

# COUNTY GOVERNMENT OF KITUI



## COUNTY ASSEMBLY

### SECOND ASSEMBLY – (SECOND SESSION)

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COMMITTEE ON TRADE, INDUSTRY, I.C.T AND CO-OPERATIVES

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### **REPORT ON THE BENCHMARKING TRIP TO VARIOUS CO-OPERATIVE SOCIETIES IN MURANGA, KIAMBU, AND NYERI COUNTIES**

CLERK'S CHAMBERS,  
JUNE, 2018  
COUNTY ASSEMBLY BUILDINGS,  
**KITUI, KENYA**

## **PREFACE**

### **Hon. Speaker,**

On behalf of the members of the Trade, Industry, ICT and Co-operatives Committee, and pursuant to the provisions of standing order no.179 (6) and 190(5), I beg to present before the house, the committee's report on the benchmarking trip to various co-operative societies in Muranga, Kiambu, Nyeri and Meru Counties.

The visit was carried out from the 23<sup>rd</sup> to 27<sup>th</sup> January 2018 the purpose of which was to benchmark on the best practices of running and managing co-operative societies, value addition of products, and generally share ideas on the viable practices that are likely to bring development and uplift economic status of members.

Kitui County through the County Ministry of Trade, Industry and Co-operatives is on the forefront of facilitating cooperative societies to play an important role in addressing the challenges of low productivity, inappropriate land use systems, poor marketing systems, limited access to credit by farmers and small businesses, and low value-addition to agricultural commodities and other services.

It is worthy to note that some of the major benefits that accrue to Kenyans through cooperative societies include creation of employment, settlement of the people, and generation of income and acquisition of property. In addition to the more conventional functions of marketing and production, cooperatives increasingly serve as agents of social and economic change, and are therefore vibrant civil society actors. In this regard, cooperatives are unique institutions that balance and negotiate relationships between their members, communities, traders, the state and international commercial traders.

That withstanding, cooperative societies have encountered several challenges associated with weak legislation, poor financial management, leadership, governance and political interference among many others. The committee therefore felt there was need to visit some of the major co-operative societies in the country so as to learn of the stories behind their success in order to be able to come home and enlighten those that are managing the county's Co-operative societies in order for them to improve the ways in which they conduct the affairs of the co-operative societies.

It is for this reason that the committee made an effort to visit the following co-operative societies;

- Muranga County Creameries Co-operative Union
- Ndumberi Dairy Farmers Cooperative Society
- Othaya Farmers Cooperative Society
- Taifa Sacco Society
- Kabete Dairy Co-operative Society
- Kenya Agricultural and Livestock Research Organisation (KALRO)

**Hon. Speaker,**

The benchmarking exercise was undertaken in line with the objectives of the committee which inter alia is to provide an oversight role, engage in policy and legislative development, and approve budgetary allocations for its assigned department so as to render effective and efficient service delivery to the residents of Kitui County.

The strategic objectives for the committee are as follows;

- To ensure that trade develops and prospers within the County Government of Kitui, ranging from villages, wards, sub counties and at the county government capital;
- To ensure that every form of trade within the county government is regulated and fairly conducted by putting in place legislation that is relevant and proper;
- To advocate for equitable provision of market infrastructure within the County;
  - To provide leadership and support in the policy making of Co-operatives in the entire County;
  - To capacity build the committee in order to actively play its oversight role and execute its mandate appropriately.

**COMMITTEE’S MANDATE**

The committee’s mandate, functions and roles are as stipulated in the County Assembly Standing Orders No. 190 (4) and (5) and as contained in the second schedule of the same that outlines the subject areas for the sectoral committees.

## **COMPOSITION OF THE COMMITTEE**

The committee comprises of the following members;

a) Hon. James Musyoka	Chairperson
b) Hon. Anne Mwendu Mumo	Vice Chairperson
c) Hon. Peter M. Kilonzo	Member
d) Hon. Alex M. Nganga	”
e) Hon. Anastacia M. Mutunga	”
f) Hon. Esther K. Ndile	”
g) Hon. Stephen M. Musili	”
h) Hon. Waziri Bakari	”
i) Hon. Nelson K. Musyoka	”
j) Hon. Colleta K. Kimanzi	”
k) Hon. Sylvester K. Munyalo	”

## **ACKNOWLEDGEMENT**

**Hon. Speaker,**

The committee wishes to sincerely thank the offices of the Speaker, and the Clerk of the County Assembly for the Support extended during this benchmarking exercise. I also wish to thank the members of the committee for their utmost co-operation which enabled the successive completion of this exercise. The committee wishes to also thank the committee clerk for her continued dedication to duty and service to the committee.

On behalf of the Committee, I now have the honour and pleasure to present the report of the benchmarking trip to various co-operative societies in Muranga, Kiambu, Nyeri and Meru counties.

**SIGNED.....**

**DATE:.....**

**HON. JAMES MUSYOKA – M.C.A  
CHAIRPERSON, COMMITTEE ON TRADE, INDUSTRY, ICT AND CO-  
OPERATIVE SOCIETIES**

**REPORT PREPARED BY,  
Esther Mwele - Clerk Assistant**

## **INTRODUCTION**

### **Hon. Speaker,**

A co-operative society can be defined as a group of individuals who have specific common needs. It is an economic enterprise, the purpose of which is to improve the economic status of owners or members.

The right to form and join co-operatives is enshrined in the Constitution under Article 36(1) which expressly provides that every person has the right to freedom of association, which includes the right to form, join or participate in the activities of an association of any kind.

Furthermore, Section 4 of the Co-operative Societies Act provides that the Commissioner for co-operative development may register as a co-operative society a society which has as its objects-;

- (a) the promotion of the welfare and economic interests of its members; and
- (b) has incorporated in its by-laws the following co-operative principles—
  - i. Voluntary and open membership;
  - ii. Democratic member control;
  - iii. Economic participation by members;
  - iv. Autonomy and independence;
  - v. Education, training and information;
  - vi. Co-operation among co-operatives; and
  - vii. Concern for the community in general.

### **Hon. Speaker,**

The cooperative movement in Kenya is one of the nationally organized institutions available for all cadres of persons. Its agenda is usually based on locally determined proposals whose aims are to empower citizens to realize their socio-cultural and economic capacities using locally available resources. It is believed that people within a specific geographical or institutional locality have similar perceptions about how to resolve common issues in their lives. Often, cooperative societies bring together various classes of people regardless of their socio-economic status whose main agenda is wealth creation, food security and employment generation hence leading to poverty alleviation.

To date, there are over 11,200 registered cooperative societies country-wide. The membership is over 6.1million and has mobilized domestic savings estimated at over Kshs. 125 billion. The cooperatives have employed over 300,000 people besides providing opportunities for self-employment. Indeed, a significant number of Kenyans, approximately 63%, draw their livelihood either directly or indirectly from cooperative-based enterprises.

The policy objective of the Kenyan cooperative movement is to spur sustainable economic growth by focusing on achievement of desired outcomes through strengthening of the movement and improving cooperative extension services.

In most cases cooperatives are local institutions that address “local needs”, employ “local talent” and are led by “local leaders” either directly or through local branches.

Cooperatives in Kenya are organized into service and producer cooperatives. The producer cooperatives’ objectives are to promote the use of modern technology and contribute to national development through production. The service cooperatives are responsible for procurement, marketing and expansion services, loan disbursement, sale of consumer goods and member education. The cooperatives have made remarkable progress in agriculture, banking, credit, agro-processing, storage, marketing, dairy, fishing and housing. Service cooperatives are the closest to communities and are organized on a shareholder basis formed by individual members of organizations voluntarily working in a specific geographic area.

## **FUNCTIONS AND IMPORTANCE OF CO-OPERATIVE SOCIETIES**

**Hon. Speaker,**

Co-operative societies have various functions among them being;

- Offer banking services
- Invest members’ savings in tangible assets
- Create employment opportunities to
- many people within co-operative societies.
- Help in processing of farmers' produce and transportation of farm produce for marketing.
- Provide education on quality farming practices, book keeping and saving money.

- Help to develop infrastructure within areas of their operations.
- Marketing of farmers' produce in a more efficient way.
- Provide credit to small-scale farmers to boost agriculture.
- Help farmers in accessing farm inputs like tools, chemicals and fertilizers at affordable rates.

## **STATUS OF CO-OPERATIVE SOCIETIES IN KITUI COUNTY**

### **Hon. Speaker,**

Kitui County has a total of 205 co-operative societies out of which 146 (71%) are active while the rest (29%) are dormant. The total registered members are 60,321.

Of the registered 205 Societies, 69%, (142) are Saccos, 20%, (41) are producer and Marketing Societies, 5%, (10) are multipurpose Societies, 2.4%, (5) are Housing Societies 2%, (4) are Ranches 0.5% (1) is a consumer Society and two are Cooperative Society unions. A comprehensive list of the same is annexed and marked as (**Annex 1**).

### **Common Challenges Facing Co-operative Societies in the County**

The co-operative societies have since formation faced a number of challenges which include;

- Non adherence to by-laws and the Cooperative Societies Act by some societies
- Inadequate training of both the members and management officials
- Poor Records keeping
- Inadequate budget allocation for operations

### **Challenges Facing Sacco Societies in Kitui County**

- Inadequate funds to meet members demand for loans
- Lack of capital to carry out the Sacco business. This is most applicable to newly registered Sacco societies.
- They lack enough human resource to run the affairs of the societies.
- High expectations and reliance on external support. This is common among the newly registered women and youth Societies.

- Lack of embracing the savings culture by transport Sacco societies. They only require certificate of registration to meet the road requirements by National Transport and Safety Authority.

### **Challenges Facing Producer Cooperative Societies in Kitui County**

- Inadequate funds to promptly pay their members for produce delivered
- Inadequate physical infrastructures like silos, stores, cold storage rooms and office facilities
- Inadequate capacity to run cooperatives affairs. Most of them have no employees and the committee members cannot effectively manage day to day affairs of the societies.
- Adverse weather conditions; - The agro-based societies get adversely affected by the frequent drought spells in most parts of our county.
- Lack of vibrant market and organized structures. Most farmers dispose of their produce through agents/middlemen at very low prices rather than collective marketing.

### **Challenges Facing Ranches and Housing Cooperatives**

- These types of cooperatives do their business on land. Most of them are facing acute challenges of encroachment to their respective pieces of land.

### **Proposed Interventions**

Cooperative societies are a powerful vehicle to mobilize savings for investment. Kitui County formulated a program known as ‘Strategy 247’ One Village – One cooperative” which focuses on cooperatives as a model of uniting people to realize their potential which they would not otherwise have achieved individually. Efforts are being made to revive the dormant cooperatives societies, strengthen the existing ones and also register new ones. The county is also focussing on capacity building of the members where co-operators and organized business group members are educated on the benefits of group savings, business management, governance and assisted to develop business plans to guide in running their ventures.

The County has potential for development of agro-based industries and cottage industries. However, the potential has not been fully exploited especially for oil



crops, coal, limestone, gypsum, ballast, sand, murrum, iron ore, fruits, honey and cotton. In addition, it produces large quantities of hides and skins which are sold in their raw form. The Ministry of Trade, Cooperatives and Investment intends to establish agro-based industries, honey processing industries, and tanneries that will benefit the local community through increased incomes and employment opportunities.

The Ministry proposes to establish a Co-operatives and MSMEs Development Fund so as to provide affordable credit facilities to Cooperatives and micro and small enterprises. The funds will draw funding from the County budgetary provision voted and appropriated by the Kitui County Assembly and also from development partners. It will also receive income from interest charged on loans. The funds will assist youth and women in business, organized groups including producer business groups and agro processing cooperatives. The broad objective is to grow small traders, cottage industries and co-operative agro processing activities thus creating jobs and wealth as per our county ministry's mission.

Loans shall be granted for purchase of machinery, tools, spare parts, equipment for value addition and stock-in-trade.

Kitui County, being an area where seasonal agricultural produce buying is an important commercial activity, will set aside a proportion of its funds for issuing (for up to a period of six- month, to organized business groups, producer business groups and agro processing cooperatives) special produce-buying loans. These loans shall be so timed as to be payable at the end of the local produce buying season. Buying of produce such as honey, green grams and other cereals shall be considered.

## **CHALLENGES**

The county is facing various challenges as outlined below, in its pursuit of establishing a stronger co-operative movement;

- Currently cooperative and trade officers are not able to perform their duties optimally due to insufficient allocations on the operations and maintenance budget. Funds will be required to facilitate equipping of offices, purchase of a vehicle/motorcycles, sensitization of village, ward and sub-county administrators, agricultural extension officers, trade development officers, cooperative officers and the community development officers.

- Also, the county ministry is experiencing a problem of understaffing of co-operative officers. The county only has 8 co-operative societies which is quite an inadequate number.
- Another key challenge in the county is that the members in the co-operative societies lack resources to undertake their various group projects
- The county also lacks proper policies and legislations on co-operatives.

## **COMMITTEE'S FINDINGS AND OBSERVATIONS DURING THE BENCHMARKING EXERCISE**

The committee made the following observations and findings;

### **MURANGA COUNTY**

On the first day of the exercise, the committee held a meeting with officials from the county director for co-operatives and officials from Muranga County Creameries Co-operative Union.

Muranga County boasts itself of having both black and white gold. Black gold being coffee and white gold being milk. Muranga County is keen on the co-operative movement since co-operatives are the most ideal form of association and mobilisation of people. The county has a total of 374 co-operatives out of which 323 are active.

Muranga County Creameries Co-operative Union (MCCCU) is a union of 35 dairy co-operatives spread out in Muranga County. The union was established in the year 2013 and it acts as a marketing body for the dairy co-operatives in that it collects milk from the farmers and sells it on their behalf.

The union has grown tremendously since inception with milk sales doubling within the first two years.

MCCCU (the union) has strategically placed 35 coolers spread out within the county which they manage and cater for all their operational costs.

The union has received tremendous support from the Muranga County Government in that the county purchases most of the infrastructure needed by the union and the union in return holds the equipment in trust for the county. This infrastructural support has helped the union to grow which in turn translates to the farmers' growth. Initially, the county government paid registration fees for

new co-operative societies as an incentive for residents to form groups. This support has contributed to the general success of co-operatives in the county.

MCCCU is in the final stages of setting up a milk processing plant which will give them leverage over other milk processors. With the completion of the plant, the union would be able to process their own milk and in turn offer farmers better prices for their milk. In addition, the union will also be able to be in a better position to stabilise the milk prices that they give to farmers since the effect of the factors of demand and supply will be reduced.

The union also advocates for youth empowerment and it has done so through the establishment of a program titled ‘one youth one cow’ where the union issues loans to the youth to purchase cows and the proceeds from the sale of the cow’s milk is used to offset the loans issued. This has positively impacted the youth who have taken the program as a means of self-employment.

### **Challenges of co-operative societies in the county**

Though co-operative societies in Muranga County have generally been successful, their journey has not been without several challenges. These include;

1. Political interference. The management of co-operatives has faced a lot of interference from politicians thereby affecting their day to day operations.
2. Low income/capital of the members who sometimes fail to raise capital necessary for carrying out projects.
3. Self-interest/ vested interest from members and even politicians which interferes with the work of the co-operatives.
4. Hand out syndrome. Some members are so used to being given handouts that they are reluctant to make sacrifices in carrying out the co-operative’s work.
5. Pyramid schemes. The scams associated with pyramid schemes have scared some people into joining co-operative societies since they are afraid that the two are similar.

### **KIAMBU COUNTY**

Kiambu County has a population of about 2.1 million people and a total of 558 co-operative societies. The co-operatives have approximately 459,000 members.

The committee managed to visit Kabete dairy co-operative society which is classified as a medium society. The co-operative society is owned by farmers

from Kabete and it has a total of 950 members. The society has 17 milk collection points where they collect an average of 14000 litres daily which they sell in its raw form in their 8 milk bars. The milk is sold directly to consumers as the society avoids dealing with processors. The society has put in place a strict policy that ensures its farmers are paid by the 5th of every month.

The society is yet to venture fully into value addition processes since the milk production is low. Milk volumes need to be very high in order to venture into processes such the conversion of milk to milk powder or cheese making. The society sells 80 percent of its milk in its raw form while the remainder is produced into yoghurt.

The national government has supported Kiambu County through the provision of coolers. This has helped the co-operative in the storage of their milk since the surplus milk that isn't sold is stored until the next day. This therefore has noticeably reduced the number of litres that would have gone to waste as a result of lack of storage facilities.

The society has made tremendous efforts in supporting its members through the provision of credit facilities. However, this has not been without challenges as some members fail to repay the loans when due. Therefore, the society has partnered with the Credit reference bureau so as to try and reduce the number of loan defaulters. The society also holds regular sensitisation meetings for its members as a means of imparting them with knowledge and also preventing laxity amongst the members.

Kiambu County discourages dependence on donors by societies which brings about dependency syndrome. They therefore advise members to boost their shares by taking out loans whenever they start a new project.

The committee also visited the farm of Mr, John Ndichu who keeps both dairy cows and Chicken for eggs. This demonstrated the benefits of mixed farming which translates to diversification since the farmer gets income throughout the year.

Kiambu county is in the process of legislating a bill on co-operatives which they believe once enacted would provide a clear legal and institutional framework for registration and regulation of co-operative societies.

## **Challenges**

1. Kiambu County has a shortage of land in that it is heavily populated. This therefore means that most residents own very small parcels of land which hinders large scale crop production.
2. Most members of the co-operative societies are low income earners therefore they are troubled with the high cost of inputs.
3. Another key challenge is the low level of technology accessible to members thereby hindering production.
4. The co-operative societies in the county are also grappling with the issues of adhering to laid down standards relating to products, measurements and processes.

## **NAIVASHA COUNTY**

The committee visited the Kenya Agricultural and Livestock Research Organisation (KALRO). KALRO research station is the biggest in East and Central Africa. Its formation was aimed at restructuring agricultural and livestock research into a dynamic, innovative, responsive and well-coordinated system driven by a common vision and goal. KALRO is a corporate body created under the Kenya Agricultural and Livestock Research Act of 2013 to establish suitable legal and institutional framework for coordination of agricultural research in Kenya with the following goals:

- Promote, streamline, co-ordinate and regulate research in crops, livestock, genetic resources and biotechnology in Kenya.
- Expedite equitable access to research information, resources and technology and promote the application of research findings and technology in the field of agriculture.

The committee together with officers from the county ministry of trade, visited KALRO in order to learn on the best livestock breeding practices, since Kitui County is in the process of registering co-operative societies for livestock marketing. KALRO researches on dairy animals and small ruminants which includes chicken, fish etc. Through their research, they managed to create an improved breed known as the Siwal dairy cow which can do well in marginal areas like Kitui County. They also have an improved dual chicken breed which is both good for laying eggs and at the same time be used for meat.

These improved breeds ensure the farmer maximises on his livestock which in turn translates to maximised profits.

## **NYERI COUNTY**

The committee met with officials from the office of director of county co-operatives. Nyeri County has a total of 183 registered cooperative societies, 150 of which are active. The cash crops in the county are coffee and tea. The county has a total of 23 coffee co-operative societies.

The committee also met with officials from Taifa Sacco in Nyeri County. The Sacco was registered in 1974 as a banking sector of Nyeri District Co-operative Union. Taifa sacco is a rural sacco serving members in 5 counties-namely Nyeri, Laikipia, Nyandarua, Nakuru and Nairobi. Initially it was called Nyeri farmers sacco. It has over 123,000 members and over 134 employees. It has front offices in a number of branches which serve the members. Among its services are savings and credit facilities, financial intermediary, women fund management, youth fund management etc. and also acts as an insurance agent for the saccos. The Sacco's main focus is value addition.

The committee also visited Othaya Co-operative Society Limited, a coffee marketing co-operative society. Othaya farmers coffee cooperative society started coffee milling in the year 2010.

The main concern of the society's management is improvement of the quality and quantity of coffee for the speciality market. The society's key focus is value addition and it is for that reason that they mobilised the members through acquisition of shares, to purchase a commercial coffee roaster and grinder. The society's dry mill has the capacity of producing two tonnes of coffee per hour. The roasted coffee produced is packaged and sold in quantities of between 100 – 500 grams.

The society has also partnered with several organisations such as Just Fair, DANIDA, and KCCE for capacity building of its members. This has gone a long way in ensuring its members are kept up to date with the latest technologies in coffee farming and also the latest trends in value addition of their products.

## **COMMITTEE RECOMMENDATIONS**

From the observations made on the visit to the various co-operative societies, the committee made the following recommendations;

- I. There is great need for capacity building of the officers and members of the co-operative societies in Kitui County. The various co-operative societies visited pride themselves in ensuring they conduct regular trainings for their members so as to impart them with knowledge and skills necessary for effective management of the co-operatives in addition to the new and emerging trends in product development and marketing. Also the officers from the co-operative departments in the various county governments visited usually ensure they make regular visits to their co-operative societies in order to ensure that the members stay focussed and motivated.
- II. The local co-operative societies need to be supported fully in terms of financing. Most co-operative societies have over time failed in realizing their mission and goals since they lacked the finances to support their programs. The county should move with speed to ensure that the members in these co-operative societies have ready access to credit facilities to enable them finance their projects and also formulate policies to ensure that these funds are solely used for the purpose intended.
- III. There is need for the county to employ additional technical personnel who will be able to assist these co-operatives to be able to commit to the ideals and values implicit in co-operative enterprises and also to ensure that both the members and the officials are dedicated and competent.
- IV. Our local co-operatives need to embrace the concept of value addition rather than focussing on selling products in their raw state. This is because profits are higher at the end of the value chain rather than at the beginning. Policies need to be created that will deter members from selling commodities in their raw state and to encourage them to be competitive in their businesses
- V. The county government needs to come up with programs on the issuance of farm subsidies and inputs to the co-operatives such as certified seeds, fertilisers, machinery among others. This will go a long way in assisting the co-operatives in producing quality outputs that in turn promote food security and profits maximisation.

## **CONCLUSION**

Co-operative societies strengthen the communities by creating a sense of belonging in addition to fostering regional economic self-reliance and empowerment of the local people. They create employment, circulate money within the community, and offer a wide range of goods and services. Because

cooperative enterprises are owned by the members themselves, profits stay in the local area. Cooperatives thus increase the wealth and build the strength of the community. Therefore, it is very crucial that the County Government does all it can to render its support to these local co-operatives since their success will also be regarded as the county's success. The County Government needs to create a favourable statutory climate, initiate periodic reform of policy and legislation on cooperatives as necessary, and also ensure that statutory rules and regulations on cooperatives are practically enforced and followed.



## **CONSIDERATION AND ADOPTION OF THE REPORT BY THE COMMITTEE**

We, the honourable members of the committee on Trade, Industry, ICT and Co-operatives, do hereby affix our signatures to this report to affirm its accuracy, validity and authenticity;-

- |                              |                  |       |
|------------------------------|------------------|-------|
| 1. Hon. James Musyoka        | Chairperson      | ..... |
| 2. Hon. Anne Mwendu Mumo     | Vice Chairperson | ..... |
| 3. Hon. Peter M. Kilonzo     | Member           | ..... |
| 4. Hon. Alex M. Nganga       | ”                | ..... |
| 5. Hon. Anastacia M. Mutunga | ”                | ..... |
| 6. Hon. Esther K. Ndile      | ”                | ..... |
| 7. Hon. Stephen M. Musili    | ”                | ..... |
| 8. Hon. Waziri Bakari        | ”                | ..... |
| 9. Hon. Nelson K. Musyoka    | ”                | ..... |
| 10.Hon. Colleta K. Kimanzi   | ”                | ..... |
| 11.Hon. Sylvester K. Munyalo | ”                | ..... |



A sample of Roasted coffee beans that Othaya Co-operative Society processes and grinds



The final packaged product which the society sells at its factory and to distributors countrywide. The society has focussed more on value addition rather than selling raw coffee beans



Members of the committee with officials from KALRO



The team outside KALRO Complex



The committee with officials from Taifa Sacco





The committee with officials from the Co-operative department, County Government of Kiambu



The committee members after visiting Nnumberi Dairy Farmers Co-operative Society who are keen on the value addition of milk. They process milk into yoghurt for sell.



Members of the committee enjoying some of the yoghurt produced by Ndumberi Dairy Farmers Co-operative Society