International Cooperative Research Group

INITIAL FINDINGS:

WHAT DIFFERENCE DO COOPERATIVES MAKE?

KENYA COUNTRY STUDY

KEY STAKEHOLDER PRESENTATION AND DIALOGUE

APRIL 2, 2019

Serena Hotel
Nairobi, Kenya

The opinions expressed here are those of the Research Group and not those of USAID or any other research partners.
Summary Overview

What Difference Do Cooperatives Make?
Kenya Country Study

This paper provides an overview of the initial findings of recent research on the cooperative sector in Kenya and identifies some possible paths for policy and/or further debate and exploration.

“What Difference Do Cooperatives Make?” in Kenya tells us that cooperatives are indeed making a significant economic difference in the lives of the members and are also contributing to their overall well-being. However, the social benefits provided by cooperatives are not predominant or in many cases clearly visible. The key findings, further detailed below, show that cooperative members are very positive about their cooperative membership. This impression is objectively substantiated by the findings that they have a greater sense of financial security and higher income levels than their counterparts who are not members. These findings hold for cooperatives in the aggregate and for each sector in which cooperatives operate.

By inference the economic effects experienced by members are an asset that can be further strengthened and translated into even greater productivity through a conducive enabling environment in which cooperatives are empowered and supported to serve their members as economically viable self-sustaining entities. In this regard, two things are worth noting:

- With Kenya’s devolution and the resulting anticipated changes for cooperatives, the environment with respect to cooperatives is yet to be fully defined with many counties in the process of adopting new cooperative laws.
- Any uncertainty for cooperatives and their members arising from devolution and the period of transition at the time of the study has not had a measurable effect.

Research Objectives and Data Characteristics: The OCDC International Cooperative Research Group (RG) carried out this 2018 study of primary society cooperatives in Kenya as the second in a series of country studies in its “What Difference Do Cooperatives Make?” research. This research is designed to understand at a high level the extent to which objective evidence will demonstrate that cooperatives provide a sound platform on which to base broad-based international development for sustainable, locally owned and institutionalized results. The mixed method research study was designed to understand the membership experience of primary society members, specifically the economic and social benefits. The research also probed the social and economic benefits to the larger community where cooperatives operate.

Primary data was gathered from 2,000 in-person surveys. The questionnaire was administered to a scientifically drawn sample representative of Kenyan cooperative members and of the distribution of primary societies, both across sectors and across Kenya’s regions. Thus, it provides a dependably accurate reflection of the cooperative sector as a whole and how it is affecting the lives and livelihoods of its members. A similar sample of people who are not cooperative members enables comparisons among the two groups.
The motivations for people in Kenya to join and remain cooperative members in both urban and rural areas are primarily economic with a sense of greater financial security and a sense of “belonging” engendered by cooperative membership being paramount. These research findings and conclusions drawn are based on the data collected from respondents, reflecting their impressions and understandings. The findings do not draw conclusions about cause and effect. However, the data, benchmarked against national statistics and the Poverty Index indicates that cooperative members are overall more prosperous than those who do not belong to cooperatives

**Background:** The Kenya Country Study is part of and will contribute to the overall findings of a four-country study of “What Difference Do Cooperatives Make?” which is being carried out by the RG.¹ At the same time, it is a stand-alone product that provides evidence intended to support and inform policy-makers and those concerned with broad-based economic development. The analysis is based on data reported by the members themselves and benchmarked against available national statistics as well as data reported by a corresponding sample of those who do not belong to cooperatives

اسلسل Cooperatives in International Development: The power latent within cooperatives comes from their focus on both social and economic outcomes for their members and their adherence to a common set of principles², which include democratic control and economic participation. Many cooperatives and cooperative systems around the world perform well in supporting the priorities and aspirations of their members and in contributing to economic and social progress. Nonetheless, for various complex reasons, cooperatives have been and continue to be under-utilized³ in international development. In many countries they have struggled with government dominance, co-option by elites and impact of structural adjustment and economic liberalization. However, in many other countries, they have also demonstrated resilience and supported local communities in the wake of globalization. For these reasons and others, a more positive narrative is beginning to emerge as development and donor agencies seek for organizational forms that are sustainable while being both values-based and market-oriented.⁴ Scholars and researchers are also increasingly noting the power of cooperatives to internalize market externalities, serve as laboratories for social innovation, advance social entrepreneurship and promote ethical business practices (see Novkovic, 2008) as well as provide an ability to function in circumstances where

---

¹ The other countries are Poland (completed); the Philippines and Peru (in process).
² The international cooperative principles are: (1) Voluntary and open membership; (2) Democratic member control; (3) Member economic participation; (4) Autonomy and independence; (5) Education, training and information; (6) Cooperation among cooperatives; and (7) Concern for community. [https://ica.coop/en/whats-co-op/co-operative-identity-values-principles](https://ica.coop/en/whats-co-op/co-operative-identity-values-principles)
³ There is an excellent discussion of the background and reasons for the mixed perceptions of the effectiveness of cooperatives in a paper by Johnson and Shaw, “Re-thinking Cooperatives in Rural Development: An Introduction to the Policy Arena” (2014)
⁴ Ibid.
other forms might fail. The potential of co-operatives to promote economic and social development for low income people has therefore returned to development agendas (DFID, 2010; UN, 2009)

Cooperatives in Kenya: Kenya is the widely acknowledged cooperative leader in Africa with a history of cooperatives that dates back to the first part of the 20th century. Cooperatives are active across most sectors of the economy and throughout the country, providing livelihoods to an estimated 63% of the population and contributing significantly to the overall economy. It has mobilized resources and assets that are worth over KShs. 875 billion (approximately US$10 billion). As the findings of this study reinforce, the cooperative sector as a whole offers a tremendous resource and platform for Kenya.

This Study: With data gathered from a random, representative sample of 2000+ cooperative members across sectors and the general population, this research study of cooperatives in Kenya is intended to contribute to the on-going policy debate and to contribute to the cooperative narrative across sectors and across geographies. It is designed to compare the self-reported perceptions of members of formally registered cooperatives on issues related to economic and social well-being with those of the general population. Because cooperative membership is voluntary and because a cooperative’s performance has direct effects on the members, member perceptions are expected to correlate with cooperative performance. Thus, self-reported perception data makes a powerful statement and is a valid proxy for performance, although the study does not measure causality.

10 Key Findings: From responses received to survey questions addressed both to cooperative members and non-members, the data show that:

1. A significant majority of cooperative members (91%) state that membership in a cooperative has positively affected their economic position.

2. Self-reported income figures of cooperative members as benchmarked against national statistics and against the responses from those in the representative sample are higher overall than those of the general population (see Figure 1 below). With greater proportional representation in the top two income bands.
   - This general picture holds true for both urban and rural cooperatives and across sectors.
   - It also holds true for both women and men.

---


3. On the other end of the spectrum, **14% of the cooperative member sample** lives below the poverty line as compared to the **Kenyan national average of 37% living below the poverty line**.

4. Women are under-represented in cooperatives in Kenya comprising only approximately 30% of membership in the aggregate.

5. There is a **notable positive difference between the incomes of women cooperative members and comparison group women who are not members. In the aggregate, women who are members make 54% more than women who are not members.**

6. There is also a **marked positive difference between the incomes of men cooperative members and comparison group men who are not members. In the aggregate, men who are members make approximately double than that made by men who are not members.**

7. While economic benefits derived by cooperative members from their cooperatives are significant, **social benefits are less so**, with the majority of cooperatives not offering social programs.

8. Nonetheless, although the linkages between cooperative membership and social benefits are weaker than for economic benefits:
   
   - There is a **slight indication of greater social capital** among cooperative members as measured by trust. Only 37% of non-cooperative members...
express a strong or considerable willingness to trust others and 42% of cooperative members expressing such willingness.

- **Cooperative members tend to have a stronger safety net** as indicated by their manner of responding to emergency situations, with 63% able to draw on savings or financial institutions as compared to 45% of non-cooperative members.

9. The impact of cooperatives on their greater community is more difficult to measure; however, respondents indicated that cooperatives positively influence the quality of life in their communities.

- **82% believe they attract outside investors**
- **60% believe they contribute to the quality of life and work of the community residents**

At the same time, on other measures the findings were only moderately positive.

- **25% believe they lead to improvements in infrastructure**
- **44% believe they contribute to care of the environment**

10. **Satisfaction** with cooperative membership is high. Only 9% express dissatisfaction; whereas, **74% are considerably or strongly satisfied**.

For policy-makers looking at macro level effects and for practitioners concerned about sustainability, the data from Kenya shows that members identify and value a “cooperative difference” and shows that the large majority of cooperative members are very positive about their experience with 88% stating that they will remain in their cooperative for at least the next five years.

**Impetus for the Research**

In theory and established practice cooperatives can be powerful vehicles for “bottom up” development, “leveling the playing field” by their power of aggregation and ability to give a voice and platform to the members: Strength in numbers; equity in shared priorities; change through collective action. In addition, they are able to play an important economic role for individuals and families and in communities while also contributing significantly to the national economy.

Within this context and that of years of experience of OCDC’s member CDOs achieving significant positive results in USAID-assisted countries, this ambitious “What Difference Do Cooperatives Make?” research study was conceived by the Research Group (RG) of the US Overseas Cooperative Development Council (OCDC) and approved by its Board of Directors in the last quarter of 2016, with the research design finalized and data for the pilot study in Poland collected during the last half of 2017. Data for Kenya, the second country study reported on in this paper, was collected in the last half of 2018.
The research has been supported and encouraged by the US Agency for International Development (USAID), which is specifically called on by Sections 111 and 123 of the Foreign Assistance Act to support cooperatives. USAID has carried out this mandate over many years through its support of the work of the OCDC member organizations (CDOs), most of which have worked and continue to work in Kenya supporting cooperative development in their sectors of expertise.

Methodology: The research study used mixed methods, combining standardized, multiple choice and short answer interview formats (conducted in person) with a 2,000+ survey of a scientifically drawn, randomized representative sample of households and cooperative types. This study uses a matching process to identify the comparison group so that the respondents are comparable as to location and opportunity to join a cooperative.

In addition, six Focus Groups and 16 Key Informant interviews provided interpretive insight, in some cases enabling nuancing of the quantitative results. A desktop study documenting other research and related data concerning cooperatives in Kenya preceded fieldwork and informed the analysis. The report, Kenya Cooperative Context Study and a Legacy Study of the effects of USAID-funded assistance provided through CDOs will accompany the final research report.

Limitations of the Data and Study

The study focused on the perceptions of cooperative members and compared those with perceptions of those who are not members of cooperatives to probe the “difference” that coops have made in people’s lives. These are self-reported and, in some instances, benchmarked against available national statistics or triangulated with responses to questions about sense of economic security and economic household status. That the survey measured perceptions and relied on self-reporting enables the measurement of the way in which the cooperatives are fulfilling their central purpose – to serve their members.

Possible Considerations for Kenya and for USAID

The evidence of the Kenya study shows that cooperatives provide differentiated economic effects for members. These effects together with the accompanying greater sense of financial security and well-being among cooperative members underscores the positive role that cooperatives are playing in Kenya. The level of satisfaction (with that among agricultural cooperatives being slightly higher than the other sectors) suggests further that the right types of investment in cooperatives can further enhance productivity which is crucial to achieving the aims of strengthened food security as well as, more generally, to the achievement of the “The Big Four.”

7 The OCDC RG is grateful to the USAID Cooperative Development Program for its financial support of this research.
8 OCDC members in 2018 are ACDI/VOCA; Equal Exchange; GENEX; Global Communities; HealthParters International; Land O’ Lakes International Development; NCBA CLUSA; National Rural Electric Cooperative Association; World Council of Credit Unions (http://ocdc.coop)
With the aggregating power of cooperatives, the level of trust among members, their inherent “scalability,” and the positive base of economic performance suggested by this research, cooperatives would seem to be an important vehicle for continuing self-reliance and resilience, particularly at this important moment in Kenya’s growth trajectory.

Specific findings point to opportunities for the types of investments and further research to support those. For illustrative purposes, the following ideas suggest some of the potential for cooperatives to play a strategic and practical role:

- **Prioritize outreach to women**: Greater inclusion of women as cooperative members would yield important positive results, since they are under-represented in cooperatives and the incomes of women members, like their male counterparts, significantly exceed (54%) those of comparable women who are not members.

- **Build a platform for community-wide impact**: In line with the core cooperative principles which include contribution to community, cooperatives offer an untapped opportunity to support the provision of social, environmental and other services to the community as a whole. The level of social capital that exists and the levels of trust, both within and outside cooperatives, suggest that exploration of such a role tailored to the needs and priorities of each county has merit. For example, where cooperatives play a role in delivering health-related programs (which most do not do), these are experienced positively.

- **Explore possibilities for poverty alleviation**: While it is important that the economic strength of cooperatives not be sapped, the comparison between poverty levels of members and the average in Kenya suggest that there might be an economic advantage to be found as part of a poverty alleviation strategy which takes into account the appropriate environment (meaning enhancing their voluntary, democratic and self-reliant nature) for cooperatives.

- **Cooperatives across sectors as part of achieving the “Big Four”**: Cooperatives are present across the sectors, and they would seem to have particular potential for Food Security, Affordable Housing, and Affordable Healthcare (see bullet 2 above) Developing a specific action and investment plan for each with alignment at the national level and the County Integrated Development Plans (CDPs) within and for these sectors is something to be considered, with the important caveats (1) that cooperatives continue to be member-owned and operated, (3) that their governance and other operating structures be respected and (3) that their financial viability and self-reliance not be undermined by an infusion of external resources
  - **Agriculture and Food Security**: The government plan focuses on investment in large-scale, commercial farming and also small-holder productivity. Cooperatives could play a strategic role in the achievement of both aims.
  - **Affordable Housing Solutions**: NACHU is already part of Government’s plan to provide new housing. SACCOs and the cooperative bank could be an important resource with appropriately structured credit facilities (in light of their reach across the country) that provide affordable credit to members. Coupled with county concessions on rates and land servicing, assisted self-help and
aggregated buying power of cooperative members have potential to reduce costs and accelerate delivery.

- **Affordable Health Care**: Cooperatives provide a ready-made platform for the provision of prevention and wellness services. Although as they exist today, Kenya’s cooperatives would not provide clinical services, they could provide the community outreach platform for other necessary services and potentially serve as information hubs and centers for remote consultations with health professionals.

In order for such efforts to be successful, there must be a systematic approach based on partnerships among national government, county government and cooperatives.

- **To strengthen the overall cooperative sector and its performance, explore the potential of technology**: The positive effects can range from improved management to improved production to improved lives for the many. They can and will be a sound building block for Kenya’s expanding middle class and for the achievement of middle income economy status as envisioned by Kenya’s leaders.