



## THE ROLE OF COOPERATIVES IN SOCIAL AND ECONOMIC DEVELOPMENT OF KENYA AND ACTIONS REQUIRED TO ACCELERATE GROWTH AND DEVELOPMENT OF THE SECTOR IN AFRICA

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# PURPOSE OF COOPERATIVES

- Cooperatives are established by its members driven by the need to do business together and benefit from economies of scale
- The members strive to optimize their economic, social and cultural needs.
- In so doing, cooperatives strength the communities in which they operate.

## BACKGROUND OF COOPERATIVES IN KENYA

- The first cooperative society in Kenya was registered in 1908 and was the preserve of white settlers to develop and market their agricultural crops.
- Africans were allowed to form cooperatives in 1950s.
- At the time of Kenya's independence in 1963, there were only about 1000 registered cooperatives.
- In 1960s and 1970s, important national cooperative organizations (NACOs) were founded. These included the CAK (former Kenya National Federation of Cooperatives) in 1964, the Cooperative Bank of Kenya (1968); Kenya Union of Savings and Credit Cooperatives (KUSCCO) in 1971; Cooperative Insurance Company (CIC) and National Cooperative Housing Union (NACHU) in 1978.
- Some NACOs died in 1980s; i.e. Kenya Cooperative Creameries (KCC) and Kenya Planters Cooperative Union (KPCU).
- Currently the types of cooperatives that are active in Kenya includes Marketing; Banking; Insurance; SACCOS; Housing and Transport.
- There are 22,883 registered cooperative societies in Kenya - State Department of Cooperatives, 2017.

# SECTOR DISTRIBUTION OF COOPERATIVE SOCIETIES IN KENYA



SECTOR	No. of Coops	% Share
<b>AGRICULTURE</b>	<b>6,774</b>	<b>30%</b>
Coffee	448	2%
Dairy	647	3%
Multipurpose	1,772	8%
Agriculture (others)	3,047	13%
Farm purchase	435	2%
Pyrethrum	70	0%
Sugar	132	1%
Cotton	84	0%
Fisheries	139	1%
<b>NON-AGRICULTURE</b>	<b>16,109</b>	<b>70%</b>
Housing	1,939	8%
Sacco	<b>13,088</b>	<b>57%</b>
Consumer	217	1%
Craftsmen	211	1%
Transport	57	0%
Non-agriculture (others)	450	2%
Union	147	1%
<b>TOTAL</b>	<b>22,883</b>	<b>100%</b>

Courtesy of OCDC

# SITUATIONAL ANALYSIS OF THE FINANCIAL COOPERATIVE SOCIETIES IN KENYA (SACCOS) DEPOSIT -TAKING SACCOS

## Deposit clustering for the Deposit-Taking Saccos for the priod 2015-2018 Market share based on deposits in USD

Depositor Cluster		2018		2017		2016		2015
Above US\$ 50 Million	16	1,817,370,342.78	13	1,478,175,963.20	11	1,230,144,914.72	8	948,643,908.61
Between Ksh 10Mn & 50Mn	53	1,260,123,420.99	54	1,240,410,495.71	54	1,140,760,133.79	48	1,052,412,891.79
Below Ksh 10Million	105	345,465,097.93	107	334,459,610.12	113	354,880,972.35	121	377,066,612.71
TOTAL	174	3,422,958,861.71	174	3,053,046,069.03	175	2,725,786,020.87	177	2,378,123,413.11

Depositor Cluster	2018	2017	2016	2015
Above Ksh 50 Million	53.1%	48.4%	45.1%	39.9%
Between Ksh 10Mn & 50Mn	36.8%	40.6%	41.9%	44.3%
Below Ksh 10Million	10.1%	11.0%	13.0%	15.9%

## ATTRIBUTES OF THE COOPERATIVE BUSINESS MODEL IN KENYA

- Capacity to tap the economy of scale that reduces the cost of production.
- Create enabling environment for saving culture and investment.
- Tap the technical, financial and other support from governments, NGO's and other stakeholders
- Has the capacity to address poverty through provision of food, create financial inclusion among the citizens and address housing shortage.

## ROLE OF COOPERATIVES IN KENYA

- Cooperatives movement have been acknowledged by WB, ILO and ICA of its economic and social role its plays in the world and especially in developing countries thereby creating the necessary capacity of fighting poverty and promoting equity.
- Cooperatives have been forefront in mobilizing savings and investments through provision of affordable loans. It has resulted to huge impact in financial deepening among Kenyans.
- Cooperatives had mobilized over \$6 billion (about half of country's GDP as deposits and asset base worthy over \$5 billion.
- The WB report has revealed that 9 out of 10 housing units in Kenya are constructed through cooperatives.

## Cont... ROLE OF COOPERATIVES IN KENYA

- The government of Kenya under Vision 2030 has envisaged that cooperatives will provide 25% of housing stock in urban areas.
- The cooperatives have been identified as one of the best model in enhancing agricultural and non-agricultural productivity through trade in large volumes of inputs, engagement in the distribution of farm inputs.
- Cooperatives have the capacity of realizing industrialization in rural areas through the value addition of agricultural products and marketing. Example includes dairy and coffee sectors.
- Cooperatives have played important role in employment in Kenya.



## CHALLENGES FACED BY COOPERATIVE BUSINESS MODEL IN KENYA

- Increasing failure of awareness over their economic and social impact.
- Lack of adequate entrepreneurial vision
- Lack in majority of the members of understanding of the cooperatives principles and values.
- Lack of policies and programs focused on gender equality and youth to ensure the cooperative movement future.
- Cooperatives are lagging in innovation and and creativity which is critical in order to lead to the transformation of the society.
- The devolved system of government is a constraint due to disagreement between the national government and the county governments' roles with regards to cooperatives

## FUTURE OF THE COOPERATIVE BUSINESS MODEL IN AFRICA (1/3)

- Streamlining and strengthening the management of Cooperative societies.
- Establishing and strengthening an enabling environment for the cooperative business model through necessary policies, legislative and regulatory frameworks.
- Improving market access, marketing efficiency and value addition by cooperatives.
- Promoting cooperatives in emerging investment areas such as energy, health and ICT sectors.
- Encouraging cooperatives to enter into mutual partnerships with other development agencies for additional resources.
- Create internal mechanism within the movement to manage and mitigate cooperative conflicts when they arise through alternative dispute resolution mechanism.

## FUTURE OF THE COOPERATIVE BUSINESS MODEL IN AFRICA (2/3)

- There are rising cases of loss of members contributions in cooperative societies through cyber-fraud. Cooperatives societies need to embrace the need for robust shared platforms to mitigate against this trend.
- Alliance Africa should proactively help in building the capacity of national apex cooperative movement bodies.
- Most apex bodies have weak systems that inhibit their ability to enhance self regulation of the sector, a reason that has seen African governments and their agencies play an active regulatory role.

## FUTURE OF THE COOPERATIVE BUSINESS MODEL IN AFRICA (3/3)

- Africa needs to proactively embrace the UN and AU's Agenda 2063 that emphasize the need for Africa to focus on the creation of quality employment opportunities to realize sustainable development.
- Cooperative societies are private entities. Whereas African governments played a pivotal role in the establishment of the sector at the *annus mirabilis* of the various nation-states independence, there is urgent need for them to demobilize and facilitate its self regulation.
- Enhance knowledge management within the cooperative sector through continuous research and data management.

**LET'S ACTUALISE AND CELEBRATE  
'COOPS 4 DECENT WORK'**

**This years International Cooperatives is endeavors to  
realize SDGs 4,8,10,13 and 16 that strives to;  
'Empower people and ensuring inclusiveness and equality**

**THANKS**