co-operative Bank to establish mortgage facilities for long-term co-operative investments.

6.4.0. It is expected that the bank will establish a security fund in order to secure the deposits, savings and viability of co-operative societies in the case of incurred losses through forgery, embezzlement, mismanagement, etc., where proper and comprehensive insurance measures through existing insurance institutions do not cover such losses. Generally, the Government appreciates the way the Co-operative Bank has carried out its activities in a manner economically very favourable to co-operatives and will, therefore, give every support to the bank as the central financial institution for co-operatives in Kenya.

AGRICULTURAL INPUTS AND FARM SUPPLIES

6.4.1. To complete their multi-purpose pattern, rural co-operatives in Kenya are being assisted to assume responsibility for the distribution of farm supplies and other stores for resale to individual farmers.

6.4.2. The Kenya Farmers' Association provides agricultural inputs and other general merchandise required by the farmers, and recently the Kenya National Federation of Co-operatives has started to supplement this activity by bulking the orders of district co-operative unions, thus providing the small-holders with easy access to farm supplies through their respective co-operatives. This is a welcome development which the Government will continue to encourage.

VII.—Institutional Services to Co-operatives

EXTENSION AND SUPERVISORY SERVICES

7.1. The Department of Co-operative Development was created to promote, guide and supervise the development of the movement and has powers to control the registration of co-operatives, to carry

out inquiries into ailing ones, to audit and liquidate those that have failed, all intended to ensure the promotion of economically viable co-operatives.

7.2. The Department of Co-operative Development is headed by the Commissioner for Co-operative Development who, as Registrar of Co-operative Societies, is responsible for the enforcement of the Co-operative Societies Act and Rules and for issuing operational guidelines relating to co-operative development. He is assisted at the headquarters by a Deputy Commissioner and Assistant Commissioners in charge of various functional divisions, i.e. education and training, credit and finance, development planning and management, and settlement, and an Assistant Director in charge of Co-operative Audit and Accounts.

7.3. The bulk of the work of implementing co-operative policies, projects and development programmes, and of supervision and guidance of co-operatives is conducted in the field, and here the Commissioner has a hierarchy of personnel from Assistant Commissioner at the provincial level, down to Co-operative Assistants at the divisional and project levels.

Co-operative Education and Training

7.4. It is the belief that a sound and intensive programme of education and training in the co-operative sector is the surest long-term objective towards achieving permanent efficiency in the business operations of co-operative organizations. It is felt generally that a responsible committee can only be found from a well-informed membership, and that efficient management can only be achieved by qualified personnel and capable committees. Furthermore, the Government would not be able to supervise and guide the movement if it did not have appropriately qualified staff. The intensive co-operative education and training is therefore directed at the departmental staff, movement staff, the committees and members of co-operative societies/unions.

7.5. The Co-operative College undertakes the in-service training for the intermediate level personnel of both the movement and the department. This training is augmented by seminars and specialized courses organized locally and abroad. The college will continue to play its role as a training institution for the co-operative personnel of both the movement and the department.

7.6. Courses offered at the college will be reviewed from time to time to ensure they accommodate new trends and changing needs of co-operative development. A new course will, for instance, be designed and introduced for personnel working in consumer co-operatives. As the movement develops and enters new fields of activity, the demand for high-level manpower will become even greater. The Government will therefore explore the possibilities of instituting higher courses to meet the requirements for high level management by a fast growing and sophisticated co-operative movement. As a step in that direction, the Government will establish a new scheme of service that will be able to attract and retain highly qualified professional teaching staff.

7.7. Apart from the needs of the college, the Department of Co-operative Development, in conjunction with the Kenya National Federation of Co-operatives (K.N.F.C.), has designed schemes of service for the departmental staff and the employees of the movement, with a view to offering better career opportunities in the co-operative sector. These schemes are designed to ensure that those trained within the movement are retained in the service, thereby curbing the present high turnover in the co-operative sector.

7.8. Whilst the Co-operative College remains the principal institution for co-operative education and training, the policy must also stress the necessity for vigorous general membership training and education at the provincial level, and the need for co-operative education centres in the provinces. The appointment of District Co-operative Officers (Education) is essential if the country is to achieve rapid membership enlightenment, more support for the movement and the consequential improvement in the general management and performance of co-operatives.

7.9. The National Federation of Co-operatives will be encouraged to explore the possibilities of opening co-operative libraries in the country, and especially a library in Nairobi where co-operative information would be centred.

Accounts and Audit Services

ACCOUNTS

7.1.0. Co-operative societies are business organizations and as such are required to operate on accepted business principles in which proper accounts and book-keeping are important facets.

7.1.1. After considerable research over the last 4-5 years, new standardized accounting systems have been evolved for the general ledger and accounting for members' transactions for most important co-operative crops (coffee, dairy, pyrethrum and sugar-cane) and improved stores accounts systems have also been developed, as well as systems for transport transactions between co-operative societies and their individual members. The implementation of these systems in selected co-operatives has greatly improved the standard of book-keeping, and reliable information for management is now more readily available.

7.1.2. In consultation with the Farm Management Branch of the Ministry of Agriculture and the Department of Settlement, the Department of Co-operatives will review the standardized accounting systems now in use so as to cover all co-operative activities, including large-scale co-operative farms, and to eliminate possible duplication of effort by the three Ministries in this field.

AUDIT

7.1.3. One area of persistent problems in the past has been in auditing the accounts of co-operative societies. The problem of audit arrears has not been completely overcome despite the assumption of audit functions for co-operative books by the Co-operative Department since 1970.

7.1.4. It will continue to be the primary policy of the Government to continue to ensure that all co-operative audits are brought up-to-date. In the Development Plan, 1974-1978, the Government has agreed to recruit more audit staff in order to achieve this goal. Their remuneration and general terms of service will need to be improved to attract and retain highly qualified staff. At the same time, the Government will review audit fees with a view to prescribing more economic and competitive charges for co-operative audits.

LEGAL AND REGISTRATION SERVICES

7.1.5. Since the promulgation of the Co-operative Societies Act (1966) and the Societies Rules (1969), the number of registered societies has increased from 1,699 to 2,282 in 1973 and their activities have considerably diversified. The primary societies,

unions and countrywide co-operatives have gone into large-scale business which entail large sums of capital and complicated legal transactions. Although the existing Co-operative Act is fairly liberal and covers a wide range of co-operative activities, nevertheless, as co-operatives are more and more acquiring farms and engaging in direct production, processing and marketing of various commodities, there may be need to review the present legislation to ensure that this aspect is covered and that the legislation fully meets the needs of a relatively more sophisticated movement.

7.1.6. The number of dormant and inactive co-operative societies requiring inquiries has increased. With about 1,250 active co-operative societies in operation, the number of disputes requiring arbitration have also risen. This has led to the need for more staff in the Legal Section of the Department. The Government, therefore, agrees to provide personnel who have legal qualifications to ensure effective execution of these tasks.

Development Planning and Management Services

7.1.7. The achievement of objectives in the co-operative sector depends very largely on the effective planning capability of the movement and the Department of Co-operatives. The Development Planning and Management Division of the Department of Co-operatives was established with the objectives of identifying potential co-operative development projects and working out feasibility studies before their implementation. It was also entrusted with the responsibility of developing operational guidelines to assist the movement towards increased efficiency and ultimate self-sustenance.

7.1.8. The achievement of these objectives is partly dependent on the availability of regular and reliable statistical information so vital as a tool for planning, control and management. The availability of such information from the field has hitherto been a major constraint. To surmount this constraint, the Statistics Section of the Division has developed a systematized quarterly and annual reporting procedure that will ensure smooth and timely flow of information from the districts to the headquarters.

This new system will continue to be implemented to streamline the feedback from the field and thus ensure the production of regular and reliable statistical information. It is the objective of the Statistics Section of the Development Planning Division to provide co-operative organizations, the Department of Co-operatives, as well as the Co-operative Section of the Department of Settlement and the Farm Management Branch of the Ministry of Agriculture with analysed statistics that effectively monitor the extent of, and shortcomings in, co-operative development.

7.1.9. In the Plan Period, 1974/78, much of Government effort in co-operative development is being concentrated in the less developed areas to ensure improved efficiency and increased co-operative participation in agricultural production and processing industries. These, however, are areas where the management input is either in acute shortage or in which co-operatives are unable to pay for efficient management in the early stages. Thus, besides designing and implementing short-, medium- and long-term planning systems in co-operative unions, the Government will establish a management pool where management expertise will be made readily available for deployment in co-operative organizations with management problems, or where it is considered that the management of certain co-operative organizations is inadequate for the introduction of certain approved programmes.

7.2.0. District and crop surveys will continue to be undertaken by the Surveys and Projects Sections of the Division with a view to identifying and establishing potential co-operative development projects and also with a view to providing analysed information to form the basis for the determination of priorities by the department and the movement. In those areas where co-operative development priorities have been established, emphasis will be put on the appraisal of projects for implementation. This will be done with particular reference to the co-operative role in processing and marketing of different crops.

7.2.1. The tasks entrusted to the Planning and Management Division are immense and highly significant for co-operative development and will demand much in terms of capabilities. To

this end, Government undertakes to improve the capability of the division by providing well-qualified staff to enable it to fulfil the tasks entrusted to it.

7.2.2. Co-operative involvement in crop development is ever increasing. Besides, the field horizon of co-operative activities is ever widening such that co-operatives are assuming an increasing role in commerce and industry. To plan effectively in this regard, the division will need specialist know-how. In improving the planning capacity of the department, the Government will pay particular attention to the need for expertise in certain major fields of co-operative activity. In particular, the Government will provide a team of planners and researchers who will concern themselves with analysing the technical and management information available and applying it within the co-operative context for improved business efficiency and management.

7.2.3. The Government recognizes that the success of co-operatives mainly depends on the enlightenment of the general membership and their interest in the movement. Plans for the development of co-operatives should not be imposed on the movement, but should be worked out in consultation with the membership. For this purpose Government will establish a Co-operative Development Council as a consultative forum between the Government and the movement, whose objectives, in particular, will be to advise the Minister and the movement on the strategies for co-operative development, especially on fields where priorities should be placed. The council, which will be representative of the Government and the movement, will also advise on the conditions and terms of employment of the graded staff in the movement, and on the promulgation and enforcement of co-operative legislation, by-laws and rules.

CREDIT AND FINANCE

7.2.4. The Credit and Finance Division of the Department of Co-operatives is responsible for finance and credit programmes for co-operatives. Various external donors have expressed desire to help development programmes whose targets are the small-scale farmers and this aid will be channelled through the co-operative structure. Besides, many of the Government programmes for

the small-scale farmers, especially those of the Ministry of Agriculture and the Ministry of Finance and Planning, will be channelled through the co-operative structure. The division has, therefore, an important responsibility to shoulder. At present the capability of this division is overstretched due to shortage of personnel, and in view of the need for it to plan and supervise the utilization of the immense finances being channelled to members of co-operatives and their organizations through the Co-operative Bank, the Settlement Fund Trustees and other Government institutions, favourable consideration will be given to increasing the staff of the division.

External Assistance to Co-operatives

7.2.5. Over the last few years the co-operative movement in Kenya has received technical and financial assistance from various overseas countries and agencies, the most significant being the Nordic Project for Co-operative Assistance to Kenya.

7.2.6. The Government will continue to draw on the various donor countries and agencies for both technical and financial assistance for the co-operative sector whenever local resources in this sector fall short of the requirements and when the experience and know-how of other countries in co-operative matters will enhance Kenya's know-how and help her co-operative development. The source spectrum may be widened to incorporate many more countries and agencies willing to assist Kenya in her development through co-operatives. Whereas the Nordic Project generally comes to an end in mid-1977, the Kenya and Nordic Governments will review the position when that time comes to determine the need for extended assistance in specific co-operative fields. The policy is that where expatriate advisers are made available, their efforts will be concentrated on training Kenyans to assume executive responsibility in the fields concerned instead of the advisers themselves performing the duties as executives.

VIII.—Kenya National Federation of Co-operatives

8.1. The Kenya National Federation of Co-operatives Limited, the apex organization of the Republic's co-operative movement, will continue to preserve and propagate the democratic co-operative principles upon which the movement is founded. It will also

continue to be the national representative of co-operative organizations of all types which observe and practise co-operative principles in Kenya.

8.2. In pursuit of its objectives, the Kenya National Federation of Co-operatives will be assisted to play its full part in the development of the movement in general and to act as the promoter and custodian of the interests of the co-operators. In particular, special emphasis will be given to certain aspects of the movement, such as co-operative education and training programmes, and co-operative publicity. The Federation will expand its commercial services to the movement such as printing, supply of stationery and office equipment; the supply of agricultural inputs and processing materials. The Federation will also be supported and encouraged to widen the scope of its commercial activities to include other services such as the establishment of audit and legal services for the movement. The possibility of introducing a co-operative insurance service will also be examined.

8.3. The Federation will be involved in promoting co-operative processing and manufacturing industries, prepare the way for the operation of a centralized import-export agency, and assist the Government in co-operative development planning and market research. Every possible assistance will be given to the Federation, in conjunction with the Co-operative Bank, to establish headquarters in Nairobi, which may also house other co-operative organizations. The K.N.F.C. will continue its active membership of the International Co-operative Alliance and, especially, its regional co-operative activities in Eastern Africa.

IX.—Conclusion

9.1. The stage where co-operatives were rendered static by rampant embezzlements and financial mismanagement is over. Co-operatives are now dynamic organizations with a much wider horizon, as a result of improved control systems and constant surveillance and guidance.

9.2. The Government recognizes co-operatives as important tools for rural development in particular, and for national progress generally. The Government will, therefore, channel more and more of its resources towards these ends through co-operatives.

As a prerequisite, emphasis will be given to the strengthening of Government supervisory services and to an improvement in the planning and management capability of both the department and the co-operatives. Government efforts at co-operative development will be emphasized on increased co-operative participation in industry through co-operative acquisition of processing plants and their full involvement in the establishment of light-scale rural industries in future.

9.3. The overall aim is the growth of a sound, dynamic movement that plays a vigorous part along with other commercial and statutory organizations in the country to enable Kenyans to achieve total economic liberation and to reap the full fruits of Independence. In agriculture, in particular, the Government wishes to see the co-operative movement being strengthened and able to reach a greater number of the small-scale farmers so that it can efficiently supply agricultural inputs and be an effective channel for seasonal credit to the small-scale farming sector.

MINISTRY OF CO-OPERATIVE DEVELOPMENT,

NAIROBI.

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