



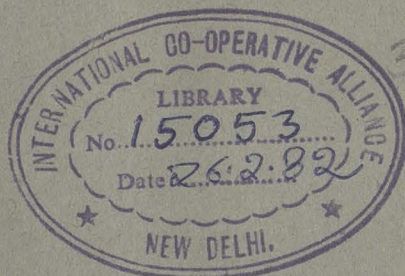
INSTITUTIONALISED

'SUPERVISION AND CONTROL

VIS - A - VIS

'PERFORMANCE OF CO-OPERATIVES

IN KENYA



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L I S T        O F        A B B R E V I A T I O N S

<u>Abbreviation</u>	<u>Meaning</u>
KNFCC	Kenya National Federation of Co-operatives Ltd.
ICA	International Co-operative Alliance
Member(s)	Member(s) of a co-operative society
Committee	Committee of a co-operative society
GDP	Gross Domestic Product
Shs or K.Shs.	Kenya Shillings
The Act	The Co-operative Societies Act, 1966
The Rules	The Co-operative Societies Rules, 1969
Commissioner	The Commissioner for Co-operative Development or his Office, according to context
Apex(es)	A national co-operative society members of which are other co-operatives
Department	Department of Co-operative Development
CLSHB	Cotton Lint & Seed Marketing Board
HCDA	Horticultural Crops Development Authority
HPB	Maize & Produce Board
Government	Ministry of Co-operative Development or Cabinet, depending on context
Kg(s)	Kilogram(s)
£	Kenya Pound which is=K.Shs. 20.00



## PREFACE AND ACKNOWLEDGEMENTS

On 30th November, 1976, the United Nations General Assembly unanimously adopted a resolution which, inter alia, recognized that the "expansion of the co-operative movement in the promotion of social and economic progress is closely linked to the structural and institutional reforms which aim at equitable distribution of income, popular participation in democratic process and equality of opportunity to contribute to and benefit from the fruits of development" (our emphasis). The resolution is both onerous and overoptimistic and appears to epitomise the official thinking behind the overburdening of co-operatives with development role and tasks quite without much regard, if at all, for their general or particular capacity for the same.

On the other hand, over the last few years, there has been widespread concern over both the fact of external supervision, notably state supervision and control of co-operatives and the latter's seeming failure to reach expected levels of performance.

The present research was originally designed to identify modes of external supervision and control of co-operatives as well as the operational connection between the two concepts and co-operative performance. On the advice of various co-operators within the region, the scope of the study was enlarged to institutionalized supervision/control, i.e. the study looked at both internal supervision/control and also supervision/control by government and other co-operative "outsiders".

In re-designing the research, we allowed ourselves to be influenced by considerations of utility of the research outcome. Some rigour was therefore sacrificed in the design. However, the report, besides drawing up possible linkages between operational objectives, various supervisory/control actions and performance indicators has also come up with practical suggestions as to the nature and manner of supervision and control of co-operatives in future, as well as the functional equipment of the actors within the co-operative arena. It has also shed some light on areas for possible deeper investigation. For instance, it might be worth pursuing: (i) the effect of co-operative education and training on actual job-performance, (ii) the correlation between co-operative salaries or other work conditions and staff turn-over; or (iii) the usefulness or otherwise, of the co-operative, to the "weaker" sections of its membership; etc. A short historical description has been included to provide some perspective to the report.

The field research was conducted by Messrs Charles Gashumba, Clement Kwayu and Okumu Odede. The staff of co-operative unions and the field staff of the Ministry of Co-operative Development, after due briefing by the researchers, assisted with the structured interviews. Any errors of information and judgement, however, must entirely rest with the researchers. Mr. Okumu Odede ultimately filled in the role of principal editor of the report. At this point, it should be noted that Mr. Oyieke joined the authors at the time of analysis of the data.

As usual, many people co-operate to produce a report. Unfortunately, it is not always easy either to thank them all sufficiently or even to list them all. We would, however, like to mention Mr. John Musundi, Secretary General of the KNFC and his staff, as well as other civil service and parastatal administrators. Last but not least of the Kenyans, we would like to thank all the many co-operators and non-co-operators whose number militates against their mention by name. All of these people gave of their time, experience and expectations so willingly that our field task was at once challenging and rewarding. We hope they will find something of value in the ensuing pages.

We are also grateful for the constructive comments and suggestions from our colleagues at the ICA, in particular, Mr. Dan Nyanjom, the Regional Director. We must emphasise, however, that the views expressed in the report are those of the authors and not necessarily of the ICA.

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## CHAPTER I

### 1. INTRODUCTION

#### 1.1. Origin and Purpose of the Study

In developing countries one can view co-operatives as either or both of two things. They are, first and foremost, organisations of people or groups of people who have joined hands in order to raise their standards of living on the basis of co-operative principles. In this perspective these organisations should have within them an in-built mechanism for democratic control by members. This control is therefore evidence of their ability to conduct their own affairs. Secondly, co-operatives are government instruments for bringing about development to the masses, notably in the rural areas. As government instruments for development, co-operatives have been assisted with finances, manpower and other resources, all with the prime aim of contributing to the promotion, supervision and control of co-operative activities by the government's chief agency for co-operative development.

Supervision and control in organisations are supposed to be positive elements instituted to bring about clear and sure achievement of organisational objectives. The effect of such measures depends on several factors, of which understanding of the right elements to be controlled, the timing and the consequence of each measure taken are of crucial importance. With good intentions, measures of supervision and control are instituted. On the other hand, the results are often a mixture of some blessings and curses. Quite a number of other variables, for instance, co-operative education, prevailing economic activity, political and cultural orientation of the people, among others, will influence performance and therefore affect the course of co-operative development. Notwithstanding these other variables, the relationship between supervision/control and co-operative performance is any way, not well known.

Because of the importance of the factor of supervision and control in co-operative development and the crave for better-run co-operatives, the ICA Regional Conference on Co-operative Research and Planning held at Arusha in April 1974 ranked this topic number two among twelve items that needed to be immediately researched into. Engagement in the first item of priority and lack of sufficient manpower and other resources did not make it possible for the topic to be researched into early enough. In April 1977 when the 2nd ICA Regional Co-operative Research and Planning Conference was held in Lusaka, the topic on supervision and control was ranked number one among nineteen topics that needed immediate research.

The study now outlined in this report was intended to look into institutionalized supervision/control and co-operative performance. The study's main assumption is that, as long as there are co-operatives, there will be some sort of supervision and control. Depending on the nature of supervision and control, performance may be desirable or undesirable. Results are desirable if they translate into the achievement of organisational goals. The study endeavours to answer such questions as: what forms of supervision and control are co-operatives subject to? How do they affect performance? Can it be improved? Is there need for more or less of some(forms of)supervision, notably, government supervision and control? Many more questions can be asked. However, as can be seen in Table 3 below, we have tried to relate supervision and control with performance through operational indicators that can be varied to suit each given reality.

At this stage it is perhaps useful to note that, the study was originally intended to cover the entire region served by the ICA Regional Office, Moshi, and to be more specific in that it would only probe into government

supervision/control and co-operative performance. When various co-operators were consulted in the Region, they suggested that thus phrased, the topic was too narrow in its outlook. These people were of the opinion that it was not only the question of government supervision and control of co-operatives at issue but that of many more institutions as well. Other examples of sources of supervision and control of co-operatives with negative or positive effects upon co-operative performance were cited in:-

- (i) Co-operative members
- (ii) Political parties and influential individual politicians
- (iii) Co-operative secondary (including apex) societies,
- (iv) The various crop authorities or marketing boards
- (v) The Ministry of Agriculture
- (vi) Financial institutions
- (vii) Foreign aid agencies.

These views of people in the field were taken into account, and consequently the study was enlarged to (cover) the present scope.

As already implied above, when the topic was first suggested, all the countries of the region showed interest. But soon a changed co-operative policy, environment and structure in Tanzania, more prevalent different problems requiring priority in the Ugandan Co-operative Movement and the problems of getting clearance quickly enough in other parts of the region forced us to confine our study to Kenya, at least for the present. The Kenya National Federation of Co-operatives gave the issue due urgency and obtained from the Kenya Government, the necessary clearance for the study.

## 1.2. Methodology

The study was primarily empirical and employed the following major tools of research:-

- (i) Unstructured interviews
- (ii) Structured interviews through questionnaires
- (iii) Direct observation
- (iv) Consultation of public records



A pre-survey was conducted in March 1977 i.e. before the actual field research. The main purpose of the pre-survey was to obtain the views and opinions of co-operative leaders in Kenya so that the research exercise could be carried out in a more pragmatic manner and in a way conducive to the subsequent utilization of its results. Discussions were held with leaders of the following institutions.

1. The Ministry of Co-operative Development
2. The Department of Co-operative Development, both at headquarters and in a few stations in the field
3. The Kenya National Federation of Co-operatives
4. Kenya Co-operatives Creameries (KCC)
5. Kenya Planters' Co-operative Union (KPCU)
6. Kenya Farmers Association (KFA)
7. Horticultural Co-operative Union (HCU)
8. Kenya Union of Savings & Credit Co-operatives (KUSCCO)
9. The Co-operative Bank of Kenya
10. Maize and Produce Board
11. Cotton Lint and Seed Marketing Board
12. Kiambu Coffee Growers' Co-operative Union
13. Kiambu Dairy and Pyrethrum Co-operative Union
14. Provincial Administration in Nairobi
15. District Administration in Kiambu and Nakuru.

Our meetings and discussions with these leaders centred on the purpose of our research, the role of their institutions in relation to co-operative development and activities, and problems of co-operatives as they saw them, particularly those relating to supervision and control. The information gathered was useful in the design of the questionnaires.

Unstructured interviews took place in the form of informal discussions between ourselves and various leaders of institutions and places we visited. In the provinces and districts covered by the research, we paid courtesy calls on the government leaders in the areas since problems of

co-operative development often end up with heads of the government machinery in districts and provinces. During these courtesy calls, we held very rich discussions with these leaders on issues relevant to our study.

In certain areas, we had an opportunity of observing co-operative machinery in action. We attended committee meetings of some co-operative societies and observed some marketing activities in a few others. In yet others we observed the book-keeping systems operating. These observations besides enriching our experience, also shed useful light on our study.

We also had the opportunity of consulting some public records of co-operative societies and other institutions in the areas we visited. We read through some of the general files, minutes files, and audited accounts and balance sheets or statements of affairs of co-operatives, administrative files including annual, periodic or ad hoc reports relating to co-operatives. These records helped us check the validity of some of the information received in the structured and unstructured interviews.

The months of June to September were used for interviewing members, committee members, movement and departmental staff and non-members in six provinces. Tables 1 and 2 summarise the areas, activities and various groups of people covered in our interviews. Eleven co-operative unions and twenty-eight primary societies were visited.

The selection of activities, districts and societies was done in consultation with the KNFC and the head office of the Department of Co-operative Development. For each activity we considered at least two districts, one district "strong" in the activity and another "weak" in the same. Similarly, for each district chosen, we visited two primary societies - one "weak" and another relatively "strong" in the chosen activity.

Table 1

A R E A S   A N D   A C T I V I T I E S

PROVINCE	DISTRICT	ACTIVITY CONSIDERED
CENTRAL	Kiambu	Coffee
	Kirinyaga	Coffee Cotton
	Nyandarua (Nyahururu)	Dairy Pyrethrum
EASTERN	Machakos	Ranching
	Meru	Cotton Coffee
NAIROBI	Nairobi	Savings and Credit
RIFT VALLEY	Nandi	Dairy
	Kericho (Sotik)	Ranching
WESTERN	Bungoma	Coffee
	Busia	Cotton
NYANZA	Kisumu	Savings and Credit
	Kisii	Pyrethrum

Table 2

NUMBER OF VARIOUS GROUPS OF PEOPLE TO WHOM QUESTIONNAIRES WERE ADMINISTERED	
1. MEMBERS	93
2. COMMITTEE MEMBERS	113
3. PRIMARY SOCIETY MANAGERS	20
4. UNION MANAGERS	11
5. GO-OPERATIVE DEPARTMENT EMPLOYEES	26
6. NON-MEMBERS	36
Total:	<u>299</u>

Six separate but related sets of questionnaires were used. Of these six, the longest one was the committee members questionnaire. Under the principle of democratic control by members, the latter have entrusted the committee with the duty of seeing to it that the co-operative goals are achieved. The committee supervise the staff and oversee on behalf of the members, the day to day operations of the co-operatives. To us, the age of committee members, their educational level, the reason for their election, experience, frequency of their attendance of meetings and their opinion on several aspects of operation of their co-operatives, inter alia, could reveal, for instance, not only the nature of supervision and control exercised by the committee members themselves but also the manner of supervision/control by other groups.

The members are or ought to be aware of any malpractices that go on in their societies. They know whether or not their expectations for joining the societies have been or are being met. Often they have sound views about such matters. Through general meetings, and in some cases letters of protest against certain actions or political activism by interested groups, the members can exercise considerable control and influence upon the operations of their societies.

The non-members' questionnaire was included to try to gauge the opinion of "outsiders" about the operation of co-operatives in their living/work localities. In rural areas, what goes on in one sector within the village becomes a common talk in a very short time. The reasons why some people have not joined a co-operative may well have something to do with the performance of that particular co-operative. For example, its services may be poor.

The primary society and union managers' questionnaires were intended to monitor control upon activities of co-operatives by the employees of these organisations as well as by other interested groups. Sound financial control is essential for successful management of ventures. A negative attitude by a co-operative employee may render useless an advice from a government employee, however useful the advice may be.

Finally, the Co-operative Department employees' questionnaire was used in order to gain insight into the nature of the training, orientation, motivation and resources given to these employees in order to equip them to exercise the required supervision and control upon co-operatives properly.

Given the wide range of categories of people we interviewed, and given further varied ecological and other environments from which we chose the societies, and noting that the provinces covered contain some 90% of Kenya's co-operatives, their enterprises and activities, we are satisfied that the sample we took is fairly representative of the Kenyan Co-operative Movement, even if individual category samples -- save the co-operative officers' sample -- may not entirely be statistically reassuring.

### 1.3. Definition of Concepts

The words supervision, control and performance mean different things to different people. Here below, we shall attempt to define the terms as we have used them in our study.

#### 1.3.1. Control

Controlling is seeing to it that actions conform to plans drawn to accomplish objectives. In organizations, it translates to mean measures for accomplishment of actions on the plans and the correction of any deviations, both to the purpose of ensuring the attainment of objectives of the plan. To control therefore, is to exercise a directing or a curbing influence in order to attain set goals.

In any undertaking, control is a vital managerial function. It needs to be exercised over all the resources -- human, material and temporal -- being employed by the enterprise. It requires organizations to have the discipline of planning and above all, of knowing very precisely the goals to be accomplished and measures of performance. As such it requires establishment of standards of performance and modes of correcting any deviations therefrom. Control must

therefore reflect the nature and needs of an activity. Our concern in this study is co-operative performance. We are concerned with what form or forms of control exist within the co-operative system, what effect they have upon performance and how those forms of control can be improved to achieve better results.

### 1.3.2. Supervision

The other regulatory element in the operation of an enterprise is supervision. Someone has defined it thus: "Supervision is the art of working with a group of people over whom authority is exercised in such a way as to achieve their greatest combined effectiveness in getting work done. It is best performed in an atmosphere of goodwill and zestful co-operation on the part of all the people involved - including, of course, the supervisor"<sup>1</sup>. Effectiveness does relate the amount of effort expended to the degree to which set goals are accomplished. So, as in controlling, and indeed any other managerial function, supervision requires a clear understanding of the goals to be achieved. One can oversee with powers of direction and decision, if and only if, he knows the goals to be reached.

### 1.3.3. Performance

By performance we mean the result of deliberate actions of an organisation weighed against the goals at which the actions were directed. It is a measure of organizational efficiency and effectiveness. An organization is efficient if the input-output, ratio is low and effective when attainment of goals is (substantially) realised. Co-operative performance can therefore be taken to mean the achievement or non-achievement of co-operative goals as a result of the various actions exerted by or on co-operative institutions.



But co-operative performance is a difficult concept. For one thing, the goals to be accomplished are complex and consequently the measures of their performance would to some degree, be unclear. As already indicated above, co-operatives are, first, organizations of people who by guidance of co-operative principles have joined their efforts together in one or several activities in order to raise their standards of living. Secondly, they are development tools for bringing about intended socio-economic goals set by governments. Multiplicity and complexity of goals of co-operatives demand different ways of looking at performance in co-operatives. Table 3 attempts to sketch out in broad terms: (a) institutional co-operative related goals; (b) actions leading to achievement of these goals; (c) supervision and control actions to facilitate goal achievement and (d) possible indicators of performance.

The goals have been broadly stated. For a specific co-operative or other institution, one would need to be more specific in stating the goals, supporting actions and consequently, the indicators or measures of performance. It may be observed that the goals falling under categories A and B, that is, economic and social goals respectively, are intrinsic in that they are embodied in the objectives of the co-operative units and their members. On the other hand, goals in category C, that is Government goals with respect to the co-operatives, are extrinsic. Although this latter category of goals does contain some aspects of members' goals, they can be considered external to a very large extent because they are primarily the goals of the Government.

#### 1.3.4. Supervision, Control and Performance

We have seen above that supervision and control are instituted in organizations because they are considered capable of improving performance. For instance, if the supervising machinery ensures that proper financial control

procedures are followed, unnecessary losses and mis-appropriation may be avoided. The members should then receive a higher income. In such a case, they will have achieved one of their goals for joining the co-operative. Any other action of supervision and control, can in similar manner improve performance. Supervision, control and performance are therefore operationally interlinked.

Which is why unless carefully done, supervision and control can result in poor performance. For instance, the Department of Co-operative Development could insist on lengthy procedures that unnecessarily absorb workers' time to the detriment of serving the members expeditiously. The quality of supervision and control being exercised upon the co-operatives is a vital aspect of the present study.

In Table 3, an attempt has been made to present the linkages between institutional goals and possible supervision/control actions and performance indicators.

GOALS, ACTIONS AND POSSIBLE INDICATORS OF PERFORMANCE IN CO-OPERATIVES<sup>2</sup>

INSTITUTIONAL GOALS	CO-OPERATIVE ACTIONS TO ACHIEVE THE GOAL	SUPERVISION/CONTROL ACTIONS TO FACILITATE GOAL ACHIEVEMENT	INDICATORS OF PERFORMANCE
<p>1. <u>CO-OPERATIVE GOALS</u></p> <p>A. <u>Economics</u></p> <p>1.A.1. Marketing members produce</p>	<p>(i) arrangement and provision of convenient collection centres, reliable transport and storage</p> <p>(ii) arrangement for timely payment for marketing operations</p> <p>(iii) arrangement for all materials required and institution of a system that ensures minimum delay of members at buying centres.</p>	<p>(i) see to it that all preparations for crop buying are done well before the crop season</p> <p>(ii) ensure existence of proper relations between co-operatives and marketing boards, financial institutions, transporters etc.</p> <p>(iii) ensure existence or institution of efficient crop pricing and handling system.</p>	<p>(i) Timely submission and approval of co-operative budgets as well as estimates of crop and finances therefor</p> <p>(ii) (a) number of incidents of delay or non-payment (b) nature of complaints against those institutions/operatives involved in the marketing operation.</p> <p>(iii) timely announcement of proper prices, convenient buying points and a suitable buying timetable</p>
<p>1.A.2. Raise members' income through increased production and sales</p>	<p>(i) conduct campaigns to make members produce and sell more.</p> <p>(ii) give bonus for delivery of early crops, if relevant</p>	<p>(i) Designing and ensuring that member education programmes embodying such campaigns are executed.</p> <p>(ii) preferential prices for early crop, if applicable</p>	<p>(i)a) acreage of crop cultivated b) trend of sales volume by co-operatives c) content of member education programmes</p> <p>(ii) No. of occasions of bonus declaration and actual quantum of bonus declared/paid</p>

<sup>2</sup>The institutional goals have been derived from (i) the by-laws of a broad spectrum of types of co-operatives in Kenya (ii) Kenya Government's Sessional Papers No. 10 of 1965, 8 of 1970 and 14 of 1975, and (iii) National Development Plans for 1966/70, 1970/74 & 1974/78

Table 3 (cont'd)

INSTITUTIONAL GOALS	CO-OPERATIVE ACTIONS TO ACHIEVE THE GOAL	SUPERVISION/CONTROL ACTIONS TO FACILITATE GOAL ACHIEVEMENT	INDICATORS OF PERFORMANCE
	<p>(iii) ensure increased volume of agriculture support services</p> <p>(iv) Use of sales forecasts</p>	<p>(iii) see to it that all bottlenecks to increase sales within the co-operative system are removed</p>	<p>(iii) (a) personnel deployment of the Ministry of Agriculture.                      (b) monthly or other periodic reports by the Ministry of Agriculture staff concerned.                      (c) records of the co-operative concerned.                      (d) members' views of the services.</p>
<p>1.A.3. Raise members' real income through lower costs</p>	<p>(i) utilisation of all resources through proper planning.</p> <p>(ii) proper deployment of staff and mobilisation of members to do some work voluntarily.</p> <p>(iii) minimisation of crop loss, cash loss and wastage and possibly completing an activity ahead of scheduled time.</p>	<p>(i) constructing financial and supply procedures and making financial analyses to ensure adherence to the procedures by co-operatives</p> <p>(ii) (a) clear organisational chart                      (b) proper job description and performance                      (c) dynamic staff development policy.                      (d) adequate staff remuneration and security.</p> <p>(iii) seeing to it that wastage and losses are eliminated through proper drawings, specifications, recording, weighing, servicing and security, as applicable.</p>	<p>(i) Trend of costs of co-operative activities over a number of years.</p> <p>(ii) a) Members' voluntary work schedules                      b) Channels of communication between management and staff                      c) Staff development and job evaluation                      d) Terms and conditions of service.</p> <p>(iii) rate of decline of crop and cash losses.</p>

Table 3 (cont)

INSTITUTIONAL GOALS	CO-OPERATIVE ACTIONS TO ACHIEVE THE GOAL	SUPERVISION/CONTROL ACTIONS TO FACILITATE GOAL ACHIEVEMENT	INDICATORS OF PERFORMANCE
<p>1.A.4. Acquire Property</p>	<p>(i) prompt investment in farms, factories, equipment, buildings and other businesses</p> <p>(ii) give credit and loans to members</p> <p>(iii) assist members by giving information on investment trends and opportunities.</p>	<p>(i) ensure investment in profitable lines.</p> <p>(ii) ensure the application of loans to purposes for which they were approved.</p> <p>(iii) ensure proper information on and management of the ventures.</p>	<p>(i) (a) amount of investments made a year. (b) Return on investment.</p> <p>(ii)(a) timely payment of agreed instalments by the members (b) list of ventures in which members have actually invested.</p> <p>(iii) existence of proper systems of monitoring information and management.</p>
<p>1.A.5. Give quick and prompt services that assist smooth farming and other revenue earning operations:-</p> <ul style="list-style-type: none"> <li>- farm inputs</li> <li>- goods</li> <li>- credit facilities</li> <li>- loans</li> <li>- savings facilities</li> <li>- building materials</li> <li>- equipment</li> </ul>	<p>(i) timely payment for crop purchased.</p> <p>(ii) supply farm inputs, goods, materials, etc. to members at right times and places.</p> <p>(iii) give loans, credit and savings facilities to the members at appropriate times and places.</p>	<p>(i) ensure no delay in member payment</p> <p>(ii) ensure timely availability of farm inputs, goods, materials, etc.</p> <p>(iii) ensure fair administration of loans, credit and savings facilities.</p>	<p>(i)(a) number of complaints by members of payment delays (b) payment records</p> <p>(ii) (a) reliability of the supply schedules (b) number of complaints about the quality &amp; volume of the inputs, goods, materials, etc.</p> <p>(iii) degree of compliance with an approved and written loans policy.</p>

INSTITUTIONAL GOALS	CO-OPERATIVE ACTIONS TO ACHIEVE THE GOAL	SUPERVISION/CONTROL ACTIONS TO FACILITATE GOAL ACHIEVEMENT	INDICATORS OF PERFORMANCE
<p><u>B. Social</u></p> <p>1.B.1. Getting the members to work together for achievement of higher goals.</p>	<p>(i) organisation and institution of co-operative organs embodying a system of democratic control through various forums such as members' general meetings, committee meetings; staff meetings, elections, etc.</p>	<p>(i) ensure that members, committee and staff meetings are held as stipulated and in accordance with laid down rules and procedures.</p> <p>(ii) ensure provision of appropriate and adequate information to enable members, committee and staff to operate the rules and procedures effectively.</p>	<p>(i) (a) rules and procedures for such meetings. (b) minutes of such meetings</p> <p>(ii) number and validity of complaints by members and other parties against violation of accepted principles and procedures</p> <p>(iii) complementarily common to (i) &amp; (ii) above. Levels of co-operative education and training of various groups within the co-operative and amount of effort being exerted to improve it.</p>
<p>1.B.2. Increase technical and other knowledge of members and others through adoption of innovations.</p>	<p>(i) educate target group on new methods and techniques of doing things and ensure to them a free flow of information on the same.</p>	<p>(i)(a) ensure existence of member, committee, staff and public education programmes. (b) see to it that proper preparations are made before new methods and techniques are introduced.</p>	<p>(i) (a) rate of adoption of innovations. (b) number of successful new ventures. (c) attendance records of programmes, courses. (d) content of educational programmes.</p>



Table 3 (cont'd)

INSTITUTIONAL GOALS	CO-OPERATIVE ACTIONS TO ACHIEVE THE GOAL	SUPERVISION/CONTROL ACTIONS TO FACILITATE GOAL ACHIEVEMENT	INDICATORS OF PERFORMANCE
1.B.2. cont'd	<p>(ii) encourage the target group to undertake new economic activities.</p> <p>(iii) organise co-operative education activities for members, committeemen and staff.</p> <p>(iv) organise study tours.</p>	<p>(ii) ensure proper management of all stages involved in innovation.</p> <p>(iii) ensure existence of workable member, committee and staff educational programmes.</p> <p>(iv) encourage meaningful study tours.</p>	<p>(ii) number of successful new ventures and the extent to which members do participate</p> <p>(iii) (a) frequency of educational activities and record of attendance by members, etc (b) content of the programmes</p> <p>(iv) number of study tours undertaken and their impacts.</p>
1.B.3. Instill into members a sense of belonging and of owning a successful organisation that gives them satisfaction.	<p>(i)(a) true report on the state of affairs and establishing member information bulletins</p> <p>(b) encourage members to decide on how/whether to dispose surplus of their enterprise.</p> <p>(ii) organise cultural activities for members and their families.</p>	<p>(i) see to it that all necessary information is correctly given to members</p> <p>(ii) prevent unnecessary expenditure or misappropriation under the cover of cultural activities.</p>	<p>(i) (a) contents of the various reports (b) attendance and participation of members in general and other meetings. (c) Nature and quality of decisions reached at meetings.</p> <p>(ii) (a) attendance and participation in cultural activities. (b) amount and trend of expenditure on such activities. (c) use of bonuses and other incentives.</p>

INSTITUTIONAL GOALS	CO-OPERATIVE ACTIONS TO ACHIEVE THE GOAL	SUPERVISION/CONTROL ACTIONS TO FACILITATE GOAL ACHIEVEMENT	INDICATORS OF PERFORMANCE
<p>2. OTHER GOALS</p> <p>C. Governmental</p> <p>2.C.1. General:                      (a) use of the co-operative institutions in realization of broad national and/or group economic goals.</p>	<p>In addition to actions already listed under A above, the co-operative (movement) should take steps to participate in the formulation of laws and policies that will aid its contribution to the realization of the relevant Governmental goal.</p>	<p>(i) provision of a suitable legal framework, including a co-operative societies legislation that recognizes the philosophy, limitations and potential of co-operation and other institutions in areas of its interest / suggested activities.</p> <p>(ii) periodic review of such legislations by all parties concerned.</p>	<p>(i) Government support for co-operatives as evidenced by its general economic and co-operative development policies.</p> <p>(ii) status of co-operatives and range of activities.</p> <p>(iii) the obtaining co-operative and other <b>interacting</b> legislations.</p> <p>(iv) co-operative contribution to the policies, plans and legislation.</p> <p>(v) existence and functioning of an efficient and representative machinery for initiating and monitoring of the policies and plans involving co-operatives.</p> <p>(vi) feasibility studies/project appraisals</p> <p>(vii) the development plans</p> <p>(viii) adequate and competent personnel and supporting resources.</p>
<p>(b) Use of co-operatives to achieve general or group social goals.</p>	<p>Additional to actions mentioned under B above, co-operatives should use all news media - own, private or public- to inform their members and the public of their activities and aspirations.</p>	<p>(i) inclusion of co-operation in the contents of educational &amp; training programmes of all national educational and training institutions.</p> <p>(ii) conduct information and publicity propaganda for co-operatives in public news media.</p>	<p>(i) contents of the syllabi / programmes.</p> <p>(ii) the records of the news media, Government and co-operatives.</p>

Table 3 (cont.)

INSTITUTIONAL GOALS	CO-OPERATIVE ACTIONS TO ACHIEVE THE GOAL	SUPERVISION/CONTROL ACTIONS TO FACILITATE GOAL ACHIEVEMENT	INDICATORS OF PERFORMANCE
<p>2.C.2. In Particular: (i) Acceleration of rate of economic growth.</p>	<p>Generation of substantial own reserves and share capital to invest in profitable income-generating ventures.</p>	<p>(i) Diversify the income generating activities of co-operatives (ii) provision of soft loans and grants to co-operatives for above purpose.</p>	<p>(i) range of activities of co-operatives (ii) new activities undertaken (iii) increase in membership, reserves &amp; share capital (iv) number of such loans/grants recorded.</p>
<p>(ii) Arrest of rural - urban migration</p>	<p>Invest in labour - intensive projects in rural areas.</p>	<p>(i) re-orientation of the formal educational system towards self-reliance. (ii) assisting co-operatives through favourable loans and import strategy for such projects</p>	<p>(i) contents of the educational programmes (ii) number of employees in such projects (iii) number of such projects (iv) establishment and operation of such loans and imports strategies (v) trend of the rural-urban migration.</p>
<p>(iii) Mopping up savings for national development.</p>	<p>Operation of savings and credit facilities for members</p>	<p>favourable taxation, if at all, on surplus, dividends and bonuses.</p>	<p>(i) amount and frequency of savings, surpluses recorded and bonuses and dividends declared. (ii) trends in all the above.</p>
<p>(iv) Alignment of economy and/or social infrastructure (e.g. land settlement or reform, localization, Africanization strategy).</p>	<p>(i) Dialogue with Government on the issue at hand. (ii) Amendment of by-laws to accommodate realization of the goal</p>	<p>(i) provision of detailed information and guidance on issue at hand (ii) provision of necessary finance, manpower and materials for the strategy. (iii) assurance of a workable framework for the strategy.</p>	<p>(i) the available channels of communication (ii) number of personnel and material availed (iii) amount of finance voted and applied (iv) working machinery</p>

Table 3 (cont'd)

INSTITUTIONAL GOALS	CO-OPERATIVE ACTIONS TO ACHIEVE THE GOAL	SUPERVISION/CONTROL ACTIONS TO FACILITATE GOAL ACHIEVEMENT	INDICATORS OF PERFORMANCE
<p>(v) Introduction of new methods and techniques of production/processing/extension service and new varieties of products.</p>	<p>establish a dynamic education and information system within the co-operative movement.</p>	<p>(i) use of audio-visual aids                      (ii) production, distribution and use of standard materials for education/extension                      (iii) provision of adequate personnel and supporting equipment for the programme</p>	<p>(i) quantity and relevance of the aids and materials                      (ii) content of the educational programme                      (iii) number of manpower available and used                      (iv) size of the vote and adequacy of supporting equipment and facilities</p>
<p>(vi) To stabilize farmers' incomes</p>	<p>Diversification of the economy of the co-operative and members</p>	<p>(i) information on investment opportunities                      (ii) subsidy of some operations.</p>	<p>(i) feasibility studies                      (ii) size and nature of the subsidy                      (iii) market research</p>

C H A P T E R 2

2. THE HISTORY OF THE CO-OPERATIVE MOVEMENT IN KENYA

2.1. Pre-Independence Period

A brief historical excursion seems useful for the better understanding of some of the socio-economic developments of the country. As everyone knows, Kenya was a British Colony which offered Europeans, in particular Britons, an opportunity to settle away from their countries. The Colonial Government's policies were accordingly tailor-made to suit the interests of the minority settler groups in the first instance. Included in these policies were the alienation of land from the original communal ownership of the indigenous population. With the whites' alienation of land, it became necessary to open up the hinterland of the colony to both a prosperous commerce as well as a smooth administration. There was, however, as yet a lack of a communications infrastructure. The Kenya/Uganda Railway was then built and completed in 1902 to solve this problem. This railway cut across some of the country's best agricultural lands which subsequently became the preserve of white settlement and development, to the chagrin of the natives who were now confined to agriculturally marginal lands. As if that were not enough, the Africans were not allowed to grow scheduled crops like coffee, tea, sisal, pyrethrum, etc. An ambivalent economy was being deliberately promoted in Kenya. As the settler community was prospering, the indigenous communities were being condemned to a stagnating subsistence agriculture.

Hence, when the first co-operative association was founded and registered, under the Companies Act in 1908<sup>3</sup>, it was mainly to provide common dairy and other agricultural

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<sup>3</sup> See Directory of Co-operative Organisations, Africa South of Sahara, ILO, Co-operative Information Supplement No.3, Geneva, 1975

production facilities and services to the white settlers. The Colonial Government recognized the potential of co-operative farmer-associations as tools for even more accelerated agricultural development. Needless to add, the farmer was defined to mean only the white settler farmer.

Then in 1931, the first law to specifically govern the registration of agricultural co-operative societies was enacted. Those associations formerly registered under the company law were subsequently registered under this new law, thus becoming incorporated as co-operative societies as well. It would appear that even by this time, the negative paternalistic attitude of the colonial administration regarding the development of the African peasantry still prevailed since the Co-operative Societies Ordinance, 1931, did not include them<sup>4</sup>. At this stage in Kenya's development, the government feared the strength of politicization of the African masses if they were allowed to group in formal bodies like co-operatives<sup>5</sup>. A gradual but basic change in government policy was later seen between the late thirties and the Second World War. By then, restriction on production of scheduled crops was relaxed and exceptions were made for Africans to grow them<sup>6</sup>, thanks

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<sup>4</sup> Maini, K.M. Co-operatives and Law with emphasis on Kenya, East Africa Literature Bureau, Nairobi, 1972, p. 3

<sup>5</sup> An example of the nationalist role played by co-operatives in the then Tanganyika was given by Mr. P. Bomani (then Tanganyika's Minister for Agriculture) and quoted by Poul W. Westergaard in "Co-operatives in Tanzania as Economic and Democratic Institutions" in Widstrand C.G.(Ed), Co-operatives and Rural Development in East Africa, Scandinavian Institute of African Studies, Uppsala, 1970, p.128

<sup>6</sup> Needless to mention, the white settler farmers were bitterly opposed to this policy change. Although their expressed fear was poor crop quality from African farms, their actual fear was the potential danger of competition from African producers.



particularly to the situation brought about by the wars. By 1944 the Africans had forged their way into cash crop farming and were now producing substantial quantity of good quality coffee. As this meant a considerable income was flowing into the pockets of these farmers, it became necessary to include the Africans into the co-operative marketing set-up.

Based on recommendations of the Campbell Report (1944), the Co-operative Societies Ordinance of 1931, was amended by the Co-operative Societies Ordinance of 1945. This Ordinance allowed Africans to participate in productive agriculture through their own co-operative societies. In order to facilitate the implementation of the purposes of this Ordinance, a Department of Co-operatives headed by a Registrar of Co-operative Societies was instituted as an instrument of their promotion. It was now envisaged to erase the dichotomy hitherto encouraged, between production and marketing, whereby the Africans only produced a few crops whilst white settlers produced and marketed all and any agricultural produce. It may be pointed out, however, that the very first African co-operatives were mostly "eggs and poultry circles" initiated by women and concentrated mainly in Western Kenya. Soon, however, African co-operatives would be given further catalysm by the so-called Swynnerton Plan. It is conceivable nevertheless that the real aim even then was to provide some sort of ready-reckoner to monitor the activities and whereabouts of the African in view of the rumblings which later flared into the Mau Mau revolt. All the same it is a fact that from just before the state of emergency was declared in the colony, the number of registered co-operatives grew fairly rapidly. Whereas in 1947, for example, there was a total of only some 10 registered and active societies, ten years later their number had risen to 285. This trend of steady rise continued through the late fifties to early sixties when a very steep rise was recorded. Unfortunately, most of those newly registered co-operatives did not survive for long. Many of them failed

and were liquidated. The large number of failures and liquidations at this early stage of co-operative development can be attributed to the following reasons, inter alia:-

1. Lack of sufficient funds, facilities and qualified personnel in the Department of Co-operatives required to translate the intentions of the new policy into firm purpose;
2. Over-enthusiasm by the few available co-operative department functionaries in starting co-operatives even where failures were imminent;
3. Lack of sufficient initial preparation of the potential co-operative members to fully appreciate the values of market production;
4. Rampant tendencies of misappropriation and mismanagement of co-operatives by those appointed to manage or elected to management committees.

## 2.2. Post-Independence Period

Kenya won her independence in 1963. The new state, aware of the dire need of the majority of the Kenya people for land, adopted a development philosophy based on the values and principles inherent in the traditional African life-style. Hence Sessional Paper No. 10 of 1965 on "African Socialism and its Application to Planning in Kenya" together with the objectives contained in the original K.A.N.U.

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KANU means the Kenya African National Union Party. It formed the first Government of independent Kenya in 1963 and continues to rule as the de facto, sole political party in the country.

manifesto, have both formed the cornerstone of development planning and policies in independent Kenya. In both these two documents and the subsequent development plans and strategies, co-operatives are seen as very important tools for development. In fact, in the Sessional Paper No. 14 of 1975, the Government expected that "co-operatives will increasingly continue to be powerful tools in mobilizing the natural, human and financial resources for national development"<sup>9</sup>. Clearly therefore their number was expected to increase.

As the graph below evidences the number of registered societies actually rose from 840 in 1960 to 1740 by 1966 and to over 2000 in 1972. This increase by leaps and bounds can be attributed to the very large number of societies which were started in pursuit of fulfilling Government land and settlement policies at independence in 1963. Some of these societies were started by politicians without any regard to their economic or social viability.

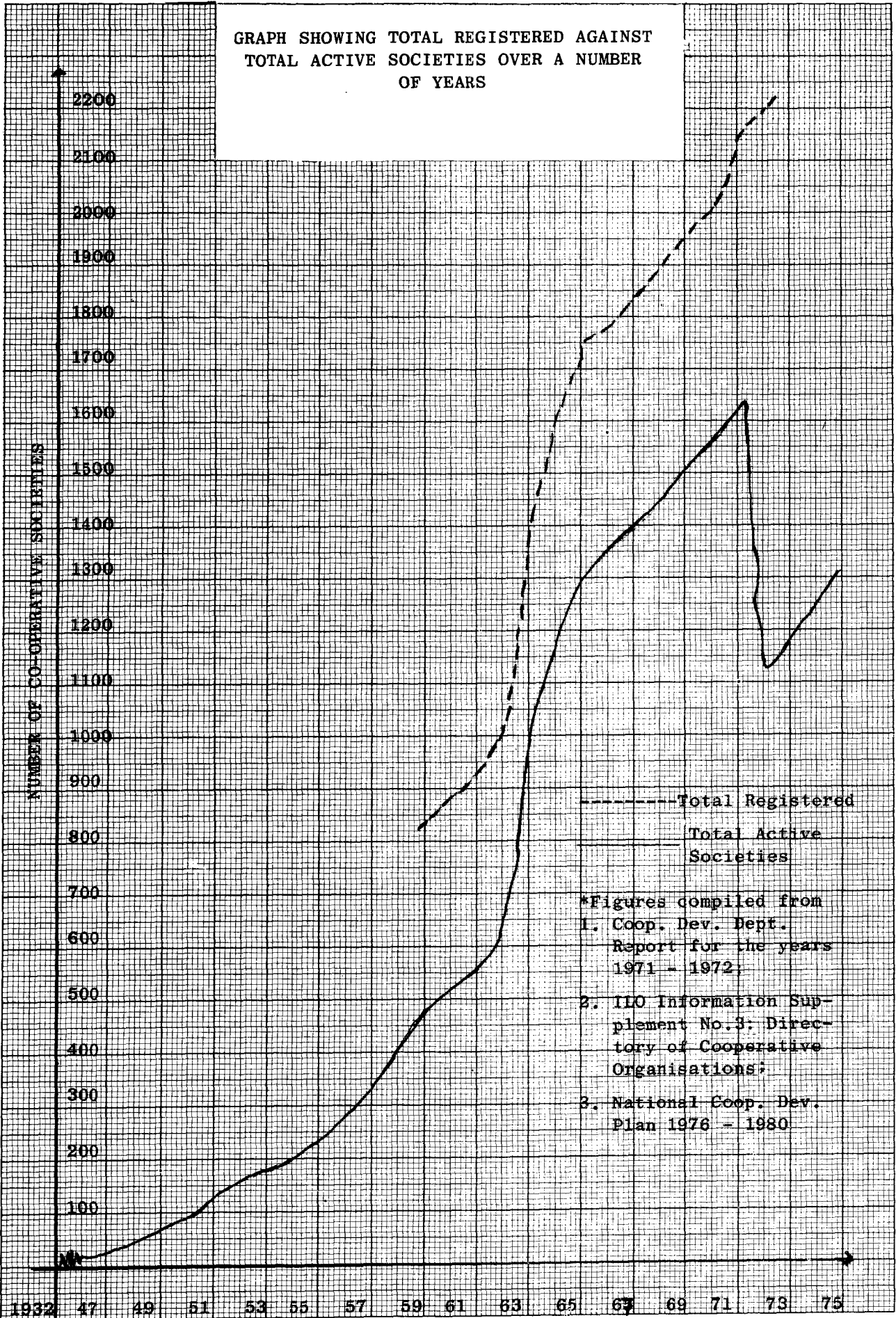
Soon it was realised that "in spite of this rapid increase, the performance of the co-operative movement as a whole has not been an unqualified success. It has been faced with a variety of setbacks including lack of integrity on the part of some union and society committee members and employees ...."<sup>9</sup>.

A review of the Government policies in light of such problems resulted in two important developments. Firstly, the Co-operative Societies Ordinance, 1945 which, oddly enough, had survived the country's independence, was amended by the Co-operative Societies Act, 1966. This Act, strangely enough, added to the Commissioner for Co-operative Development's already vast powers in the areas of registration, supervision and control of co-operatives.

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<sup>8</sup> See Sessional Paper No. 14 of 1975, p.5 paragraph 3.9. Also Kenya Government, National Co-operative Development Plan 1976 - 1980 p. 16 paragraph 3.14.

<sup>9</sup> Kenya Government Sessional Paper No. 8 of 1970 on "Co-operative Development Policy for Kenya, p. 1 paragraph 2.



\*Figures compiled from  
 1. Coop. Dev. Dept.  
 Report for the years  
 1971 - 1972;  
 2. ILO Information Sup-  
 plement No.3: Direc-  
 tory of Cooperative  
 Organisations;  
 3. National Coop. Dev.  
 Plan 1976 - 1980

It is, however, pertinent to recall that at about that point in time the "Nordic Project for Co-operative Assistance to Kenya" had been negotiated. Secondly, a deliberate move was made toward consolidating co-operatives so as to improve their total impact on national economic development. A more cautious approach to co-operative development led to a massive weeding out operation in which the number dropped from over 2000 registered in 1972 to 1140 active in 1973. Thus during the 1970 -- 1974 national Development Plan period, the policy was changed in accordance with the Government's reiterated intention "of developing viable primaries on a multi-commodity, multi-purpose pattern, so that the one village society may, in the long run, meet all the economic needs of its member...."<sup>10</sup>

Co-operatives in Kenya operate on a three tier structure. The individual members form the primary societies which in turn affiliate to district or commodity co-operative unions. These unions or secondary societies and some large primary societies affiliate to the Kenya National Federation of Co-operatives (KNFC) which is the national co-operative apex organization. Besides, there are some six country-wide co-operatives dealing with specific co-operative activities and which are also affiliated to the KNFC.

### 2.3. Co-operatives Impacts on the country and economy

According to the 1975 estimates, the population of Kenya currently stands at about 12 million people. At an average growth rate of 3% per annum, this is expected to reach a staggering 14 million people by 1980.

The distribution of this population over the total area of the country is not uniform. Nearly two thirds of the total area of 582,645 sq.kms. is arid or semi-arid land which can only support a small population. The remaining one third is where the bulk of the population is

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<sup>10</sup> op. cit. p. 3 paragraph 11

concentrated. Of the present total population the urban sector has approximately 20% whereas the rural sector has 80%. In other words, some 9.6 million people live in the rural areas. However, total national co-operative membership in all types of co-operatives was only 622,000 in 1975<sup>11</sup>. This was only 5.2% of the total population and is a strikingly small figure in view of the fact that Kenya's policy is to promote agricultural development mainly through the medium of co-operatives. However, given the fact that only the head of a family is registered in the books of co-operatives as a member, and assuming that each agricultural peasant family averages 8 people, the actual number of inhabitants affected either directly or indirectly by co-operatives would total approximately 4,976,000 people, which is just above half of the total rural population of 9.6 million (by 1975 figures).

As already stated above, the development of a strong co-operative movement it was rightly thought, could be instrumental in increasing the incomes of Kenyan peasants by "performing functions of processing and distribution on a large and more efficient scale than would be possible for the individual grower and, giving him a share in the profits associated with these operations rather than letting them accrue to private middlemen".<sup>12</sup> A fuller impact of co-operatives on the production and handling of the major agricultural cash crops i.e. coffee, dairy, pyrethrum, sugar-cane and cotton, may be gauged from tables 7 to 9 appearing on appendix 2 hereto. It will suffice now, merely to note that in 1973, coffee contributed a total of 6.2% to the Gross Domestic Product while at the same time carrying 29% of the total value of exports<sup>13</sup>.

Similarly, in 1975 the total national dairy cattle herd numbered approximately 500,000 producing about 400 million litres of milk annually which meant a gross income

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<sup>11</sup> See Appendix 1 on Distribution of co-operatives and members according to Provinces and showing % annual variations.

<sup>12</sup> National Co-operative Development Plan, 1976 - 80. Ministry of Co-operative Development, p.13, paragraph 3.4.

<sup>13</sup> National Co-operative Development Plan, op. cit, pp.21 - 23.



of more than shs. 300 million. 42% of the total herd in Kenya belonged to the small-scale farmers, 34% to the large scale and 24% to the settlement farmers. On the rather plausible assumption that the small scale and the settlement farmers virtually belong to co-operatives, the co-operative members owned over 60% of the total herd, giving co-operative marketed milk a total net turnover of shs. 78 million<sup>14</sup>. But it is in pyrethrum that co-operatives have their biggest and proudest share of the market. Since 1970 to date, the co-operative market share of pyrethrum vis-a-vis national totals has been nearly constantly above 90%<sup>15</sup>.

As opposed to this impressive record, sugarcane co-operatives could between 1972 - 75, only manage a 27.8% of the sugar-cane production, the rest being produced by the nucleus estates of the mills and by large scale outgrowers.

Finally, since most cotton is grown and marketed (annual average 74% of total), mainly by the small farmer co-operative societies, it can be said that this is one area in which the co-operatives have weathered the storms despite very hostile and heavy odds. However, to give balance to the co-operative, it should also be borne in mind that though agriculture and agricultural co-operatives continue to dominate Kenya's national and co-operative economy, efforts have been made to diversify co-operative activities into housing, consumer, savings and credit, mining, building and construction, etc. However, the overall co-operative share of the national (1976 provisional) GDP of shs. 25,067 million, was approximately 7.8%. The movement could have commanded a higher contribution. It is capable of doing so.

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<sup>14</sup> National Co-operative Development Plan op.cit. pp. 26 - 34

<sup>15</sup> Ibid pp. 26 - 34

## CHAPTER 3

### 3. INTERNAL SUPERVISION

In Chapter 1, we already saw that supervision and control are not only management functions but that they may be exercised from within or without an organisation. Under this chapter we are looking at them as exercised internally and the parties concerned are: members of society, committee members, co-operative employees, the Unions including KNFC. Each of these supervising and controlling parties will be looked at in turn.

#### 3.1. Supervision and Control by Members

##### 3.1.1. In a Primary Society

Members of a co-operative occupy a very unique position in their organization. As shareholders they own the society. But they are also its direct patrons. From both standpoints they should have a particularly close interest in what goes on in their society. Because of their large number, however, they cannot each take part in running of the daily affairs of the enterprise. Their participation is therefore possible only through delegation. But this delegation is given on the express understanding that "... the supreme authority of a registered society shall be vested in the general meeting of members at which every member shall have the rights to attend and vote on all matters..."<sup>16</sup>. The logic behind this rule is that whereas daily functions can and often are delegated to either the Committee or Management of the society, by virtue of their supreme authority at general meetings, the members can call to question and even put aside, any action of the Committee or management which to them appears unwarranted. That is democracy at work. This principle of democratic control further means that when voting or deciding an issue, a member's position in or outside the co-operative is irrelevant: each member has only one vote. However, its proper and successful exercise depends on several variables. For instance, do the members know the purpose of their organization, its working machinery and their rights and duties? It might also require some technical knowledge on their part.

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<sup>16</sup> Rule 24 of the Co-operative Societies Rules, 1969.

For instance, although the study revealed that over 75% of the members interviewed, were literate, (and in fact 43% of them had had 2 to 12 years of education) and further that 62% of them had attended co-operative member information days, not less than 55.8% of them did not understand the final accounts and balance sheets. Add the fact that members are seldom, if at all, given these documents early enough so that they can seek the necessary advice and explanation well before meetings take place. Such a handicap either makes members lose interest in their societies or it leads them to suspicion and silent opposition to the committee members and salaried employees. With time the suspicion soon explodes into open confrontation between the committee and members and the latter become both anxious and myopic, wanting only to be told that the society made surplus or else they vote out the committee. On the other hand, the lack of information about society affairs renders innocent members vulnerable to manipulation by crafty individual self-seekers who use factions within the society as power bases.

Conversely, where the members know and are prepared to exercise their democratic rights they are frustrated because general meetings are not held regularly, usually under the pretext that final accounts have not been audited. While it is true that in many cases accounts take far too long to be audited, the members should still be informed of the financial state of their society, even if this means circulation of unaudited accounts to them. There is an obvious danger in this suggestion as members may cling to unauthenticated figures. Nevertheless with the current practice of having internal auditors in business organizations the suggestion is not altogether wild. More correctly, however, we hold that as there is nothing statutorily linking elections with the presentation of audited accounts, elections should statutorily be held say three months after close of financial year, audited accounts or no audited accounts.

Member interest may be further dampened by the fact that many societies fail to "deliver the goods". Marketing co-operatives have often had a chronic problem of transport whilst consumer co-operatives are afflicted with shortage of goods, pilferage and embezzlement and savings and credit societies face problems of thefts, not to mention partiality in loan granting.

In the light of the foregoing, did the members think that the role and services currently poorly undertaken by co-operatives could be more efficiently provided by any other institution? Odd as it seems, the members were fairly united in refuting the suggestion. Part of the reason for this seemingly contradictory position may be that despite difficulties, delays and other frustrations, members' expectations are met by and large. In fact 60% of the member-respondents said their expectations were met by their societies. Members should, however, be informed of the contents of their society by-laws, the Act and the Rules, through increased member information days. As an adult retains or remembers more of what he does, themes to be covered at member information days could be acted or role-played. The plays would at the same time be entertainment for the members and their families.

### 3.1.2. In a Secondary/Apex Society

As mentioned already under chapter 2, primary societies in Kenya form (secondary societies, i.e.) district or commodity co-operative unions or (tertiary co-operatives, i.e.) commodity and/or national co-operative apexes. The idea of some societies being affiliated to another co-operative is that such affiliation would lead the collective membership, to the economies of scale. From the perspective of democratic control, the affiliating members own their union or tertiary society. Naturally in decision-making the members of the national secondary and tertiary co-operatives operate through representation at the Annual Delegates' Conferences or Meetings at which their committees are elected. Particularly in the case of the tertiary or what the Kenyan co-operative legal jargon calls "apex societies", such elections are invariably rituals that are not elections in all but name. The occasion usually is for announcing known winners. Little wonder then that practically all these country-wide societies year in, year out, continue to accommodate "representatives" long uprooted in their society bases from leadership positions.

As if this were not enough, a good proportion of the Board of Directors of virtually all these co-operatives is politically (?) nominated by the Minister of Agriculture, Co-operative Development or Finance, as applicable. Moreover, where "elections" are conducted, practice has willed it that senior employees of these apex co-operatives between themselves serve on the boards of these societies. This is not necessarily bad. It does, however, tend to insulate these seasoned co-operators from paying closer attention to the complaints or problems of their affiliates. It also might mean some back-patting between these employees since the one who happens to be on the board of the other also has the other or a close friend of the other on his board! Conceivably, "belling the cat" in such a situation becomes understandably difficult and it would be miraculous if lethargy did not follow.

If election and general meetings are some of the weapons the affiliates have for controlling the activities of their society, the latter is itself expected to supervise and control its affiliates.

Under Section 9 of the Co-operative Societies Act, 1966, the Commissioner, if he is convinced that it is in the interests of the members so to do, may require a registered society or societies either to join an existing higher society or to form one as appropriate. This provision does appear to offend, in letter and spirit, the co-operative principle of open and voluntary membership but it is beyond the purpose of this study to pursue the point. Suffice it to say that economics of scale definitely prompted the insertion of Section 9, the corollary of which is Rule 14 (of the Co-operative Societies Rule, 1969) by which every union is required to provide to its affiliates certain **CENTRALIZED SERVICES**, notably marketing, transport, education, book-keeping and accounting, banking, employment of "graded staff", bulk purchase of stationery, equipments and merchandise, etc.\*

The provision of these services by a co-operative automatically means that it has authority to supervise and control those receiving the services. The requirement of centralization of each of these services had a rationale:

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\*Appendix 4 hereto, gives a fair overview of these services.

(a) Education & Training: Education is a liberating process and training a facilitating scheme but the two are interlinked. However, in East and Central Africa, co-operative education is used in connection with member information whilst training is related to the acquisition of skills by co-operative employees only. The reason for centralizing the education and training service stems from two bases. First, being the national co-operative apex, the KNFC along with the Commissioner's office and the Co-operative College authorities, work out a co-operative education and training programme that suits the co-operative movement from the standpoint of all the three parties. Standards can therefore be maintained uniform and high enough. Secondly, because of the desire to maintain high and uniform standards, the financially weaker co-operatives need to be helped sponsor their ~~candidates~~ candidates for various courses. In this regard the unions through their education and training votes, sponsor the "graded staff" candidates who qualify for training or education at the Co-operative College. On the other hand, where a co-operative union is financially weak, the KNFC or the College normally offers bursaries to their candidates. In this way virtually any co-operative is afforded an opportunity of education and training for their manpower.

So far in fact, the record of staff training within the co-operative movement has been fairly impressive. The only problem has been that the turn-over of trained staff has been alarmingly high. This is likely to continue as long as salaries, particularly in the professional categories, remains low in comparison, for instance, to what private industry pays. An objective salary structure related to turn-over, would perhaps stem the tide of departures for greener pastures by co-operative employees. Otherwise co-operatives will continue to be training grounds for others.

On the other hand, in the field of member education, rumblings were heard that national committee member seminars at the Co-operative College did not take the committee members and their roles seriously enough in terms of the subjects taught and the manner of teaching. Moreover, study tours and regional

committee member seminars were alleged to be the preserve of members of the KNFC Central Committee and their proteges or parochial friends in the district co-operative unions. KNFC would do well to dispel these complaints - through the MSHIRIKI newspaper and at its next annual or other general meeting.

(b) Employment of graded staff: "Graded staff" is a term used to describe the primary society employees whose salaries are above a certain minimum. Such employees are required to be under the employ of the co-operative union to which their societies are affiliated. It is, of course, understood, even if at times contested, that these employees are subject to deployment within the jurisdiction of the union, as the union itself may see fit. This arrangement theoretically ought to have the following advantages: (i) there ought to be no parochial considerations in recruitment of staff (ii) no cardinal post remained vacant (iii) the right man, his non-professional, or academic background aside, got the job and (iv) the employees are therefore given some sort of security of employment and as such should perform their duties without let or favour. In case of genuine disagreement between any staff members inter se or between them and the committee or members, the disagreement can always be resolved by the transfer to another society or duty-station of the employee in question.

Such transfers may also be necessary to obviate situations where employees build their empires due to long service and familiarity in a given society/locality. Also collusion between staff and committees or even corruption of staff inter se could be avoided by the transfers. Unfortunately, however, not all co-operative unions have centralized graded staff employment. Moreover, some of those that have centralized the service find opposition from some affiliates whose Committees consider the centralization a derogation of their powers and local importance.

Strangely enough, whilst nearly all union committee members welcomed the union's power to appoint graded staff for

their primary affiliates, no less than 40% of them became comrades-in-arms with the primary societies! committee members in opposing the idea of establishing a common co-operative service machinery for the whole country. However, apart from the comfortable total committee member-ratio (66%) in favour of a common co-operative service body, it may be observed that quite a good number of those supporting the idea were the more articulate members of these committees.

(c) Purchase of Stores for resale: This is the most emotive of the centralized services. Emotive partly because it could be the most lucrative business for co-operatives and partly because it is easily among the most disappointing. Most of the disappointment originates with KNFC. The apex body is the major supplier of stationery, office equipment and all other merchandise requirements of the co-operatives. From 1974 the KNFC was in addition expected to be not only a direct importer of fertilizers and farm chemicals, the co-operatives had wanted and expected the KNFC to be their chief if not sole supplier of all farm inputs. The KNFC under this expectation would sell and deliver to the unions. The latter would then sell and deliver to their affiliates which in turn would supply their individual members under a production credit scheme.

But to work efficiently, this arrangement postulates some five or so conditions at least: (i) the farm and office requirements of the co-operatives are ordered with the KNFC in good time (ii) the KNFC must be able to supply such requirements in the right quantity and specification; (iii) the deliveries of the orders must be made at the right time and places (iv) payments for orders are either hypothecated or made prior to delivery of orders and (v) the ultimate price to the individual co-operative or co-operator would be reasonably "cheap". What we found out in the field is that orders are made with the KNFC fairly well in time and are either prepaid for or are invariably hypothecated against some expected receipts from the sale of some agreed and delivered produce. Yet KNFC had apparently consistently



seldom delivered the right quantity and specification of stores for resale at the right time and place. Orders were in some instances ludicrously delivered some several months after the season/need. Worse still, ~~prices charged~~ were not materially different from what private suppliers/traders charged. The entire KNFC stationery and merchandise businesses were quite understandably very much despised by the unions, primary co-operatives and by individual co-operators.

Of course KNFC had some fairly good reasons for some of their procurement problems which in turn aggravated or at least undermined their ability to "deliver the goods". It was, however, difficult to find any good reasons for the small insurance business the KNFC ~~transacted~~ for its affiliates. Even publicity for and information about its services do not seem to be strong points with KNFC. For, whilst 98% of the societies we visited had insurance policies of one kind or another, only 28% of them bought their policies through the KNFC Insurance Agency.

(d) Accountancy Services: No modern business organization can operate efficiently without maintaining basic business records. To do so implies hiring of qualified and competent accounts personnel. Accountants are, however, very expensive to train and to maintain on the job. That is a problem facing the whole country in common with many other developing countries.<sup>17</sup>

As already pointed out whilst discussing the graded staff establishment service, it was hoped that the service would lay the foundation for an efficient book-keeping, accounting and financial

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<sup>17</sup>For the position within the Region's co-operative sector, see for instance, Verhagen Koenraad, Report of a Survey on High Level Manpower Training Needs and Facilities, ICA Regional Office, 1975, Table 3 p. II - 3.

control service not only for the unions but also for their primary society affiliates. Actual field situation is, however, very different. Budgets are seldom prepared, or prepared in time, if at all. Where prepared - time aside - they are hardly ever used. Just as well perhaps because the income side of most budgets is more often than not overstated in view of the fact that the Commissioner won't approve a deficit budget and everyone wants to impress with his "surplus". Trial balances are even rarer in production and use and, of course, trading accounts are post-mortem rituals left to the "external" auditors to perform.

In such a situation it should be little wonder if co-operative businesses do not prosper. For they lack even the most basic financial and other resource controls. Fortunately, both the Commissioner and the Co-operative Committee members seem to be alive to this problem. In one of his circulars to his field staff, the Commissioner drew the attention of these officers ".... to the frequent number of cases whereby the posts of Union Accounts Supervisors (equivalent to the corporation internal auditor) have remained vacant for long periods ..... This view if allowed to persist, will turn out to be most detrimental to the standard of recording and accounting." Despite the awareness of the Commissioner and committee, the standard of performance in this field appears to be perennially poor. The following was a common complaint in the audit reports we perused.

"The standard of book-keeping continues to be poor from year to year. We are again advising that the committee of the society should take immediate action to rectify this state of affairs. The present staff, as reported (on) in the last year, should take the recording of the various transactions seriously and supervision over their performance should be intensified."

The problem is that the committee do not feel sufficiently capable of supervising their professional personnel. The role and importance of the often vacant-by-default post of Union Accounts Supervisor then becomes even more glaring and urgent.

(e) Banking: This service was to link with the operations of the Co-operative Bank.

As the bank was expected to pass through a difficult lactation period, it was thought pragmatic that district unions would "act" as its branches by providing the members with facilities for, first credit and later, savings. The rural co-operative credit scheme took roots so fast and firmly that its flip scheme, the savings scheme, has actually been a problem of a sort to the co-operatives and co-operators alike. There is now so much liquidity in the coffee co-operatives in particular, that unless measures are quickly taken to usefully invest the idle funds, members' confidence in these institutions may receive some rude shocks. The Co-operative Bank of Kenya must take the lead in finding a solution to this problem. For a start, they could acquire the services of an Investments Manager, either permanently or on a consultancy basis.

As already pointed out elsewhere in the chapter, it would appear that the difficult relationship sometimes existing between members and their co-operative is due to either absence or clogging of double-way channels of communication between them. For instance, not quite infrequently there is hostility towards a co-operative union from its affiliates because it is "sucking" them by its deductions. As can be seen from the Appendix 3 table, the only non-specific expenditure deduction made by the union for itself is the commission which is supposed to cover its administrative overheads for services/goods supplied. The others are deductions by or on behalf of others. Yet because accounts are centralized and therefore produced by the union, all the other deductions - save the unpopular County Council Cess - are usually attributed to the unions by their affiliates. More information to educate the members and the public is clearly called for here.

Similarly, in co-operative disputes, the KNFC should prepare itself for a bigger and meaningful role. It can only play such a role if its own image with the movement generally

and its affiliates in particular, is thoroughly understood. Unhappily, the KNFC does not seem to realize that no one will blow its trumpet for it.

### 3.2. Supervision and control by the Committees

Though the ultimate authority theoretically rests in the general membership of co-operatives, under the principle of delegation, the day-to-day direction of the business of these organizations has been reposed in the elected committees as the governing authorities of these societies<sup>18</sup>. As such, the members of the committee should be both knowledgeable and literate people. It would be even better if they were efficient and competent.

Sixty-five percent of the committee members interviewed had been in the co-operative movement for over 10 years and they seemed knowledgeable on ( non-technical ) co-operative matters. 88% of them were literate. Yet, generally speaking, collective committee impact leaves a lot to be desired. Apparently, this stems from the fact that a majority (70%) of them were generalist in orientation and were therefore unwilling to accept any qualifications for election to the committee. Moreover, despite the provisions of Rule 32 (3)(b)<sup>19</sup> some people continue to be chairmen not only beyond three years but worse still beyond their usefulness in that position. Even dismissed co-operative employees<sup>20</sup> and debtors<sup>21</sup> serve on committees (some as chairmen) contrary to the Co-operative Societies Rules, 1969. What does all this augur for the co-operatives?

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<sup>18</sup> See Rule 34 of the Co-operative Societies Rules, 1969, for detailed duties of the Committee. Also by-laws of various co-operative-types.

<sup>19</sup> Rule 32(3)(b) requires that no person serves as chairman for over three consecutive years and that where one has been chairman for 3 years consecutively, he shall not be eligible for re-election as chairman for the next two years unless the Commissioner has granted him prior dispensation to seek re-election.

<sup>20</sup> Rule 33 (j) disqualifies a dismissed employee from being elected to the committee of a co-operative.

<sup>21</sup> Similarly Rule 33 (k) bars a member-debtor from being elected a committee member.

Several things, some of which properly belong to the next chapter. But here it needs to be underscored that the committee members seem to require not only more intensive co-operative education; they also deserve to be equipped with basic management tools like the abc of book-keeping and financial control, personnel recruitment and management, loan procedures and conditions, production economics for various crops/items, marketing, sales forecast and supply schedules, etc. These topics can be covered under a graduated curriculum.

So long as the committee members are not introduced to some basic professional knowledge and skills, so long will there continue to be lack of rapport between them and the staff and so long will there be no financial control, no smooth loan operations, but rather mistrust, friction, frauds, favouritism and misappropriations and thefts. For, in terms of their broad mandate<sup>22</sup>, the committee members ought to be managers, by definition. Which leads us to the next category of internal supervisors of a co-operative.

### 3.3. Supervision/control by co-operative employees:

We have seen above that the committee members direct the day to day management of affairs of a co-operative. Directly involved in the daily management chores themselves are the employed staff: the managing directors or general managers, secretary-managers, chief accountants and factory managers. Also their surrogates and horizontal counterparts. These are really the people who make an organization tick. These are the people who, for instance, recruit and deploy their operational staff as efficiently as possible, prepare the budget and make it work through proper recording, production of the trial balances (for comparison with the budget for any deviations therefrom) and trading accounts or periodic profit and loss accounts. These are the planners, the motivators. In short they are the animators of people and systems in an

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<sup>22</sup> Rule 34, op. cit.

organization. Their attitudes, educational and professional background, experience as well as terms and conditions of employment, will therefore inevitably reflect in the performance of their organization.

The collective profile of the management sample we took in Kenya was sketched thus: 55% of them are on this side of 35 years, 40% were at school for between 5 and 8 years whilst 50% attended secondary school (9 - 12 years). Only 10% went to school beyond 12 years. In co-operative work experience, 25% had experience ranging between 1 and 3 years whilst 40% scored 4 to 6 years' experience. All this implies that the majority of these employees are young, recent school graduates who can be expected to remain highly mobile with their acquisition of better labour-market credentials and experience. The only insurance against the majority - some people are rolling stones come what may - of them seeking better prospects elsewhere is to ensure that they have good terms of service and congenial working environments.

A Common Co-operative Service body for the whole country might give the employees the security they need in their jobs. But this is both a tricky and emotive remedy, details of which (e.g. financing, constitution and manning, etc.) need to be pondered very carefully. Meanwhile, however, the Commissioner, alone or in consultations with the KNFC, should use his powers under Rule 40<sup>23</sup> to set out the minimum qualifications, remunerations and other terms and conditions of service for a broad spectrum of graded staff common posts. Needless to add, this would neither be a total solution to the problem of staff turn-over nor to the problem of general management of the co-operative enterprises.

For, staff will still find their advice to the committee is not always given due consideration by it, if at all, whilst the committee on the other hand will sometimes find that their decisions are not or are improperly implemented. Indeed 45% of our staff

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<sup>23</sup>Rule 40 states: "No graded employee of a co-operative union shall be appointed except with the approval of the Commissioner who shall fix their terms and conditions of service."

Interviewees registered their disappointment at the consideration given their advice. 20% of the committee members reported having difficulties getting their decisions implemented. For the moment and the near future therefore, co-operatives in Kenya will continue to find themselves trapped inside a vicious circle of high turnover of competent staff, poor calibre of continuing staff, fraud and machinations of staff and committee alike, not to mention role of outside schemers. Such a stalemate is not necessary; nor should it be tolerated. The movement must realize that it cannot eat its cake and have it too; if the management role and function are appreciated, then management must be provided with the wherewithal to perform or facilitate their tasks lest the high ideals of co-operatives fall to naught by default. As one co-operator warned during an address to a meeting of co-operators: "Co-operatives have high ideals. But they're generally poor businessmen ..... we need business staff - qualified staff - professionals."<sup>24</sup> "Cheap"management in the final analysis is therefore "expensive" in more than one sense. The above words should therefore forewarn Kenyan authorities and co-operators to start mending their co-operative house. Else high staff turnovers will continue unabated thereby condemning co-operative management performance to the doldrums.

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<sup>24</sup>This is a part of Father Nicholas O'Keeffe's address to a meeting of Newfoundland Co-operative Services on 24th June, 1974.

CHAPTER 4

4. EXTERNAL SUPERVISION AND CONTROL

4.1. Raison D'etre of External Supervision and Control

Supervision, we have seen, is a necessary element in the operation of any organization. So is control. However, as necessary elements of a system, they are presumed and indeed intended to be native to an organization. Therefore, if and when outside or external forces must be brought to bear on the operations of an organization, then we must acknowledge that either the collective welfare of the group constituting the organization no longer guides its operations or, maybe, because of its strategic role, the organization cannot, at any rate, be trusted to keep to its rails entirely on its own steam.

In view of the cardinal role assigned co-operatives in our Region generally and in Kenya in particular, as well as the disappointments which have been variously voiced about the co-operatives of the countries constituting the ICA Regional Office for East and Central Africa, the presence of external supervision and control apparently becomes necessary. Justifiable or otherwise, however, external supervision and control work to compromise the autonomy and freedom of co-operatives. This chapter will therefore focus on operationally sanctioned and unsanctioned "interference" in the affairs of co-operatives by forces outside the co-operatives at the aggregate level. Identified as prominent among these forces are the Department of Co-operative Development, various crop authorities/marketing boards, the Ministry of Agriculture, county councils, politicians, financial institutions and foreign aid agencies.

It is to be remembered that some of these institutions and groups derive their powers of supervision and control of co-operative activities either directly from the legal instruments creating them (e.g. the Department of Co-operative Development) or indirectly through regulatory powers over certain aspects of national economic



activities (e.g. Ministry of Agriculture and the various marketing boards/crop authorities). Or the influence might be simply the result of a hierarchical ordering or co-ordinating role between Government departments. Yet others wield influence because of their positions in society as is the case with politicians and even foreign aid agencies. It is always expected, however, that there should not be any friction either between these organizations inter se or between any or all of them on the one hand and co-operative functionaries on the other.

In practice, however, all sorts of frictions occur due to several factors, in company or alone: institutional arrogance and rivalry, inarticulation in perception of tasks by the functionaries, empire-building tendencies by individuals, unclear division of functions or responsibilities, lack of motivation of staff, corruption, political convenience, conflict of interests and fear of authority, etc.

#### 4.2. Departmental Supervision and Control

That the Department of Co-operative Development is the dominant force in the supervision and control of co-operatives is not debatable. However, some questions may usefully be asked about it: is its supervision and control adequate, effective, popular and necessary? Should it be increased, reduced, unaltered or eliminated altogether in the foreseeable future? How should supervision and control be applied - now and in future? Should they be applied in a differentiated manner to reflect the level of maturity of any co-operative or applied uniformly irrespective of a society's age, stage of development and size? In the day to day management of a co-operative, who now has the greatest say and who should have the greatest say? The answers to these questions make some very interesting revelations as appear in the Table 4 below:-

Table 4. Percentage of responses of interviewees

Point at Issue	Members	Committee Members	Non-members	Govt. Officers	Coop. Managers
<b>1. Present Supervision &amp; Control</b>					
a) <u>as to quantum</u>					
Little	31.2	29.2	31.4	15.4	) INR
Enough	48.4	55.0	31.4	84.6	
Much	4.3	7.1	5.7	0	
No response	16.1	7.9	31.5	0	
b) <u>as to need</u>					
Necessary	77.4	77.9	65.7	) INR	) INR
Unnecessary	0	4.4	2.9		
No response	22.6	17.7	31.4		
c) <u>as to effect</u>					
Ineffective	18.3	10.6	14.2	) INR	) INR
Effective	63.4	69.0	45.7		
Counter-productive	2.2	7.1	0		
No response	16.1	13.3	40.1		
<b>2. In future external supervision/control should be:</b>					
a) <u>as to quantum</u>					
More	86.0	87.6	80.0	61.5	) INR
Less	2.2	7.1	5.7	34.6	
None	1.1	0.9	2.9	0	
No response	10.7	4.4	11.4	3.9	
b) <u>as to application</u>					
Uniform	) INR	54.1	) INR	46.2	) INR
Differentiated		41.0			
Undecided		4.9			
No response		0			
<b>3. Who now has the greatest say in day to day management of a coop.</b>					
Members	38.7	46.1	34.3	3.4	33.3
Committee	22.6	18.6	14.2	30.6	27.8
Chairman	10.8	11.2	37.1	0	N/A
Manager	6.5	1.6	2.9	0	27.8
Commissioner	15.1	21.7	5.7	57.8	5.6
Politicians	1.1	N/A	0	6.8	0
Others	1.1	0.8	5.8	N/A	N/A
No response	4.1	0	0	1.4	5.5

Note: INR = Issue not raised with the group in the structured interviews.

From the above Table, it is very evident that three of the four categories of interviewees consider government supervision and control necessary to an appreciable degree. We find this in order, particularly because of the weakness or inefficiencies already observed in the internal supervision and control mechanism. And, although the issue was not specifically raised with the Co-operative Department Officers their response to it can be implied from their responses to allied questions. When asked whether they would want to see target dates for relaxation of government supervision and control, 61.5% answered in the negative, whereas an identical ratio wanted increased supervision and control in the foreseeable future. In other words, this category of respondents also find external supervision and control necessary. Moreover, of the four categories to whom questionnaires were administered, the co-operative officers' group is the only one which located (57.8%) the greatest say in the day to day management of a co-operative in the Commissioner. This is the position under the Co-operative Societies Act, 1966 and the Co-operative Societies Rules, 1969, whereby no society or society by-laws including amendments, can be registered except with the approval of the Commissioner. Furthermore, the Commissioner can legally summon committee or special general meetings without complying with all laid down or accepted meeting procedures, and inquire into the working of societies, remove their committees and management and appoint his own nominees in lieu, fix limits of a society's borrowing powers, approve appointment of graded staff of co-operatives, approve voluntary winding up of a society, arbitrate or otherwise decide on co-operative disputes, etc. In short most co-operative actions require the Commissioner's approval.

Incidentally, it was not always the case that the Department was presumed to "know better" with regard to co-operative development and problems. This was introduced by the 1945 Ordinance which created the office of Registrar of Co-operative Societies on the recommendation of the Campbell Report, 1944. It is pertinent to recall that the Campbell survey was

concerned with the identification of agricultural activities in which Africans could be "assisted" to participate using co-operatives as the operational tools for the realization of the same. Hence the creation of the Registrar's office to oversee co-operative affairs, now that Africans were being brought into them officially! One cannot therefore help but read some police-role in the establishment of this office. Unfortunately, this "police image" has spilt over into the post-independence period although the emotional reverberations of "African Socialism" (1965) strongly suggested that the state and co-operatives in an independent Kenya would thenceforth, at least be mutually respectful partners in progress and development. How, however, did our interviewees view the present and future quantum of this supervision and control? The above Table shows that a majority of the members (48.4%), committee members (55.8%) and Government employees (84.6%) consider present powers quite adequate whilst an identical percentage (31.4%) of non-members regard present powers of supervision and control as little and enough respectively. On the other hand, a majority of members (63.4%), committeemen (69.0%) and non-members (45.7%) find the actual departmental supervision and control effective. In answer to another question the majority of the committeemen and members were of the opinion that the Department of Co-operative Development should be given more and better resources, manpower included, to make it more effective. Elaborating this, many interviewees understood supervision and control to mean better-run co-operatives free from malpractices by various elements. So as far as they are concerned, they would want to see not only an increase in both the quality and the quantity of supervision and control, but also that the Department continues to exercise supervision and control with a view to facilitating the development of the movement towards self-sustenance. The question is when and how? As to "how", a dialogue should be opened between the Government and the Movement to discuss this and other matters<sup>25</sup> of mutual concern and interest with regard to the

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<sup>25</sup> Such as the establishment of the Co-operative Development Council already promised in Sessional Paper No. 14 of 1975, p.23.

transfer of supervision and control functions to the Movement. On the other hand, "when" will depend on the nature and manner of external supervision and control, that is, whether it promotes the development and growth of the internal supervision and control mechanism with a view to progressively replacing external supervision/control.

Meanwhile, however, whilst supervision and control by the Department stays, it should be improved so as to remove the revealed constraints to proper supervision and control. In this context, it may be noted that all groups interviewed agreed that the number of Co-operative Departmental staff, equipment and other supporting facilities, including the vote,\* were such that the officers could neither be sufficiently effective nor efficient in their performance of tasks. To gain more insight into the constraints, we allowed the officers to underscore what undermines their efficiency and the following constraints, inter alia, emerged: lack of transport (84.6%), lack of appreciation by superiors of work done (30.8%) slow or no promotion (53.8%), poor office services (38.5%), poor field accommodation (23.1%), lack of co-ordination and direction by superiors and inefficient law administration in cases of irregularity as well as political interference and low field allowances (all at 19.2%). But more revealing are the reasons the officers gave for allegations by "outsiders" for the former's seeming ineffectiveness, viz. lack of professional qualifications (57.7%), wrong habits and attitudes (61.5%), lack of supporting facilities (46.2%), lack of co-ordination and support by superiors (42.3%), ignorance of tasks (38.5%) and lack of motivation (34.6%).

The statistics also revealed that a majority of these officers are young in age and in the service. 57.8% of them were under 30 years of age, another 23.1% under 40 and none was 50 years or over. Consequently, only 23.9% of these officers had been in the service since the enactment of the Co-operative Societies Act, 1966, and only 3.8% had worked under the colonial ordinances.

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\* Vote = Funds allocated by Parliament.

The net result of all this is that no less than 80% of the present staff (ingress and egress granted) are some 20 years away from retirement on grounds of age whilst about 90% of them must serve another 15 years or more before salary level can pull them into the orbit of retirement. They can therefore be excused if they should think that a relaxation, leave alone removal, of supervision/control automatically throws up doubt on their continued functionality in the civil service.

But, of course, no one is suggesting elimination of supervision/control by Government. In fact they should and must take comfort in the fact that certain functions, any way, would have to continue to be performed by the Department (preparation, registration, final audit and liquidation of societies easily come to mind). Besides, some of them would very easily cross over to the movement as the latter gains in strength. Yet others can join other sectors of the economy as indeed many of them are doing now - despite the vast powers and tasks. It is, of course, preferable that they remain within the co-operative sector. One possible insurance for this is to institute differentiated supervision and control of co-operatives through a ranking mechanism of the latter. The differentiation would, of course, only be a step towards ultimate autonomy and self-sustenance of the movement. But it is a significant and necessary step nonetheless, as long as the ranking mechanism is a dynamic one. Instead, however, we learnt that though the Act is being amended not only is it proposed to reinforce further, the Commissioner's already vast powers but supervision/control will continue to be uniform, exemption provision - Section 86<sup>26</sup> - notwithstanding!

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<sup>26</sup> Relevant part of the section reads: "S.86 (1) Notwithstanding anything contained in this Act, the Minister may, by notice in the Gazette -

- (a) exempt any registered society from all or any of the provisions of this Act, subject to such conditions, exceptions or qualifications as the Minister may think fit to impose; or
- (b) apply to any registered society, all or any of the provisions of this Act with such modifications as the Minister may think fit to allow."

4.3. Crop Authorities/Marketing Boards

4.3.1. The Cotton Lint and Seed Marketing Board (CLSMB)

This is a parastatal formed for the cotton industry. Under the Cotton Act, it has the power to regulate the production, purchase, processing and marketing of seed cotton, lint and cotton seed. In terms of seed cotton production, co-operatives have been the dominant producers-group (1972 - 75 average, 74%) and as such are likely to rub shoulders with the regulator more often than other producers. Conversely, any irritations felt in the board are likely to create disturbing echoes for co-operatives, if not also in the latter. This calls for added caution now that not only are co-operative farmers producing about 90% of the seed cotton but co-operatives are digging in in the cotton ginning operation. How does the CLSMB regard co-operatives?

We were informed that "co-operatives are very useful instruments for the development of the cotton industry".<sup>27</sup> Yet the Board, seemingly as a result of some disappointment with one or two cotton co-operative unions, deliberately gives the cotton farmers the impression that even with cotton co-operative unions in existence, "the Board is still your mother".<sup>28</sup> In one reported instance, this "motherly" concern changed into a big-brother stance whereby the Board precipitated a change in the management of the cotton co-operative union. It is, of course, not denied that this action may in fact have had a beneficial impact on the subsequent performance of the union's management. Rather, it is here narrated merely to highlight the seeming scant regard the Board has for cotton co-operatives. Further evidence of this scant regard indicates that in the instance above, history actually repeated itself.

In the 1972/73 cotton season, representatives of the Board (local and from headquarters) attended a meeting at one of the Co-operative Department Provincial offices. The meeting which was

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<sup>27</sup> A private communication from a Board employee during the pre-survey in March, 1977.

<sup>28</sup> Ibid.

specifically convened to deal with arrangements for the successful execution of the marketing operations, was also attended by local and headquarters staff of the Co-operative Department, and the Committee members of the cotton unions. There was complete agreement on every point discussed. Sooner than later, however, it was discovered that the Board had in fact gone full circle on the agreements. For instance, it decided to licence the primary cotton societies to buy seed cotton in place of the co-operative unions, contrary to the decision of the meeting. This resulted in avoidable ill-feelings as many people and institutions felt both cheated and slighted. No surprise therefore that the marketing operations that season created big losses in cash and seed cotton. The tragedy, of course, is that the co-operative farmer was burdened with these Board-precipitated losses.

In the Board's view, it faces problems with cotton co-operatives because the supervision and control of the Department is insufficient and ineffective. To the extent of departmental default in supervision and control, the Board had "at times been forced to by-pass the Department in order to improve a worsening situation".<sup>29</sup> If indeed that was the best course of action among the alternatives, then it is a serious indictment of the Department of Co-operative Development.

Other high-handed methods have also been applied. After the purchase of Samia Ginnery (by Luanda Farmers' Cotton Co-operative Union Ltd.) and Kendu Bay Ginnery (jointly at that time, by Rachuo-nyo Cotton Farmers' Co-operative Union Ltd. and Victoria Farmers' Co-operative Union Ltd.), the Kenya Government decided - through the Ministry of Co-operative Development - that the remaining ginneries should also be purchased by the cotton co-operative unions in their respective areas of operation. The logic here was that in terms of the "lint-formula" - a device for assigning the

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<sup>29</sup>Ibid.



price payable to the concomitant parameters of the cotton cycle - the portions going to the ginner and the regulator (CLSMB) were much more attractive than what went, say, to the producer or the buying licensee. Since co-operatives at this stage would not replace the Board, they wanted at least to get what used to go to the ginner.

It should, moreover, be recalled that most of the ginneries were then owned by non-citizens. The decision to give co-operatives a taste of the ginning cake might therefore also have been influenced by a Government desire to Africanize an activity long-dominated by "foreigners". The Board being indigenous and an arm of the Government that made the decision was, logically, expected to support the acquisition programme. But apparently they did not.

For, with the purchase by co-operatives of Samia and Kendu Bay ginneries in 1971 and 1972 respectively, the Board - presumably with the blessing of the ministries of Agriculture, Finance & Planning and Commerce & Industry - suddenly decided during 1973 to reduce the ginning commission. This action, like the 1970/71 season cut-back on seed cotton handling commission - even at that time cotton co-operatives were the dominant buyers - must have been aimed at weakening the financial base of these co-operatives in order, inter alia, that the Board can continue its lease as a "benefactor" of the co-operatives. But the CLSMB is not the only parastatal that has disrupted or that can interfere with smooth operations of co-operatives.

#### 4.3.2. The Horticultural Crops Development Authority (HCDA)

In 1971 HCDA had bungled onion buying in Bungoma District by revoking the licence already issued to the District Co-operative Union and issuing several others to private traders. That it did so on the pressure of some politicians and local administrators does not materially subtract from the fact. After all the union

had incurred certain costs which would now yield no benefits to ~~its~~ affiliates. Though the union's licence was subsequently reinstated, the damage was apparently already done and the union had finally to pull out to avoid bigger losses.

This licencing game was also used in the fertilizer business during 1974/75 when the co-operatives pressed for being allowed to import fertilizers directly from the manufacturers. As happened with hybrid maize seed a few years earlier, it appears that the suppliers called the tune as to who gets the importation permit. At what price to the co-operatives?

In the process of explanations, counter-explanations and appeals by the interested groups, the farm input operations of co-operatives got badly disrupted that year, leading to a serious doubt being cast by co-operators on their own organization's ability to deliver the goods. Indeed, we encountered widespread complaint against KNFC's merchandise section because of its inability(?) to supply required goods on time or at the right places and in correct quantities. External forces apart, we formed the impression that this section has its own inherent problems which must be tackled boldly and fast. To begin with it might well be worth considering dismembering this particular activity from the Federation and assigning it to a special co-operative wholesale consumer society at national level.

4.3.3. The Maize and Produce Board (MPB) is another statutory parastatal whose operations have made or broken co-operatives. Sadly, history has recorded more of the latter. Maize is the staple food of most Kenyans. It is also a good livestock feed-supplement. The country must therefore pay due attention to this important crop. MPB must therefore make sure that what comes into its stores is "good" stuff, that the stores are adequate and in hygienic conditions, that enough buffer stocks of maize are held against lean years or famine in the non-maize-growing areas. Towards ensuring the fulfilment of these requirements,

the MPB is empowered to regulate movement of maize through the issue of movement permits. Unfortunately, issue of these permits costs co-operatives avoidable expenses which increase transport costs.

Most co-operatives dealing with maize and other produce do not have their own transport but depend on hired lorries. Hire charges are usually calculated on the basis of carrying capacity of the vehicle plus distance covered. So the more trips a transporter makes, the better will be his income. If, on the other hand, a hired vehicle is delayed because of factors other than mechanical breakdown, the delay is costed to the hirer at waiting charge rate which is quite high. Whether or not deliberate, the MPB apparently issues far too many "maize-movement permits" which result in over competition among the drivers and this in turn leads to congestion of the MPB stores and the weighing yard. These spell delay and the latter sky-rockets the costs of the transport hirer. This is not the only problem the co-operatives have to contend with on maize and other produce.

4.4. The Ministry of Agriculture staff are charged with the control of produce quality at the MPB stores. We were informed that occasionally, they are not there but as the complaint was rare, it can be safely discounted. More fundamentally serious was the frequent charge that more often than not, maize rejected from co-operatives because of "poor quality" (e.g. high moisture content or some otherwise accepted quality conditions) has been delivered by private traders (even in the same lorry) and accepted by these same quality "controllers" without any ado whatsoever! Little wonder that co-operatives are virtually out of the maize and produce buying business.<sup>30</sup> There were also complaints regarding price and the pricing system. Two of the target groups

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<sup>30</sup>The few that continue in this business perform poorly because of such practices, inter alia.

we talked to/interviewed were unhappy with both the price and pricing system. Thus, while 45.2% of the society members were dissatisfied with the price and pricing system for primary produce, as high as 61.9% of the committee members were dissatisfied. The latter figure is particularly significant because, of the committee members we interviewed/talked to, just under 35% had had some secondary school education whilst 28.3% of them were professional people with very fair business and/or management experiences to their credit and as such have some understanding of factor costs and marketing.

#### 4.5. Other External Influences

Whilst external supervision and control in the Kenyan co-operative situation operationally very largely translates into supervision and control by public agencies (i.e. Government departments and parastatals), the study also indicated that other co-operative "outsiders" do influence co-operative activities. Politicians and politics, for instance. Although the structured interviews of the target groups revealed that only 3% of the respondents, on average, mentioned politicians/politics as an external force interfering in co-operative affairs, the unstructured interviews pointed to quite a substantial amount of political interference.<sup>31</sup> Given the fact that most of Africa's politics is really politics of development and further, given the relationship between politicians and African governments, the conclusion must be inescapable that politicians must be seen to be interfering in co-operative affairs. After all African governments as was earlier suggested, adopted co-operatives because of their assumed ability to bring about rapid transformations for development, particularly of the rural areas. There is, therefore, a tendency for politicians to want to be associated or identified with development through co-operatives, if indeed these are the instruments for development.

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<sup>31</sup>See also Geoff Lamb's "Peasant Politics", Davison Publishers Limited, 1974, which although covering only Muranga District of Central Province of Kenya, indicates extent and intensity of manipulation of state-inspired co-operative and administrative machineries in essentially agriculture-based "development" politics.

In our talks with the various people, we heard of cases where co-operatives have been influenced by politicians to give substantial amounts of money to harambee (self-help) projects. These projects go a long way towards meeting the social-economic needs of people in the rural areas and in this respect politicians and co-operatives play a useful role. But co-operative contribution should always be related to the financial position and budget of a co-operative. This is seldom the case with the result that often development projects of the co-operatives are either sacrificed or farmer-members are forced to dip deep into their pockets to bail their society out of a bad situation. If this gets repeated, naturally the members become understandably irritated and may want to change their committee. Then sets in group in-fighting, with the collective welfare of the society-members temporarily overshadowed. It takes some doing to restore order and direction in such a situation.

Finally, although foreign aid agencies do contribute substantially to co-operative development, in some instances these agencies have caused some problems. At times they tend to build their own empires whereas in other cases they are quick to introduce some systems which do not necessarily improve the performance of co-operatives. We need not say more than this: the rate of mortality and management commissions in certain types of co-operatives in the country said enough already!

CHAPTER 5

5. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

5.1. Internal Supervision/Control

5.1.1. Member Control

The report has endeavoured to show that co-operatives have been accepted as useful tools for the transformation of the Kenyan economy. Indeed they occupy a prideful place in the rural economy in particular. However, the report has also showed that internal control, in particular democratic control by members, is at once essential and material to co-operative auto-development. In the present Kenyan situation, however, co-operative internal supervision and control is both peripheral and ineffective, basically because of the absence of a promoting milieu or in other words, because of the seemingly deliberate overreach of the external supervision/control machinery which, in spite of official declarations to the contrary, has actually tended to engender lethargy and ignorance on the part of co-operators in the affairs of their co-operatives. The net result of all this is that members and co-operatives alike, fall helpless preys to cunning committee members, ambitious politicians and crafty managers and other scheming bourgeois.

To remedy this situation with a view to improving the internal control machinery and performance, member education programmes should be intensified. In particular, members need to be properly informed of the objects of their society, its organizational set-up as well as the rights and obligations of the various agencies/forces (internal and external) whose activities affect co-operatives in one way or another. It is our further suggestion that the member educational programmes should include some cultural activities - skits, plays, songs, etc. - for their members and their families. Part of a co-operative's surplus can fund such cultural activities or they can be funded by Government as part of its community development programme.

As has been implied here above, member control is vital to co-operatives. It will, however, remain a distant dream unless it is preceded by member closeness and active participation. It is therefore our further recommendation that Annual General Meetings (AGMs) be convened mandatorily at a certain specified date - say four months - after the end of a society's financial year, audited accounts or no audited accounts. As a corollary to this recommendation, we would further suggest that a summary of the final accounts and balance sheet be distributed to members, say two months, prior to the AGM, so that those members who need technical advice on the accounts may seek the same in good time and in readiness for their active and constructive participation at the meeting.

#### 5.1.2. Committee Role

We have also found that as trustees of their co-operative's interests, the committee members have rarely performed this role satisfactorily. Illiteracy, vested interest, ignorance of the principles of co-operation are some alibis for their poor performance. Granted these alibis, inter alia, the committee members could be helped to execute their duties with both diligence and commitment if the gap between their technical knowledge and that of the employees was considerably narrowed - if not eliminated. This is particularly called for in view of the fact that a good number of the committee members provide, by and large, voluntary services to their co-operatives.

Unfortunately it will not be entirely possible in the Kenyan situation, to reduce the technological gap between the committees and the employed staff of co-operatives without compromising the co-operative principle of a member's democratic participation in the affairs of his society. We are here talking about the need to introduce some basic educational and other qualifications for membership of the committee of a co-operative. A majority of the Kenyan co-operators were not entirely in agreement with this suggestion but we think it is

worth exploring. In any given case of proven leadership, a member otherwise not qualified may be exempted and allowed to stand for elections and if elected, to sit on the committee.

Whatever the case, any way, it is necessary to include in the committee-member curriculum, basics of such technical subjects as book-keeping, produce processing, transport economics, manpower development and management, salesmanship, marketing and investment, inter alia.

#### 5.1.3. Role of Graded Staff

Supervision and control by co-operative employees is inadequate due to a variety of reasons: poor recruitment policies, and/or practices, insufficient on-the-job or post recruitment training, prejudice and/or in-fights by the committee-members, and generally, relatively poor terms and conditions of service.

There are two ways to obviate a possible perpetuation of this state of affairs. Either the Co-operative Movement establish a national Common Co-operative Service body or in the interim period, the Commissioner for Co-operative Development uses his powers under Rule 40 to ensure that only competent staff are appointed to key professional positions and to favourably influence their remuneration and other terms and conditions of employment.<sup>32</sup> The second alternative should be animated forthwith, first in view of the general skepticism with which the general run of co-operators looked at the ~~first~~ alternative and secondly, because it will still be necessary to work out the modus operandi and financing for the

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<sup>32</sup>Rule 40, *op. cit.*



suggested Common Co-operative Service body.

Concurrent with the Commissioner's exercise of his powers under Rule 40 or the establishment of a Common Co-operative Service body, the training of co-operative employees must not only be intensified, its curriculum must include subjects covering the full range of co-operative enterprise. At the moment subjects relevant to consumer, transport and other service co-operatives, housing, building and construction co-operatives, for instance, are not included in the various syllabi. To be able to include subjects relevant to these and other co-operative types, it will be necessary to arrange the course programmes along options so that every learner is given common basics before specializing in his chosen line or option. Moreover, being extensionists, co-operative staff need to be equipped with the techniques of andragogy.

#### 5.1.4. Role of KNFC

Co-operative antagonists usually dredge up some worn out battle cries which they offer without any documentation. Some of these we have heard trumpeted when co-operative power showed that it was a portent source of real competition to agri-business corporations. Such accusations, whatever their immediate or declared objectives, of course, encourage co-operative enemies whilst confusing the uninformed and worrying the co-operative members and supporters.

The KNFC as the national apex of the Co-operative Movement, should play a greater role in the proper information and publicity of and about the Movement. In this regard it can be immensely assisted by the Co-operative Unions. Which is one reason, inter alia, why the members of the Central Committee\* of the KNFC need to be co-operators with the mandate of their constituents. It is also reason for the KNFC involving itself in the design and formulation of the various syllabi for co-operative education and training from the Co-operative College level down to the grassroots level.

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\* This is equivalent to the Board of Directors of a corporation.

Moreover, a formula or machinery like the Co-operative Development Council suggested by Government should be established whereby the KNFC, as the national representative of the Movement, is consulted with on major policy and other issues affecting co-operative development at both micro and aggregate levels. Particularly in regard to external supervision and control of co-operatives which does at the moment appear necessary to retain in some form or another due to the weaknesses of the internal supervision/control mechanism. It must, however, be emphasized once again that the KNFC should not aim at supplanting the external supervisory/control machinery but rather, it should aim at reconciling that machinery to the co-operative principle of democratic control as well organizational autonomy and autodevelopment of the Movement in the long run. In the immediate future, however, one would like to see KNFC take an active and decisive parts in the resolution of co-operative disputes no matter how they originate.

## 5.2. External Supervision/Control

### 5.2.1. Government Supervision/Control

Much as internal supervision and control is vital to co-operative philosophy and practice, for the moment at least, external supervision/control of Kenyan co-operatives seem inevitable. Continued external supervision and control seem to be necessary because:-

- (a) internal supervision/control is weak;
- (b) apparently co-operatives occupy a strategic position in the development of rural Kenya in particular and as such automatically attract Government guidance, protection and direction.

Indeed a majority of the people the researchers interviewed welcomed present Government supervision and control of co-operatives. This is a positive appreciation of the efforts of the Government, in particular the Department of Co-operative Development.

These people were in fact very sympathetic to the Department and wanted to see it allocated more resources in order that its officers can be at once efficient and effective in their already numerous and onerous tasks.<sup>33</sup> Sympathy aside, however, they were unanimous that budgets and capital expenditure applications are seldom, if at all, approved in time, that audit inspections are rarely carried out or if done, are hardly followed up. Similarly, extraction of trial balances has now become a ritual of little consequences as the audits and audit reports amply testify. The following remedies are therefore suggested:-

(i) As the Act requires timely preparation and submission of budgets, the Department should, with equal vigour, ensure their timely approval. We came across many society budgets approved long - several months - after submission. Since budgets are required to be submitted some three months or so to the close of a society's financial year and since budget approval has been decentralized, it is quite possible to have the budgets approved by the beginning of a financial year. This should be a statutorily self-imposed duty on the Department.

(ii) For the budgets to be operationally useful, the Department rightly insists on production of monthly trial balances. In our view, these trial balances can only be meaningful if they are followed up. In other words, they must be treated by both the Department and Societies as management tools along with the budgets. This was seldom appreciated.

(iii) Similarly, we noticed that though books of accounts are statutorily required to be submitted and were submitted for audit at close or a short while after close, of a co-operative's financial year, the audit itself took months and even years to complete. It would bring much needed mutual discipline and respect between the co-operatives and the auditors (whether

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<sup>33</sup> See appendix 4 for instance, for an overview of the role and duties of a Co-operative Officer. It should, however, be remembered that these rules have been superseded by the 1969 Rules which actually have variously incorporated the 1966 rules.

Government officers or Government approved/appointed) if there was also a statutory limit on the period of time an auditor may take to produce the final accounts and balance sheet. Moreover, a summary of the accounts written in a "language" (meaning manner of presentation) intelligible to a layman should always accompany the auditor's report to the members.

(iv) Once presented, both the management of a co-operative and the local co-operative officer, should ensure that the auditor's report is followed up and any recommendation and other necessary corrective measures taken.

(v) The Government should expeditiously approve or otherwise deal with applications for capital expenditure. The present procedure is unnecessarily lengthy and cumbersome. In a country where co-operatives are competing with powerful private interests, quick decision-making becomes imperative. Yet, the research team found during their field trips that in some cases, capital expenditure approvals were delayed by more than one year. As everyone understands, such delays not only reduce profits due to consequent higher costs of the ingredients of an intended project, worse still, these delays may well cost a co-operative an entire venture.

(vi) The Government should ensure compliance with the society by-laws as well as the Act and Rules. It was not uncommon during the field research, to find despotic Committee members or officials because the by-laws had long been overthrown by them and ironically by their default in supervision, the Government. Invariably in such instances, not only had some chairmen served in excess of the three-year statutory limit<sup>34</sup> imposed but more telling, no elections had been held in years. We here reiterate our earlier suggestion that elections must be held regularly every year, whether audited accounts are available or not.

(vii) The Government should streamline the services and management of secondary/higher-level co-operatives. Complaints that stationery and fertilizer from the KNFC were invariably delivered late or in inadequate quantities were rather numerous in the field. As earlier suggested, the fertilizer and other

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<sup>34</sup>Rule 32 (3) (b) op.cit.

merchandising activities should be taken away from the KNFC and assigned a special wholesale consumer society to operate at the national level. At the same time, the composition of the Boards of all country-wide co-operatives needs reappraising.

(viii) Given the trend of growth of the Department of Co-operative Development, the following points need to be carefully pondered:-

- (a) that the Government should acknowledge that co-operatives, even when used as vehicles for reaching Government assistance to vital sectors of the national population/economy, could perform well with minimal external supervision and control. Whether or not this is the time to reduce the supervision/control is slightly debatable but that it should be reduced ultimately is topical if, not imperative.
- (b) that if external or government supervision and control are to be progressively relaxed, to the purpose of nurturing co-operative in-depth leadership and ultimate restoration of co-operative autonomy and freedom, then a dynamic mechanism of ranking co-operatives ought to be devised, with the mature, fully-developed autonomous co-operative at the top and each descending category indicating degree of supervision until the ranking ends with the government-administered co-operative at the bottom. Naturally there would have to be worked out well considered grounds for the categorization. We need not go into these here. Suffice it to mention that the ranking should not be operated as a straight - jacket but rather should be flexible to allow for improvement or deterioration in performance of any given co-operative. A society could therefore move up and down the scale passing through or skipping as many steps as its particular situation warrants.

- (c) that for now, the Department of Co-operative Development has literally far too many intra and inter-organizational constraints to contend with and that perhaps its existing meagre resources should be concentrated on building up systems of operation. In fact they have made very good progress in this direction, particularly in the realms of credit and accounting. What remains to be done is an enlargement of the systems approach to include the other functional areas. Above all, however, they need a dynamic machinery or machineries for the constant evaluation of the working and impact of the systems.
- (d) that as of now the Department should welcome and initiate, a dialogue with the movement to discuss:
- the establishment of a permanent consultative body between the two;
  - the manner and indicative timetable for devolution of functions between them with the aim of freeing the Government from unnecessary supervisory/control functions.
- (e) that if the existing Co-operative Societies Act is to be amended, this should be done only to rationalize its scheme and to make clearer, a few hitherto ambiguous clauses and, otherwise, to shed off some of its trappings - However it also needs to embrace non-agricultural cooperatives in its purview.

#### 5.2.2. Marketing Boards/Crop Authorities

These institutions have not always encouraged co-operative development. They no doubt have their reasons for disliking co-operatives. Their attitude is nevertheless baffling, to say the least, in view of the fact that in terms of serving the people, they fall in the same continuum with co-operatives. The central

point here therefore is that the KNFC together with the Department should initiate a dialogue between the Movement and the Boards with a view to drawing up a code of ethics between them as a possible solution to their seasonal problems. For the long run, the Government now has the necessary record on which to judge the boards. It only then needs the political will to pronounce on their future or on that of the co-operatives since it appears that the boards and co-operatives dealing in their fields are ~~historically~~ inimical to each other.

In the meantime, however, Government should recognize that boards are very high-cost administrative and marketing structures for their presumed services. For instance, in the 1968/69 cotton season, the CLSMB's expenses were £ 56,709 for a crop of 13.6 million kgs. of seed cotton, or about 6.7 cents/kg. In the season before that the expenses were £ 58,460 for a crop of some 12.0 million kgs., or over 9.7 cents/kg.<sup>35</sup> This is simply too high. This apart, it seems necessary to base the produce price of seed cotton not on the lint price alone but also on cotton seed price.<sup>36</sup> In other words the board should be paying for cotton seed as well instead of only paying ginner for dressing it. The suggested increase in the producer price of seed cotton may be one way of ensuring higher production of the crop, now more urgent in view of increasing demand for textiles and because of the present geo-politics of the East African region.

### 5.2.3. Ministry of Agriculture

The Ministry of Agriculture has done a great deal of sterling service to improve agriculture in Kenya. Whereas the ministry has, by and large, worked hand in hand with the staff of the Co-operative

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<sup>35</sup> T.J. Aldington, Producer Incentives as a means of promoting agricultural development; a case study of cotton in Kenya, in V.F. Amann (Ed), Agricultural Policy Issues in East Africa, Makerere University, Kampala, 1973, p.65.

Aldington gives, by way of comparison, a figure of only 1.1 cent/kg., administrative costs of the Uganda Lint Marketing Board during the 1960/61 season. Despite the difference between the years, it seems obvious that the administrative costs of the CLSMB are just too high.

<sup>36</sup> Ginned seed cotton produces at least two joint products, viz. lint and cotton seed.

Department and Movement, particularly in farmer-education programmes, some of its extension staff have been some pain in the neck for co-operatives. There is therefore some room for dialogue between the ministry on the one hand and the Department of Co-operative Development and the Movement on the other, with a view to ironing out existing differences and evolving a convergent approach to the farmers' needs and interests.

Moreover, the ministry could exert the necessary pressure upon statutory boards so that they shed off their dislike for co-operatives and instead collaborate with them.

#### 5.2.4. Other influences.

The influence of politics and politicians in co-operatives is quite substantial. Co-operators, as people belonging to existing organizations, cost less to manipulate. People therefore easily use co-operatives as stepping stones for lucrative offices either for themselves or for their proteges. This is not bad in itself. The unfortunate thing is that often it also entails some misuse of society funds and name. This in turn leads to scrutiny by members which scrutiny usually converts into member suspicion, hostility and factionalism. The net sufferer in this atmosphere of acrimony is the performance of the co-operative and when performance suffers the member and everyone else depending on its positiveness also suffers.

Here, proper and regular information on and publicity for the movement may minimize political interference in co-operatives. Secondly, it looks like it is necessary for a code of conduct to be drawn up for politicians. And why not? After all they find it necessary to have one at general election time.

#### CONCLUDING REMARKS

Naturally, all the above proposals need the back-up of non-ambivalent national co-operative and related development policies. Similarly they will mean little in the absence of clear operational guidelines supported by an adequate supply of the wherewithal including a progressive staff management and development programme within



both the Government and Movement. As regards the latter, the possibility of a common co-operative service for the graded staff should be explored. Concurrently with that, within the Development Planning Division of the Department, there should be located a core of "management performers" and inspectorate staff. The inspectors would monitor efforts and results whilst the performers would provide the back-up consultancy service, including managing in those cases of serious deviations between expected and observed results. Or in cases of habitual or ignorant disregard of auditors' reports/recommendations or of Government advice for improvement or other benefit.

Much as these services are useful and worth pursuing, it is, of course, to be emphasized that the ultimate and effective solution to the problems - which cannot really be eliminated - lies in the education and training of people constituting the co-operative spectrum: the members, the committee members and the employees, including government co-operative staff.

It is therefore important, that the contents of the education and training programmes as well as the methods and techniques used should be subject to regular review and evaluation so as to relate them to both need and reality in co-operative practice. In this connection not only the Government, but also ICA, can make very useful contributions.

Finally, it does appear useful to recognize that because co-operatives operate in their given cultural milieux, the latter can also either make or break them. The existence of a positive national ethic can therefore be a catalytic ballast for the concrete development of these people-oriented institutions. In spite of this lack of a national ethic, nay because of that, it does appear imperative to include into the Co-operative College's

Certificate and Diploma curricula, both political education and sociology, in order to facilitate the trainees' greater appreciation of the centrality of man in all development policies and strategies. Furthermore, therefore, because man lives in a dynamic world - for now we may safely ignore the no rural-change prophets - there is need to establish a research base within the co-operative sector. This would help management - in both Government and movement - appreciate research as their reliable ally and tool. The best approach here would be via the Co-operative College where the lecturers and the **majority** of middle and high level manpower trainees could be equipped with at least the basic methods and tools of research for possible evaluation of their organizations and personal work contribution as well as the better understanding of their environments. For, no social engineering is going to come about without some change-oriented research or another.

OO/MM,

June 1978

TABLE 5: DISTRIBUTION OF CO-OPERATIVES AND MEMBERS ACCORDING TO PROVINCES  
SHOWING PERCENTAGE VARIATION ON TOTALS

Appendix

	1970 <sup>1</sup>		1972 <sup>2</sup>		1975 <sup>3</sup>		%age Variation in Totals						
	No. of Societies	Member-ship	No. of Societies	Member-ship	No. of Societies	Member-ship	1970 - 1972		1972 - 1975				
							No. of Societies	Member-ship	No. of Societies	Member-ship			
<b>CENTRAL PROVINCE</b>													
Muranga	63	45393	31	41561	-	-	-	-	-	-	-	-	-
Kiambu	124	30496	49	35082	-	-	-	-	-	-	-	-	-
Kirinyaga	26	26339	19	33904	-	-	-	-	-	-	-	-	-
Nyeri	107	47798	61	57000	-	-	-	-	-	-	-	-	-
Nyandarua	52	11393	53	23000	-	-	-	-	-	-	-	-	-
Thika	13	-	47	14000	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	385	161419	260	204547	273	156000	32.5	+26.7	+5.0	-23.7			
<b>COAST PROVINCE</b>													
Kilifi	19	4301	22	6050	-	-	-	-	-	-	-	-	-
Kwale	15	207	12	1690	-	-	-	-	-	-	-	-	-
Lamu	2	171	2	383	-	-	-	-	-	-	-	-	-
Mombasa	31	946	26	7649	-	-	-	-	-	-	-	-	-
Taita	31	3904	19	6788	-	-	-	-	-	-	-	-	-
Tana River	2	-	3	314	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	100	9532	84	22874	100	54000	16.0	+140.0	+16.0	+136.0			

Table 5 (cont'd)

	1970 <sup>1</sup>		1972 <sup>2</sup>		1975 <sup>3</sup>		%age Variation in Totals			
	No. of Societies	Member-ship	No. of Societies	Member-ship	No. of Societies	Member-ship	1970 - 1972			
							No. of Societies	Member-ship	%	
E & N EASTERN PROVINCE										
Embu	21	17106	19	18814	--	--	--	--	--	--
Isiolo	2	--	--	--	--	--	--	--	--	--
Kitui	20	1365	12	2687	--	--	--	--	--	--
Machakos	70	20463	34	34826	--	--	--	--	--	--
Marsabit	3	--	--	--	--	--	--	--	--	--
Garissa	1	--	1	--	--	--	--	--	--	--
Meru	54	57360	48	61193	--	--	--	--	--	--
TOTAL	171	96294	114	117520	127	114000	-33.3	+22.0	+11.4	-3.0
NAIROBI PROVINCE	134	3161	95	28733	160	71000	-29.1	+809.0	+68.4	+147.1
NYANZA PROVINCE	74	5347	51	24550	--	--	--	--	--	--
Kisumu	72	86227	59	95978	--	--	--	--	--	--
Homa Bay	69	5898	32	8161	--	--	--	--	--	--
Siaya	19	2036	14	5034	--	--	--	--	--	--
TOTAL	234	97708	156	133723	167	135000	-33.3	+36.9	+7.1	+1.0

Sources: { 1. Kenya Government, Department of Co-operative Development Report for the Years 1968 - 1970  
 2. Kenya Government, Department of Co-operative Development Report for the Years 1971 - 1972  
 3. Kenya Government, National Co-operative Development Plan 1976 - 1980

Table 5 (cont)

	1970 <sup>1</sup>		1972 <sup>2</sup>		1975 <sup>3</sup>		%age Variation in Total			
	No. of Societies	Member-ship	No. of Societies	Member-ship	No. of Societies	Member-ship	1970 - 1972		1972 - 1975	
							No. of Societies	Member-ship	No. of Societies	Member-ship
<b>RIFT VALLEY PROVINCE</b>										
Baringo	7	540	8	2670	-	-	-	-	-	-
Elgeyo Markwet	5	1913	7	4485	-	-	-	-	-	-
Kajiado	12	160	13	2010	-	-	-	-	-	-
Kericho	58	6646	52	13000	-	-	-	-	-	-
Laikipia	19	1636	11	5000	-	-	-	-	-	-
Nakuru	135	10111	107	31000	-	-	-	-	-	-
Nandi	15	1750	16	4609	-	-	-	-	-	-
Narok	9	1388	15	1024	-	-	-	-	-	-
Uasin Gishu	45	10161	59	8000	-	-	-	-	-	-
Trans Nzoia	14	1595	39	8989	-	-	-	-	-	-
<b>TOTAL</b>	319	34900	327	80787	346	42000	+2.5	+131.5	+5.8	-48.0
<b>WESTERN PROVINCE</b>										
Bungoma	98	22218	49	26000	-	-	-	-	-	-
Busia	24	1585	21	21595	-	-	-	-	-	-
Kakamega	44	7592	16	17000	-	-	-	-	-	-
<b>TOTAL</b>	166	31395	86	64595	98	50000	-48.2	+105.7	+14.0	-22.6
<b>GRAND TOTALS</b>	1509	434409	1122	652779	1271	622000	-25.6	+50.3	+13.3	-4.7

Note: In this table the sign (-) means that figures are not available.

TABLE 6. Concentration of Co-operatives and  
their Members as a %age of the Totals  
of 1975 figures

Provinces	Co-operatives	Members
Central Province	21.5%	25.1%
Rift Valley Province	27.2%	6.8%
Nyanza Province	13.1%	21.7%
Nairobi Province	12.6%	11.4%
E & N-Eastern Provinces	10.0%	18.3%
Coast Province	7.9%	8.7%
Western Province	7.7%	8.0%
All Provinces	100.0%	100.0%

Note: Figures derived from Co-operative Departmental Reports for 1968 - 72 and National Co-operative Development Plan, 1976 - 80.

TABLE 7: Total National Production of Coffee in (000) Metric Tons

	1972	1973	1974	1975
National Total	58,347	75,961	73,281	66,122
Small holder	28,363	34,734	40,864	35,464
% share of small holder	49.0%	46.0%*	56.0%	54%
Price paid to small holders shs/kg.	7/26	8/56	9/80	9/33

Source: Kenya Government, National Co-operative Development Plan 1976 - 1980, p.22.

\* Note, however, that the present percentage share of small-holder production for 1973 is less than the Plan's 47%.

TABLE 8: National & Co-operative Sugar-cane Production

	1972	1973	1974	1975
National Turnover in '000 shs.	69,100	60,800	89,000	118,400
Co-op. Turnover in '000 shs.	16,500	17,900	23,700	36,200
Co-op. % share	24%	29%	27%	31%

Source: Kenya Government, National Co-operative Development Plan, 1976 - 1980, p. 33.

TABLE 9: National & Co-operative Production of Seed Cotton

	1972	1973	1974	1975
Total National Seed Cotton Production	16,800	17,500	16,300	17,400
Total Co-operative deliveries of seed cotton	10,900	10,900	12,000	16,400
Co-operative share as a %age	65%	62%	74%	94%

Source: Kenya Government, National Co-operative Development Plan, 1976 - 1980, p.36.

Table 10:  
DEDUCTIONS IN CENTS (PER KILO OF CHERRY) PAID DURING 1975/76 CROP YEAR BY SOCIETIES AFFILIATED TO A UNION IN EASTERN PROVINCE, KENYA

Society Code	A	B	C	D	E	F	G	H	I	J	K	L	M
K.P.C.U. Charges	04.60	04.40	04.64	04.40	04.90	05.00	05.43	04.94	04.80	04.76	05.00	05.37	04.42
County Council Cess	09.78	08.53	09.15	08.84	10.00	10.00	09.08	09.81	09.60	09.87	09.90	10.20	08.13
Union Commission	03.00	03.00	03.00	03.00	03.00	03.00	03.00	03.00	03.00	03.00	03.00	03.00	03.00
Transport & Bags	01.85	01.67	01.98	01.66	01.90	02.00	01.78	01.68	03.00	01.44	02.90	02.28	01.36
Factory expenses	13.29	11.24	15.16	11.00	16.00	13.00	12.50	11.28	11.45	16.20	11.10	14.72	24.67
Administration and General expenses	04.99	7.09	12.97	13.00	04.37	04.20	15.90	14.45	18.00	13.84	14.00	05.91	22.22
Spray & Insecticides	03.45	12.67	02.76	"	26.54	26.00	0.58	01.91	07.45	0.27	03.20	09.10	03.44
Building Fund	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00
Loss on vehicle	00.23	0.38	01.31	01.50	-	-	0.06	-	0.13	0.82	-	-	-
Capital Expenses	08.72	7.72	06.55	05.50	02.90	04.30	02.77	03.38	14.55	03.43	07.00	03.20	01.07
Loss on Farm	-	-	-	-	01.68	-	-	-	01.15*	-	-	-	-
TOTAL DEDUCTIONS	50.91	57.70	58.82	49.90	72.29	68.50	52.10	51.45	74.13	54.63	57.10	54.78	69.31
APPROXIMATE DEDUCTIONS	51	58	59	50	72	69	52	52	74	55	57	55	69

\* This loss was actually incurred on sale of seedlings



Legal Notice No. 189

THE CO-OPERATIVE SOCIETIES ACT  
(Cap. 490)

In exercise of the powers conferred by section 57(1) of the Co-operative Societies Act, the Minister of Co-operatives and Social Services hereby makes the following Rules:

THE CO-OPERATIVE SOCIETIES RULES, 1966

1. These Rules may be cited as the Co-operative Societies Rules, 1966.
2. In these Rules, unless the context otherwise requires, a 'Co-operative Union' means a registered secondary society the membership of which is restricted to registered primary societies.
3. CO-OPERATIVE UNIONS shall:
  - i. co-ordinate future co-operative development within the district;
  - ii. provide centralized accounting services to primary societies, and appoint, in consultation with the Commissioner for Co-operative Development, an accountant whose selection shall be confirmed by the Commissioner;
  - iii. all registered primary societies shall supply information and make available books of accounts and records for the inspection of the Union. Primary Societies will also permit authorized Union staff and/or officials to enter and inspect their business premises and will supply all information called for by such Union staff and/or officials. The provisions of this rule will also apply to cases where the Union is required to prepare Budgets or Monthly Trial Balances under these Rules;
  - iv. appoint and be responsible for the terms of service of graded employees of co-operatives affiliated with the Union;
  - v. primary societies shall not appoint graded employees of their own and shall accept those graded employees whom the Union appoints;
  - vi. help prepare budgets for the primary societies and submit such Budgets to the Commissioner for approval;
  - vii. provide centralized marketing services for primary societies;

viii. provide supervision over banking accounts by acting as cosignatory, with the District Co-operative Officer, to all negotiable instruments and the financial operations of primary societies;

ix. submit a Monthly Trial Balance to the Commissioner of Co-operative Development;

x. effect bulk purchases from suppliers approved by the Commissioner;

xi. arrange transport facilities for primary societies;

xii. notify the Co-operative Officer of all meetings, supply him with the agenda, and submit copies of all minutes to him. Resolutions passed at meetings shall not be acted upon until approved by the Commissioner;

xiii. bank all collections immediately on receipt. All payments in excess of shs. 100 be made by cheque. A cash imprest not exceeding shs. 500 may be kept. All payments must be supported by vouchers and receipts.

4. CO-OPERATIVE SOCIETIES shall:

i. promote the development of economically viable self-supporting co-operative societies which have only minimal dependence on Government resources;

ii. diversify the activities of existing societies rather than encourage large number of small, uneconomic societies;

iii. encourage the consolidation of existing societies into large, multi-crop and multi-purpose societies with collecting centres, or branch offices where necessary;

iv. submit a Monthly Trial Balance to the Commissioner for Co-operative Development;

v. obtain all supplies through the Union or from suppliers approved by the Co-operative Officer;

vi. obtain transport through the Union or by entering into contracts with transporters approved by the Co-operative Officer;

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vii. bank all collections immediately on receipt. All payments in excess of shs. 100 shall be made by cheque. A cash imprest not exceeding shs. 500 may be kept. All payments must be supported by vouchers and receipts.

5. WHERE Co-operative Unions provide centralized and/or specialized services to primary societies as defined in these Rules, primary societies will be required to avail themselves of such services unless otherwise directed by the Commissioner in writing, and primary societies shall not provide for themselves any such services provided by Unions with which they are affiliated.

Made this 30th day of June 1966.

R.G. Ngala  
Minister for Co-operatives and Social Services.