

**THE EVOLUTION OF CO-OPERATIVE SOCIETIES IN NYANDARUA COUNTY,
KENYA: THE CASE OF KARAGOINI MARKETING CO-OPERATIVE SOCIETY IN
NDARAGWA SUB-COUNTY, C. 1965 – 2000**

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other university.

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DEDICATION

This work is dedicated to my son Julius Githinji, his wife Susan Wairima and their beloved children Katrose Wairimu and Dylan Mwangi for being inspirational throughout my research work.

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TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENTS.....	iv
TABLE OF CONTENTS.....	vi
DEFINITION OF TERMS.....	ix
LIST OF ABBREVIATIONS	xi
ABSTRACT.....	xii
CHAPTER ONE.....	1
1.0 Background to the Study	1
1.1 Statement of the Problem	3
1.2 Objectives of the Study	4
1.3 Research Premises	5
1.4 Justification and Significance	5
1.5 Scope and Limitations of the Study.....	6
1.6 Literature Review.....	7
1.7 Theoretical Framework.....	13
1.8 Research Methodology	19
1.9 Area of Study	20
1.10 Target Population	21
1.11 Sample Size	21
1.12 Data Collection and Analysis.....	22

CHAPTER TWO	24
2.0 Historical Context for the rise of the Co-operative Movement and its Development in Nyandarua county.....	24
2.1 Introduction	24
2.2 Growth of Co-operatives (1908 -1945).....	24
2.3 Growth of Co-operatives (1945-1963).....	27
2.4 Development of Co-operatives During the Post-Independence Period (1963 – 2000)	30
2.5 Summary	36
CHAPTER THREE	39
3.0 Rise and Performance of Karagoini Co-operative Society (1967 – 2000)	39
3.1 Introduction	39
3.2 Formation of the Society	39
3.3 Mode of Marketing Members’ Produce	45
3.4 Achievements of Karagoini Co-operative Society	45
3.5 Summary	47
CHAPTER FOUR	49
4.0 Challenges That Faced Karagoini Marketing Society (1967 – 1990).....	49
4.1 Introduction	49
4.2 Challenges that Occurred (1967 – 1990)	49
4.3 Summary	54
CHAPTER FIVE	56
5.0 The Impact of Liberization of Agricultural Sector on Karagoini Co-operative Society (1980 - 2000).....	56
5.1 Introduction	56

5.2 Emergence of Private Marketing Traders and Companies (1990 – 2000)..... 56

5.3 Summary 65

CHAPTER SIX 67

6.0 Summary, Conclusion and Recommendations 67

6.1 Summary 67

6.2 Conclusion..... 71

6.3 Recommendations..... 72

REFERENCES 76

APPENDIX 1: SAMPLE GUIDELINE 86

APPENDIX 2: NAMES OF INFORMANTS (AGES ARE ESTIMATED IN YEARS) 93

APPENDIX 3: MAPS..... 94

DEFINITION OF TERMS

Apex Markets: these are the top markets where primary co-operative societies took their produce for marketing and processing e.g. KCC

Co-operative Societies: these are autonomous associations of persons united voluntarily to meet their common economic, social, cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Co-operatives are open to all persons who are able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination

Co-operative Union: a registered society whose membership is restricted to primary co-operative societies.

Co-operative Principles: guidelines through which co-operators strive to develop their co-operative organizations. They are elastic, applicable with different degrees of details to different kinds of co-operatives in different kinds of situations. Therefore they are capable of adjusting to the rapid changes in the world.

Co-operatives Society Act: this refers to co-operative legislation that offers the legal framework within which co-operatives can be formed and developed. This means that first of all the organizational pattern of co-operative society has to be set out in the law. It formulates members' rights and obligations and also provides the legal framework for the relationship between the state and co-operatives.

Consumer Co-operatives: they are formed by group of consumers who come together and start up shops from where they can buy goods of better quality much more conveniently

Primary Co-operative Societies: these are co-operative societies composed of individuals who are either actual producers, consumers, or people who join up together to save and obtain credit conveniently.

Producer Co-operatives: these are associations of producers who have come together to improve the production and marketing of their products.

Marketing Co-operatives: these are co-operatives which are formed by producers to assist them in advertising and selling of their produces/products.

Savings Co-operatives: they are societies that are formed by groups of individuals who come together to save money and provide loans to members as the need arise.

LIST OF ABBREVIATIONS

ABM 1	-	Administration Book Keeping and Management 1
AFC	-	Agricultural Finance Corporation
AHITI	-	Animal Health and Industry Training Institute
CCD	-	Commissioner for Co-operative Development.
HCU	-	Horticultural Co-operative Union
ILO	-	International Labour Organization
CBK	-	Co-operative Bank of Kenya
KCC	-	Kenya Co-operative Creameries
KFA	-	Kenya Farmers Association
KGCCU	-	Kenya Grain Growers Co-operative Union
KMDP	-	Kenya Maize Development Program
KNCDP	-	Kenya Nordic Co-operative Development Program
KNFC	-	Kenya National Federation of Co-operatives
KPCU	-	Kenya Planters Co-operative Union
MOCD	-	Ministry of Co-operative Development
NCCK	-	National Council of Churches of Kenya
NCPB	-	National Cereals and Produce Board
PBK	-	Pyrethrum Board of Kenya
SACCO	-	Savings and Credit Co-operative Organization
USAID	-	United States Agency for International Development.

ABSTRACT

The study examined the evolution of co-operative societies in Nyandarua County between 1965 to 2000 with particular emphasis on Karagoini Marketing Co-operative Society in Ndaragwa Sub-county. The primary objective of this research was to study the nature and characteristics of the co-operative societies in Nyandarua County from the early independence period. A number of co-operative societies were formed in the Sub-county from 1965. The societies formed included Ndaragwa (1965), Kanyagia (1966) and Karagoini (1967) co-operatives societies among others. The first African settlers were settled in Nyandarua County in 1963. This land was formerly held as large Europeans' owned farms. Since 1963 the land has been gradually turned over to African farmers on small holdings. Karagoini members acquired individual plots in 1967 after paying the expected fee as a requirement for voting. The farmers were encouraged to form co-operative societies after acquiring land. Members produced common commodities, such as pyrethrum, milk, maize and wheat which they sold through the societies. Membership in Karagoini Co-operative Society was compulsory as one acquired land. This was advantageous to control sales and avoid exploitation by private traders. The study employed purposeful sampling in order to capture samples of informed respondents. A total of 40 informants between the age of 45 to 80 years were interviewed between 2008 to 2014. These included members of the society, management teams and co-operative officers in the county. They provided very important qualitative data as they were associated with Karagoini Co-operative Society in different periods from 1967. Some members from other societies within the Sub-county also provided important information which added value to the study. The study employed four types of data, namely archival data, oral and written interviews and library research. Question guides were provided to the informants. The interviews proved very useful in gathering specific information. They were able to provide answers to the reasons behind the formation of Karagoini Co-operative Society, the benefits acquired and challenges faced. The oral informants who were illiterate would be assisted to fill the question guide. The sources were compared in order to produce complete results. The study adopted an integrated theoretical approach comprising the dependency and underdevelopment approach, modernization and articulation of modes of production. The study found out that the government promoted the co-operative societies in Nyandarua County after independence. This was mainly done through education and training. The findings of the study is hoped, will lay a better foundation for future research on co-operative societies in the County.

CHAPTER ONE

1.0 Background to the Study

Many countries of the world, particularly developing ones have recognized the many social and economic benefits which can be derived from co-operative activities. In these countries, co-operative movements have become an important part of the economy (Ouma, 1989). In the developing world today, co-operatives are generally seen as an important means of bringing about social and economic betterment for the majority of the people. Consequently the co-operative movement has come to form a basis upon which many diverse development programmes are designed in an effort to improve the standards of living of the masses. (Ouma, 1988).

In a number of African and Asian countries, the objective conditions for the broad development of co-operation were lacking, especially under the conditions of colonial dependence. These countries went through social, economic and political challenges which affected the market of their products. Commodity – money relations were only very slightly developed in these countries and the economic and social life of society was entirely in the hands of colonialists. Colonialism helped to conserve pre-capitalist relations of production. Under colonial dependence, the ideas of the co-operative movement infiltrated only slowly into the countries of Asia and Africa. The people were skeptical about them, since they often came from the colonial authorities. A certain role was played in the creation of the first co-operatives in the colonies by co-operative unions in the metropolitan countries, which tried to establish there the same sort of co-operatives as their own in terms of structural principles. These co-operatives spread the ideas of class co-operation among the rural population (Maslennikov, 1983)

In many instances, the co-operatives were the first legal associations of the indigenous population under the conditions of colonial dependence, but they had long, difficult and contradictory road before them before they could become a real force in the struggle against imperialism and colonialism and for social progress. Moreover, right from the inception, the co-operative associations came under the influence of opposing forces that either supported the maintenance of colonial regimes or fought for national liberation. The modern co-operative movement in Kenya came into being in 1908, the Lumbwa Co-operative Society. It was formed by the European Settlers at Lumbwa (currently known as Kipkelion), in Kericho County. It was to provide dairy and other agricultural support services for the white settlers. In 1931 the co-operative society's ordinance was enacted to govern registration of co-operative societies. The legislation did not allow indigenous Africans to participate in co-operative societies, but through political pressure, the 1931 ordinance was repealed and replaced by another in 1945. This second legislation allowed Africans to become co-operative members. It also made provisions for a position of registrar of co-operative societies as a statutory requirement. In 1946, the Department of Co-operative was created. According to a report by KNFC (2000), between 1908 and mid-1950s, some 200 co-operatives were in operation, increasing to 1,0300 by 1963 (Kobia, 2011).

Kenya achieved independence from the British Government in 1963. The newly independent Kenya was at the time convinced that the co-operative movement had a vital role to play as articulated in the Government Sessional Paper No. 10 of 1965. A government department was established to promote and supervise co-operative societies. Later a fully-fledged Ministry of Co-operative Development was created. The government envisioned co-operative societies as an opportunity to strengthen bonds among Kenyans. An average of 200 co-operative societies were registered annually during the first few years of the post-independence government (Kobia, 2011). It should be noted that some of the co-operatives

collapsed either due to political or economic reasons. For instance, the government for largely political reasons dissolved the KFA in 1984 and replaced it with K.G.G.C.U on allegations that the large scale farmers were exploiting small-scale farmers (Ibid).

A number of co-operative societies were formed in Ndaragwa Sub-county in Nyandarua County from 1965. Examples of these co-operatives include Ndaragwa (1965), Kanyagia (1966), Karagoini (1967), Shamata (1968) and Kahembe Farmers formed in 1978. The study examined the development of Karagoini Marketing Co-operative Society. Information was gathered from the other societies since most of produced common commodities such as milk, pyrethrum, maize and wool. The co-operative societies acted on behalf of KCC, PBK, NCPB and KFA. Nyandarua County in the former central province was created in 1963 when political boundaries within Kenya were reorganized following Kenya's independence. Before independence, it was part of former Rift Valley Province in the so called "White Highlands" (Dillion, 1970:16)

It should be noted that there have been many problems and constraints that have affected sound growth of co-operatives in general. The government of Kenya in collaboration with National Agencies like KNFC formed in 1964 has continued to assist the co-operative societies especially in education and other related activities. The fundamental aim behind the formation of KNFC was to guard and promote the co-operative interests and improve the performance of co-operatives (Ouma, 1988).

1.1 Statement of the Problem

Though the co-operative movement plays a key role in national development, there have been few studies that examine this critical role especially from a historical perspective.

This study investigated the role played by co-operative societies in Kenya with specific reference to Karagoini Co-operative Society. The study specifically examined historical

evolution of the co-operative movement in Nyandarua County and the emergence of Karagoini. It further examined the role of the post-independent Kenyan government in the transformation and performance of Karagoini Co-operative Society from 1965 to 2000. The study sought to answer the following research questions:

1. What factors led to the setting up of Karagoini Co-operative Society after independence?
2. What were the reasons for the rapid development of Karagoini Co-operative Society after Independence?
3. What challenges did Karagoini Co-operative Society face in its development process?
4. What other alternative means of marketing were used apart from co-operative societies in the region?

1.2 Objectives of the Study

The study sought to achieve the following objectives:

1. To examine the historical context for the rise of the co-operative movement in Nyandarua County
2. To investigate the reasons for the rise and performance of Karagoini as a co-operative Society in Ndaragwa Sub-county of Nyandarua County since 1965.
3. To examine the challenges that faced Karagoini marketing society up to 2000.
4. To find out other alternative means of marketing that existed apart from co-operative societies.

1.3 Research Premises

The research was premised on the following:

1. The rise of the co-operative movement in Nyandarua County has its roots in the colonial period.
2. The need by the local communities to empower themselves economically led to the setting up of Karagoini Co-operative Society.
3. The lack of qualified personnel with managerial skills as well as competition from other emerging private agents, are among the major challenges facing Karagoini Co-operative Society.
4. Private Agents and companies offered other alternative means of marketing apart from co-operative societies.

1.4 Justification and Significance

Settlement schemes were established in many parts of Nyandarua County. The settlers acquired land in the schemes depending on what they had contributed in form of shares. The acquisition of individual land increased the proportion of products being sold rather than used for subsistence. To this effect Karagoini Marketing Co-operative Society was formed in 1967 to enable members market their products effectively (Wangigi, O.I, 2011).

According to the Mission on Land Settlement in Kenya of 1966, one of the basic features of the original plan was the formation of a co-operative society for each settlement scheme. Thus this made it convenient to carry out the study on co-operative societies in Ndaragwa Sub-County. (Gikenye, 1992).

This study will be important to the stakeholders as it will enlighten them on the need to be active participants in the operations of Karagoini Co-operative Society in order to promote its success and overcome the challenges. Many societies that have collapsed since 2000 can be

revived through extension education to the communities. Extension agricultural officers may play a major role in educating farmers in reviving key areas such as pyrethrum farming. Poor means of transport and communication network also require intervention by both county and national governments. This will lead to a long term development that will turn co-operative societies into competitive and prosperous enterprises that will be aligned with Kenya Vision 2030.

1.5 Scope and Limitations of the Study

To examine both colonial and post-colonial characteristics and historical development of the co-operative movement, the study commenced in 1965 when the modern co-operative movement emerged in Ndaragwa Sub-county. The study ends in 2000 when most of the co-operative societies in the Sub-county were indicating a downward trend. Due to the wide historical scope of the study, this work has not investigated the performance of co-operative movement in the entire Nyandarua County. Therefore this study is physically limited to Ndaragwa Sub-county and in particular Karagoini Co-operative Society.

Other Sub-counties in Nyandarua County were also left out due to time limitations and other logistic constraints such as financial, terrain and inaccessibility. Therefore, a sample was taken from Karagoini Co-operative Society to represent all the co-operative societies in the County. Most of the roads across the Sub-county are poorly connected and we had to use motor cycles. Some members of the society lived further in the interior and we had to spend a lot of money to be in touch with most of them.

The study ends in 2000 since many societies were affected by liberalization which caused the split of many societies into other trading units. These provided other means through which members were empowered economically as well as other channels of marketing their products.

1.6 Literature Review

Generally, co-operatives are seen as an important means of bringing about social and economic betterment for the majority of people in the developing world. Consequently, the co-operative movement has to form the basis upon which many diverse development programmes are designed in an effort to improve the standards of living especially in the developing world. Indeed the co-operative is a serious economic actor cutting across all the sectors of the nation's economy (Ouma, 1988)

The first co-operative society in the world was formed in 1844 in a village in England known as Rochdale by a group of people referred to as the Rochdale Pioneers when Britain was undergoing the industrial revolution. The Rochdale pioneers decided to draw up some principles which would guide their operations as a co-operative society (Ouma, 1980). However, other types of co-operative societies followed elsewhere soon after. For instance, Agricultural co-operatives were initiated and organized in Germany and credit Unions initiated in the United States of America. The Rochdale Pioneer Co-operative Society was a consumer co-operative society. It was difficult to obtain basic needs because of the scarcity occasioned by the war. Thus consumer co-operative societies were formed in order to supply to the members pure goods and at reasonable prices.

The first co-operative society in Kenya, Lumbwa Co-operative Society, was formed in 1908 by the European farmers with the main objective of purchasing fertilizer, chemicals, seeds and other farm inputs and then markets their produce to take advantage of economies of scale. Kenya Farmers Association was registered in 1923 to take over the role of supplying farm inputs originally played by Lumbwa Co-operative Society (Kobia, 2011:30). The African small holder farmers fought for the formation of their own co-operatives and later

they were allowed to promote and register co-operatives for cash crops like coffee and pyrethrum (Swedish Co-operative Centre, KNFC, 2009).

Ouma (1988) explains that the Africans first opportunity to form co-operative societies was provided for by the 1946 co-operative society ordinance. Under this ordinance the office of the Registrar of co-operatives was created. The British government considered the average African not to have reached the stage in history of development whereby he would reap the maximum good from the associations. Unfortunately the British government did not consider the potential in Africans, which was only realized at independence in 1963. At this time, 1,030 co-operative societies were registered through the efforts of African small holder's farmers (Swedish Co-operative Centre, KNFC, 2009). Ouma's work on the history of co-operatives in the world and Kenya was very important to this study. Although the work has explained mainly the history of both consumers and producer co-operatives, it does not fully emphasize the role of marketing co-operatives which this study has mainly dealt with.

Goran Hyden (1973) also analyses historical background of African co-operatives. He argues that co-operatives in Africa have been regarded by political leaders on the continent as principal means to realize "African socialism". The co-operative society may be said to stand in the same relationship to "African socialism" as the private firm to capitalism and public corporation to communism (Hyden, 1973:3). Hyden's analysis is important to the current study as it helps us to understand the roots of African co-operative movement before independence and in particular, East Africa.

Co-operatives started during the early period (1910-1950) were either through direct government initiative or in opposition of non-African middlemen. In the first case, co-operatives were looked upon as convenient marketing mechanism by the colonial administration. In the second case, there were spontaneous attempts by member of the

emerging middle class to defend their interests versus falling capital. Hyden describes the independence period (1960 -1964) as a period that marks a sharp increase in co-operatives which were created in the spirit of political freedom. Many were the results of attempts by individual politicians to prove their service to the local community. The post-independence period (1965-1970) marks a period when most of the newly formed co-operatives reflect government attempt to put into practice their philosophy of “African Socialism”. Emphasis is laid on quantitative expansion into as many geographical areas of the country as possible. Hyden’s work is enriching to this present study as it helps to examine the impact of co-operative institutions before and after independence.

During independence, the co-operative movement sought advice and help especially from the Scandinavian countries (Nordic Project). The Nordic project has played such a crucial role in the development of co-operatives in Kenya. It is a joint technical aid programme involving the Nordic countries namely: Sweden, Denmark, Finland, Iceland and Norway. The first agreement for assistance was signed in 1967 which included four countries but excluded Iceland (Ouma, 1988).

According to Macpherson (1979), the spirit of co-operation was spreading rapidly throughout the West in the 20th Century. The first co-operatives to achieve stability in English Canada in the year after 1900 were farmers’ marketing and purchasing societies. The English-Canadian movement became firmly established between 1900 and 1914. Co-operative institutions of several varieties came and, for the most part failed. This was mainly because conditions were not suitable for extensive development of co-operatives. However, their failure provided lessons that contributed to the knowledge of co-operative techniques during the twentieth century. Western Canadians have bowed to corporation rule nearly ever since the country was settled, a system that has boosted social-economic development. This work has added value

to this study. There is need to have a close link between the apex and the societies to maintain efficiency in their operations.

Kirsti Lintonen in a book edited by Carlsson (2000:181), highlight the global changes that affected development of co-operation since the Second World War. These changes have also taken the character of violent conflicts. Wars between countries have given way to internal and regional conflicts, especially in developing countries. These changes have also led to an unprecedented growth of international trade and an increase in investments after the end of Cold War. There have been profound implications for the developing countries themselves and for the co-operation patterns that have governed the relations of industrialized countries towards the Third World. New approaches had to emerge to tackle the challenges of globalization. Globalization in this context means first and foremost assisting and preparing developing countries to be able to become more active participants in world politics and trade. The above study helped us to find out the new approaches that have been used to tackle the challenges that are facing co-operative movement in Kenya and in particular Nyandarua County.

Viteles (1968) has tried to analyse the history of co-operative movement in Israel. The first agricultural co-operatives were established at the end of the 19th century. He observed that the agricultural consumers' and workers producer co-operatives constitutes the largest numerical groups in the co-operative movement in Israel. These types of co-operatives were organized to meet a revolutionary change in the occupational stratification of the Jews; with emphasis on physical work, especially on agricultural work, rather than on commerce and finance. The credit co-operatives have also played an important role in the economic integration of immigrants in towns, villages and rural communities in Israel. However, Viteles, did not emphasize much on the marketing co-operatives which this study has addressed.

Abell (1988), analyses the history of the co-operative movement in Tanzania from 1925 – 1975, a period covering both the colonial and independent administration when the co-operative movement was relatively autonomous and free from government interventions. In 1925, the first marketing co-operative, Kilimanjaro Native Planters' Association (KNPA) was established in Moshi region. By 1975, there were around 2,000 registered primary societies of which 80 percent were involved in marketing cotton, coffee, rice and maize. Though Abell has identified a number of marketing societies, he has not examined the various marketing systems. Therefore this study will research on the marketing process in Karagoini.

Maslennikov (1983) examines co-operation under the conditions of colonial dependence in countries of Asia and Africa. His work demonstrates how colonial authorities kept the co-operative organization under constant strict control. Co-operatives could only be set up and function on the basis of laws issued by the colonizers. Any deviation from the set rules for the formation, organizational structure and activities of co-operatives was stamped out immediately. This policy reinforced the economic dependence of the colonies on the metropolitan country, since the latter dictated the prices of agricultural produce. Maslennikov's work contributes significantly to this study since it helps us to understand why co-operative movements developed at a slow pace in African and Asian countries during the period of colonial dependence.

The Kenya Government Sessional Paper No.10 of 1965 put emphasis on the need for "mutual social responsibility" in the process of development. It stated that co-operatives are particularly well-situated for participation in rural development because they have "direct roots in African traditions". The 1966-70 Kenya Development Plan, contained a specific program of co-operative development, emphasized by the phrase that "there is only one course open to the nation, and, that is need to strengthen the co-operatives to play their role adequately". The second Kenya Development Plan (1970 – 74) outlined efforts to consolidate

the already existing co-operatives and turn them into multi-purpose. There is need for consistent education and follow-up programs in an effort to expand the co-operative societies in Ndaragwa Sub-county.

As Green (1967) puts it, economic integration is one of the most discussed issues in Africa today. Wide agreement exists that economic grouping broader than the nation state are needed to promote rapid economic development and to secure greater equality in international economic bargaining. His view helps us to understand why primary co-operative societies give birth to a co-operative union. According to Green the progress of economic co-operation and integration in Africa has been, and will continue to be heavily influenced by the policies of foreign governments and firms. He states that a number of these economic groupings have broken down following independence or that others are experiencing difficulties in finding viable patterns of change and development in an African state context. However, Green fails to address the real challenges that faced economic groupings, such as co-operative societies in Kenya. This study addresses the issues that affected the co-operative movement after independence.

Manyara (2004) points out that the co-operative movement must operate in line with co-operative principles. Legislation plays a pivotal role in paving the way for the development of an independent co-operative movement and thereby assists in poverty alleviation and people's empowerment. In 1966 the Co-operative Act was passed. Together with the co-operative societies rules in 1969, these empowered the Ministry of Co-operative Development to control co-operatives and to approve their budget including that of expenditure, to carry out the societies audit and remove committees which failed to manage the co-operative societies. Although directly related to our study, Manyara's work fails to demonstrate the strict disciplinary measures that should be given to corrupt committee members. This would probably minimize the problems that interfere with the growth of co-

operative societies. This study helps us to examine the impact of apex markets on societies in Nyandarua and the steps taken by the government to liberalize them.

1.7 Theoretical Framework

Many theories have been used in the study of African socio-economic history. This study therefore reviewed three main theories with the aim of developing a clear understanding of the evolution of co-operative societies. First was modernization approaches before proceeding to theories of dependency and underdevelopment and articulation of modes of production.

Modernization approaches tend to see development as a process of change towards social, economic and potential conditions prevalent in the industrialized West (Zezeza, 1988:3). As the Africans organized themselves to form marketing co-operative societies, they penetrated more into the monetary economy. The fact that Africans were moving forward to promote the growth of National markets was an affirmation of modernity.

Modernization theory has its roots in the ideas of Emile Durkheim and Max Weber (Ayes, 1995:106). According to Durkheim, complex modern society developed from a simple “primitive” past. The traditional society became densely populated which led to more people competing for relatively scarce resources. The problem was resolved by a gradual increase in the social division of labour. New resources could be generated by people taking on the role of producers on a full-time basis while others became similarly specialized in other areas of life outside materials production. Thus division of labour became more complex and created an increasing interdependency among people. Specialized organs such as marketing co-operative societies for particular functions merged. And so, in this way modern society was created.

In the 1950's and early 1960's modernization theory was developed by a number of social scientists, particularly a group of American Scholars, the most prominent of whom was Talcott Parsons. The third world became a focus of attention by politicians who were keen to show countries pursuing for independence that sustained development was possible under the Western Wing (rather than that of the Soviet Union). The modernization approach was based on the Parsonian functionalist epistemology. This school perceived African Societies as developing from traditional simple societies to complex or Western levels of social organization with colonialism being the major driving force (Olumwulla, 1986:49).

In the early 1970's modernization school came under attack from the so called 'dependency school'. In Kenya, this attack was spearheaded by E.A. Brett, Colin Leys and Steve Langdon (Hetherington, 1993:90). The major criticism against the modernization approach is that it assumes that Third World countries must follow the same development path that has been followed by the capitalist West in order to solve their economic problems. Furthermore, this approach underplays the descriptive role of colonialism and imperialism on today's so called third world societies. It places colonial, racial and class structures outside the realm of investigation, examining only individual responses to an implacable and unquestionable entity (Cooper, 1983).

Clarence Smith (1979) in classic modernization form argues that the responsibility of underdevelopment lies within the Third World itself because, unlike the west, the third world lacks entrepreneurship, efficiency in economic organization, and innovation. With the attainment of independence, Smith does not see how the west can continually be blamed for the inability of the Third World to escape underdevelopment. The problem with Smith's argument is that it fails to appreciate history (Nyang'oro, 1989:87). The modernization theorists viewed underdevelopment in the Third World as a result of internal shortcomings

specific to underdeveloped societies in question. Lack of their development was perceived to be the result of pre-colonial rather than colonial history (Bager, 1994)

The dependence perspective as it evolved in the 1960s and 1970s was a reaction to what it saw as inadequacies of modernization theory. Dependency therefore came out as a critique of and as an alternative approach to modernization or developmentalism. The main criticism leveled against it was that its policies caused exploitation rather than the development of poor countries. Thus, world trade was seen as perpetuating structures of underdevelopment and dependency in the Third World. The emergence of dependence analysis as a tool for the study of international relations and politics has its roots in the Latin American experience after which it was used on Africa. A leading dependency theorist, Dos Santos (1970:231) defines dependency as a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. That is, dependence is based on an international division of labour, which allows industrial development to take place in some countries while restricting it in others whose growth is conditioned by and subjected to the power centers of the world. The concept of dependence must take into account the circulation of dominant interests in both the metropolitan centres and the dependent societies.

The proponents of dependency theory hold the view that the dominant economies, usually the industrialized capitalist states, expand and maintain self-sustaining growth while the dependent economies of the non-industrial countries can only expand and grow as a reflection of the expansion of the former. This condition produces the condition of underdevelopment. Andre Gunder Frank, an adherent to the dependency model maintains that it is incorrect to consider contemporary underdevelopment a simple reflection of the economic, political and social structure of the underdeveloped country itself. On the contrary, underdevelopment is in the large part the historical product of relations between the

underdeveloped periphery and developed center Therefore the concept of underdevelopment is relational (Nyang'oro, 1989:84).

Initially, dependency analysis emphasized economic factors as being decisive in shaping the kind of co-operation an underdeveloped country might have with a powerful industrially developed state. In the Kenyan context, colonialism forcefully incorporated Kenya's underdeveloped pre-capitalist economy into Britain and "Western" Mercantilist money oriented capitalist systems making it become a satellite of metropolitan Western Europe and North America. Brett (1973) defines colonialism as a system of rule, which assumes the right of one people to impose their will upon another. This must inevitably lead to a situation of dominance and dependency, which will systematically subordinate those governed by it to the imported culture in social, economic and political life. External dominance and internal dependence created a situation, which inevitably transformed the entire social fabric of the people whose countries are now underdeveloped. Export – oriented economies had to be created, traditional structure modified and existing political authorities made to accept their subordination to the foreign invader.

The underdevelopment theory traces the origin of Africa's underdevelopment to the time when the Third World began to be progressively incorporated into permanent relationship with expanding capital's economy (Leys, 1974). On the other hand, many underdevelopment theories hold the view that colonialism for Africa yielded no good. Rodney (1989) for example, is one of such scholars in Africa who condemn colonialism as having left more evil than good for Africa. Rodney (1989:162) suggests that colonialism was not merely a system of exploitation but one whose essential purpose was to repatriate the profits to the metropolis. The consistent expatriation of surplus produced by African labour out of African resources meant the development of Europe as part of the same dialectical process in which Africa was underdeveloped. Thus, the theory holds that underdevelopment is not an original condition of

Africa, rather it is a product of the historical process of the expansion of capitalism, which led to the development of the west at the expense of Africa.

Development and underdevelopment are regarded as opposite sides of the same coin (Frank, 1969). It is held that development of some countries actively led to the underdevelopment of others, and that underdevelopment is a 'normal' part of the development of the world system. The development gap between developed and less developed countries that is, the difference in the levels of productive forces was held to widen as a result of colonialism and the interaction of the two groups of countries. The dependence theory was useful in the study as it tried to explain the influence of colonialism in the evolution of co-operatives societies in Nyandarua County in terms of economic, technical and ideological dependence. In the colonies, the Africans were not supported or encouraged to form co-operatives before 1931. The Africans were considered so illiterate and that it would not be possible to find capable people to manage and keep books of accounts for these co-operatives (Ouma, 1987). This deformed the process of Kenya's development hence intensifying the situation of dependence upon the metropolis both in the colonial era. The situation of dependency is asserted to have conditioned not only the international relations between the core and the periphery but also their internal structures such as co-operative movement policies.

The articulation of modes of production was also used in this study. It is a theory developed within the broad Marxist Social Sciences tradition to contest the relevance of the dependency theory. Articulation in its simplest usage refer to "the relationship between the reproduction of the capitalistic economy on the one hand and the reproduction of productive units organized according to pre-capitalist relations and forces of production on the other" (Wolpe, 1980: 41). In essence the articulation of modes of production came up to offer a critique as well as an alternative approach to dependency arguments. The theory looks at society forces

of production and the corresponding relations of production. Eventually this inter-relationship between the forces of production and the social relations of production make up society's mode of production which becomes its economic structure (Zezeza, 1985).

The main argument in articulation of modes of production is to explain how capitalist modes of production preserves, destroys and exploits earlier modes of production, particularly in the periphery. Goran Hyden takes to task the dependency argument (in Gutkind and Wallerstein, 1985, for example) - that transformation of the pre-capitalist formations have stalled because the international capitalist system wants to keep the indigenous societies in Africa as sources of primitive accumulation and not as societies that can independently sustain expanded reproduction of their own benefit (the so-called preservative / destruction thesis). Instead, he argues that capital does not by design seek the impoverishment of Africa. Capital, in order to expand, must replace inefficient pre-capitalist forms of production with more efficient ones (Hyden, 1980:22). Hyden points to internal barriers to capitalist forms within the peasant society; he suggests that examination of internal socio-economic and cultural structures is the best way to study capitalist development (or underdevelopment) in Africa. For Clarence Smith (1985), he holds that no modes of production existed in Africa, instead what existed were only models and abstractions. The articulation of modes of production also demonstrates how various modes of production co-exist within a given society, but still there is no single pure mode of production existing on its own. Instead, one mode of production may become dominant in incorporating or dominating other modes of production to itself. This is what capitalist mode of production has done to various pre-capitalist modes of production (Kizito, 1998).

The concept of articulation of modes of production was very relevant to this study. It provided tools for analysis of each particular society and production relationship to the whole

social fabric. For instance, the African farmers in Nyandarua County were able to produce their own commodities for their families and at the same time for exchange. On the other hand, Africans were able to produce labour for the white settlers, which boosted production for the market. The traditional African society played a major role in the formation of agricultural marketing co-operatives. Communal ownership of land and social security system were elements of traditional African society. The solidarity, which arose from these, might be argued to be a pre-requisite for the modern type of co-operative, which was an important pillar for capitalist economy. The marketing co-operative is based on commodity production and can only be explained in relation to the expansion of the capitalist mode of production. The general solidarity among peasants enabled them to preserve the market positions against establishment of capitalist relations of production. The pre-capitalist societies could produce more to support both their families and the capitalist economy.

1.8 Research Methodology

The study adopted a case study research design based on qualitative procedures. It is therefore a result of two types of evidence; primary and secondary evidence. Purposive sampling was employed for selecting the informants for interviewing from various co-operative societies in the Sub-county. Primary sources included oral interviews, government policy papers and archival materials. The oral interview was based on prepared written question guides. The researcher also used pens and notebooks during the field interview. Open-ended and close-ended questions were used.

Archival information sources were also useful in this study. The documents in the Kenya National Archives comprised development plans, annual reports and files on co-operative movements. The information provided the historical data on the development and government policies on the co-operative movement during and after colonial period.

Another component of primary data used in the study included the post-independence government documents, which comprised development plans, sessional papers and other official documents. Sessional Paper No. 10 of 1965, Sessional Paper No. 1 of 1986 and Sessional Paper No. 6 of 1997 were among the key government policy papers that provided important information of co-operative movement especially in the post-colonial era.

Secondary sources which were used included written sources like text books, articles in newspapers, maps, online sources, unpublished thesis and dissertations. These were derived from libraries like, the Kenyatta University's Moi Library, Macmillan Library in Nairobi City County, Co-operative College Library. Kenya National Library in Nairobi and Nakuru. The written materials from these libraries and others from the Ministry of Co-operative Development of Nyandarua County were indeed very useful to the study.

1.9 Area of Study

The study is based on Karogoini marketing co-operative society in Ndaragwa Sub-county of Nyandarua County. The county borders Laikipia to the North, Nyeri and Murang'a counties to the East. Nyandarua County, created in 1963 was part of Laikipia County in the so called 'White Highlands'. Nyandarua County is the largest of the former seven districts in Central Province, with a total land of 3,304 km² (Development Plan 2002-2008). This was before the changes of the county. The County is divided into six administrative divisions namely; Ndaragwa, North Kinangop, Ol Kalou, South Kinangop, Ol Joro Orok, and Kipipiri. Before independence, a large farming area of Nyandarua County had been annexed by the Europeans. With the coming of independence in 1963, it was the desire of the new government to replace these Europeans with African farmers. The landless Africans were to

be resettled in the settlement schemes to continue with their economic life. The Kenya government made arrangements to finance this change over a thirty-year period and the takeover to be organized in such a way as to minimize the disruption to the economy. It should be noted that the current settlement patterns have historical origin from colonial times (Gikenye, 1992).

The settlement schemes in Nyandarua were initiated in late 1960's and 1970's. The members who formed Karogoini Marketing Co-operative society settled in Karogoini Settlement Scheme. The scheme is located in Leshau Location of Ndaragwa Sub-county (map of Nyandarua County in Appendix 3). Population density in Nyandarua has been increasing since 1965. The moderate temperatures of the area have been able to support agricultural production in the area both for domestic and commercial use. The economy of other locations within Ndaragwa Sub-county also depends highly on agriculture. The agricultural potential of the area enabled the people of Karogoini Settlement Scheme to extend their commercial activities to the neighbouring Counties such as Nyeri, Nakuru, Muranga among others.

1.10 Target Population

The target population composed of all co-operative members in Ndaragwa Sub-county. The population focused on the members of co-operative societies, committee members and officers of the Ministry of Co-operative, Nyandarua County. People were picked from different societies such as Karogoini, Ndaragwa, Nyahururu Farmers, Kahembe, Shamata and Kanyagia. However, a tentative sample was used with the majority of the members picked from Karogoini Co-operative Society, which was the main focus of the study.

1.11 Sample Size

A sample size of between 45 and 80 years of age who included both men and women were considered. They were selected on the basis of their knowledge of the history of co-operative societies in Ndaragwa Sub-county and the activities they were involved in related to the societies. A total of 40 knowledgeable informants were interviewed. Among these included some members who were associated with the societies in the county since 1965, management teams and officers who worked in the Nyandarua County Co-operative Department. Retired members in the management teams also provided useful information.

1.12 Data Collection and Analysis

The researcher acquired information in several ways, which include visiting and interviewing those who are members of co-operative societies, those served in the management teams in different periods from 1965 and from the officers who worked in the Ministry of Co-operative Development, Nyandarua County.

The informants were provided with the question guides. A few members who were members of other societies in the Sub-county were also interviewed. The information they gave added value to the study as most societies in the Sub-county played similar roles. To conduct the oral interviews, the researcher was assisted by three research assistants. This was favoured because the open-ended questions allowed for the accommodation of as many issues as possible. The informants filled the question guides after which they were collected for data analysis. The information was compiled in a hard copy.

All the data was subjected to qualitative analysis. All the data obtained from the various sources was categorized according to the sources. In addition, the secondary data obtained from various sources was subject to historical criticism. In order to verify their validity, data from various sources was then corroborated by comparing it with other sources of

information. Where oral data conflicted from one informant to another, the archival and secondary sources were referred to and vice versa. In addition, the researcher posed the same question to several informants especially when one informant gave contradictory information and required clarity. Most of living members provided reliable information as they had actively participated in running the affairs of the society. In this way, the researcher was able to acquire data that was valid.

CHAPTER TWO

2.0 HISTORICAL CONTEXT FOR THE RISE OF THE CO-OPERATIVE MOVEMENT AND ITS DEVELOPMENT IN NYANDARUA COUNTY

2.1 Introduction

The growth of co-operative societies in Kenya before and after independence will be examined in this chapter. Firstly, the traditional systems of working together will be discussed. Secondly, the origin of modern co-operative concept (1944) and its extension to Kenya from 1908 to 1945 and 1945 to 1963 was examined. Thirdly, the development of co-operative societies during the post-independence period was discussed. The chapter also included a number of co-operative societies in Nyandarua County, particularly in Ndaragwa Sub-county and their roles.

2.2 Growth of Co-operatives (1908 -1945)

The traditional co-operatives have been in existence in Kenya even before the colonial period. Examples of such co-operatives are to be found in all communities of Kenya whereby group association did ploughing, weeding or harvesting for each member of the group in turn. There was for instance the group known as Kwathi among the Luo whereby members of the group looked after their cattle together for three or more days consecutively, in turn. In Kikuyu land there was group called Ngwatio (Mwethiya in Kikamba) whereby members of the group got together to build houses for themselves, each member of the group bringing what was required for the construction e.g. grass, and poles. The members started on the next house when the first one was completed. Members of the group who did not need houses joined the work willingly as there was a sense of belonging and togetherness. There is also in Kikuyu Itega, whereby women folk would collect various gifts in form of food to take to one of them who has given birth, while at the same time they held with cleaning her house and so

on. Among the Kalenjin there was the practice of Kokweti whereby a group of people would go out to harvest or weed the garden of their members in turn (Ouma, 1988). Nevertheless, it can be stated that the traditional forms of co-operation extended even after independence thus forming the basis for establishment of modern cooperative organisations. Examples of such groups were found among the women who lived on European farms at Kericho in Nyeri. They formed a group called Nyakinyua whereby they worked together and raised money which would be given to their members in turn according to their needs. The members included men in the group in 1970s and formed a society which raised money to buy their farm in Nyandarua County. The society came to be known as Kahembe Farmers Co-operative society (Ngibocha, O.I, 2014).

The origins of the principles of the modern co-operatives movement can be traced back to 1844 (Kobia, 2011:7). The Rochdale Pioneer Co-operative Society was the first successful society founded in Britain in 1844. These principles have since been recognized and accepted throughout the world. Though with necessary changes as ideal rules for co-operative organizations from this point of view, the British government played a major role in transferring the idea of modern co-operative in Kenya (Ouma, 1980).

The transfer as well as the growth of co-operative societies in Kenya has gone through various phases which are key this study. The modern form of co-operative began in the colonial period among the European settlers to help them in the processing and marketing of agricultural produce. The earliest co-operative society in Kenya was established by white settlers in 1908 at Lumbwa (currently known as Kipkelion) in Kericho County (Kobia, 2011:29). Initially it was not registered as a co-operative society, but under the Companies ordinance. It was to provide dairy and other agricultural support services for the white settlers. The British settler farmers introduced coffee, dairy and farm input supply co-operatives in selected areas, several decades before Kenya achieved independence.

Solo Kiragu in his article in Dairy Nation, January 31st 2009, highlights the birth place of co-operative movement in Kenya as it makes its centenary anniversary having started way back during the colonial period in 1908. This was Lumbwa Co-operative Society in Kipkelion. It was celebrating 100 years since its existence. Many locals formed groups after independence and bought farms and sub-divided them into small holdings. The locals then formed groups to market their produce and the movement expanded by leaps and bounds. In 2009 the movement controlled 45 percent of the country's economy. Kipkelion had nine dairy co-operative societies, 22 coffee societies, five sugarcane societies and five multipurpose co-operative societies.

The co-operative societies formed before 1931 were not formally recognized by the government. The first Co-operative Societies Ordinance (Act) was passed in 1931. In 1932, the societies were registered under the Co-operative Societies Registration (Amendment) Ordinance. The 1932 Co-operative Ordinance excluded Africans from the movement. In its policy to preserve and protect the white settler economy, the colonial government discouraged the movement among the Africans for fear that supply of African labour to European farms could be interfered with. Despite this discouragement, Africans began forming co-operative societies from the 1930s for marketing their produce. The earliest of these societies were the Kisii coffee growers' Association, the Kenya African traders and Farmers Association and the Taita Taveta Vegetable Co-operative. But these societies were not given official recognition until 1945 (Gikenye, 2010). In 1934 Kisii was given dispensation to cultivate 1000 acres of coffee on an experimental basis. This area was later increased and in 1945, when the co-operative societies act was passed allowing Africans to form co-operatives, there were already 290 coffee growers in Kisii cultivating 177 acres of coffee (Barger, 1980) The need to form formal co-operative organisations arose when some

African peasant farmers realized that they were being exploited, especially by the Asian traders who were paying very low prices for their agricultural produce. (Ouma, 1980:43).

In the meantime, effort by Africans to liberate themselves from the low economic positions had gained momentum without the previously sought help of administration. Many Africans had their eyes on setting up trading enterprises although it was a field pre-empted and preserved for Asians. The political as well as the economic environment however was not suitable for encouraging for taking such high risks. Such handicaps plus the facts that the Africans so far had not gained extensive business experience also made it difficult for them, but the only alternative available to them at the time was to take risk if they were to be able to compete with those already well-established in the field (Campbell, 1951)

In the 1940s the British government realized if it participated in the development of the economies of its colonies, such as in Kenya, it could get food and raw materials for its home market. One means of doing this was through co-operatives and in 1944; the British colonial office in London appointed a Mr.W.K.H. Campbell to investigate the possibility of participation in co-operative organizations. (Kobia, 2011:31) He visited many towns in the Republic of Kenya such as Kisumu, Kisii, Karatina, Kericho among others. Campbell recommended that efforts to organize co-operatives in Kenya were worthwhile, subject to employment of qualified staff. He further recommended the appointment of a registrar of co-operatives and the enactment of a new co-operative societies ordinance to accommodate his recommendations.

2.3 Growth of Co-operatives (1945-1963)

In 1945 the Co-operative Societies Ordinance was passed repealing the 1932 Co-operative Societies (Amendment) Ordinance and consequently legalizing the formation and registration of African co-operative societies (Ouma, 1988). Subsequent to this was the creation of the

Department of Co-operative Development in 1946 to deal with the development of the movement. The Registrar was then appointed and was given a small staff to help him organize and supervise co-operative societies. The 1945 Co-operative Societies Ordinance gave the Registrar additional powers over co-operative societies such as refusal to register a co-operative society, cancellation of certificate of registration among other (Kobia,2011). Between 1945-1960, the Department of Co-operative Development was under the African affairs. The positions of the Registrar and clerks were taken by the Europeans while the Africans filled the posts of inspectors in 1946. During this period, Mr. Eliud Mathu, was as member of the Kenya Colonial Legislative Assembly. He demanded African recognition in the co-operative movement. Eliud Mathu was joined in his struggle by Ex-senior chief Koinange wa Mbiyu from Kiambu (Ibid).

The concern for ex-military Africans contributed to the development of co-operative societies. By 1942, the colonial administration had not pursued or formulated any progressive and forward looking policies to improve the welfare of the African peoples. Concern for this failure by the colonial administration was promoted by the fact that many Africans were then serving during the Second World War and some type of employment or pre-occupation had to be found for the demobilized soldiers once they were disengaged from war (Karanja, 1974). This issue therefore was significant and served as a forceful catalyst to the colonial administration into thinking about ways and means of starting co-operative societies. The idea was that once such organizations were developed in the country many ex-military men would be absorbed in them as members of the operating staff as well as active co-operators. From 1945–52, the colonial government took positive attitudes towards the formal development of co-operative societies in the colonies (Ibid). When the British labour government came to power in 1945, it instituted many welfare measures for colonies as a post-war policy. This included passage of overseas resources development Act and

establishment of Colonial Development Corporation (Karanja, 1974). Moreover, after the Second World War, returning service men, who had saved up their salaries and were now returning to African settled areas, sought to invest in viable business ventures. The co-operative movement represented the most organized method to invest their resources.

The political and economic situation between 1950 and 1960 gave impetus to Mau Mau War from 1952 and the declaration of a state of emergency had a tremendous impact on co-operative movement in Kenya (Kobia, 2011). The existing associations of economic growth were shaken including the co-operative societies that had spread across the country especially in central province, which was the centre of Mau Mau. Qualified personnel working for co-operative societies quit their jobs. Department staffs who were loyalists were either killed or molested when they refused to take Mau Mau oath of allegiance. Most of the white members of staff proceeded on overseas leave between 1954 and 1955 for fear of being killed by Mau Mau. But despite these setbacks the Department of Co-operative Development went on staffing areas that were less affected by the Mau Mau. Great development was caused by the application of the Swynnerton Plan in 1953. The plan recommended on land consolidation, registration and the growth of cash crops. It emphasized an increased commodity production on African small-scale farms, led to a rapid increase of cash crop production particularly coffee and pyrethrum production. (Bager, 1980). In 1951, there were 133 co-operatives of Africans, 13 of Europeans and 11 of people from Asian countries (Hyded, 1983:16). The Horticultural co-operative union was able to supply detention camps with fruits and vegetables since its formation in 1951. The growth of the movement in the country was shown by the total number of registered societies, which rose from 160 in 1952 to over 400 in 1958, with a membership of over 1000. According to a report by KNFC (2000), between 1908 and mid-1950s, some 200 co-operatives were in operation, increasing to 1,030 by 1963 (Ibid).

However, these co-operatives that were formed in 1945 were faced with a number of problems. The Registrar remained tied in execution of his duties for lack of clear guidelines. For this reason the 1945 Co-operative Societies Act was later found to have loopholes and lacked definite measures to protect these organizations. Hence, it was therefore necessary that it be revised. The 1966 Co-operative Societies Ordinance was passed which gave the Co-operative Development more powers to control co-operatives. It was empowered to approve their budgets, including approval of expenditure to carry out the societies activities effectively and efficiently. The 1966 Ordinance placed the post-independence co-operative societies in a more conducive environment.

2.4 Development of Co-operatives During the Post-Independence Period (1963 – 2000)

The end of 1960s witnessed a momentous growth of co-ops (Kobia, 2011:43). Kenya attained independence in 1963, the new government gave emphasis to the promotion of co-operatives as a key strategy for national development. In 1963 the Kenya Democratic Union (KADU) supported the move to increase co-operative societies in many parts of the country (Gamba P. & Komo I., 2012). The post-independence era saw the rapid rise in number of producer organizations and the consolidation of the ones that already existed. After independence, the position of registrar was elevated to that of Commissioner for Co-operative Development. The newly independent Kenya was at that time convinced that the co-operative movement had a vital role to play, as articulated in the government Sessional Paper No.10 of 1965. The movement was regarded as a vehicle for the introduction of “African Socialism” in the economic development of the country. The government envisioned co-operatives as an opportunity to strengthen bonds among Kenyans (Kobia, 2011). The initial formation of co-operatives had the objectives of providing the basic framework for the marketing and primary processing of crops grown by the small-scale farmers, tasks which would otherwise have been impossible if left to individual small scale farmers. Thereby the establishment of co-

operatives led to the opening up of the rural areas to monetary economy (Gamba & Komo, 2012).

In order to accelerate co-operative development in Kenya, the 1966 Co-operative Societies Act was assented to by President Kenyatta on 31st December 1966 (Manyara, 2003:11). It was recognized by the government that quantitative growth since independence had led to various problems like mismanagement and inefficiency; and the number of liquidated societies was alarmingly high. Thus, the 1966 new Co-operative Societies ordinance empowered the government to have increased control of co-operative movement. For instance the Commissioner had wide powers of control, including approval of the budget of co-operative societies, removal of management committees which have failed to manage the affairs of the societies satisfactorily. The Acts further provided the line of action for the committees or members of the societies if and when they are not satisfied with any decision taken by the Commissioner for Co-operative Development with regard to their activities. They had the right to petition the Minister for Co-operative Development or the high court. However, there were no major issues which ended in court in Karagoini Co-operative Society. The members were able to solve their problems through the District Co-operative Officer who represented the Commissioner for Co-operatives. Issues could be solved during the special general meetings, for example replacement of inefficient committee members (Wangigi, O.I, 2010).

The government has continued to support co-operatives in national development. The need to build a human capacity and increase the capitalization of co-operatives saw significant government initiated donor assistance to co-operatives to rectify the many personnel and capital related constraints that were affecting them then. The Nordic Project for Co-operative Development Assistance to Kenya (NPCDAK) was signed by the Kenya Government in 1967, with five Nordic countries of Norway, Denmark, Sweden, Finland and Iceland (Kobia,

2011). The assistance covered diversified activities to which Nordic specialists were deployed. The major areas were in education and training, book-keeping and accounting, co-operative banking, rural credit and development of insurance services. The Nordic experts were attached to the office of the CCD, the KNFC, the Co-operative College and the CBK. The Nordic Project for Co-operative Assistance to Kenya was the most significant agency that provided technical and financial assistance to Kenya after independence (Sessional Paper No.14 of 1975:24). The project accomplished milestones and uplifted the profile of the co-operative movement (Ibid). The Co-operative College was built in 1972 with equipment either donated or imported from some of the Nordic countries and the Kenya Government (Kobia, 2011). The college emphasis is directed towards training the movement committee members, the co-operative executives and the department staff who are responsible for guiding the movement. The members of Karagoini benefited much from the Co-operative College. The societies would sponsor managers for training. They acquired Diploma Courses which took two years to equip them for administrative duties. (Ndungata, O.I, 2014)

The KNFC was registered in 1964 as the principal promoter and protector of co-operative interests. The government was fully convinced that the co-operative movement had a vital role to play in the economic and social development of this nation. To this effect, the Ministry of Co-operative Development was formed in 1974 (Ouma, 1988:35). The government extended subsidized services to the co-operative movement such as access to government free extension services through the then new ministry. The ministry was solely responsible for the development and guidance of expanding co-operative movement.

The Sessional Paper No.8 of 1970 had great impact to the co-operative movement. The government defined co-operative policy. It recognized the problems that the rapid growth had, such as lack of integrity in unions, committees and employees. The first Co-operative Development Plan, 1971 – 1974, was in essence, therefore a plan of department intended to

define the general strategy in building up an effective and efficient co-operative movement capable of contributing effectively the transformation of people's lives particularly in the rural areas. The plan was functional in approach and provided the strategy of the various Sub-counties of the department for a simultaneous and co-ordinated attack on the various problems in the movement. There was an urgent need in the next five years to keep the development of the movement under review. The immediate priority was given to measures designed to improve efficiency of the existing co-operatives (Sessional Paper No. 8 of 1970) Sessional Paper No. 14 of 1975, stressed the importance of continued consolidation rather than expansion and also continued multipurpose and area-based approach to co-operative development (Bager, 1980).

The co-operative movement picked up a fast-growth momentum in the 1960s and 1970s. In the period 1963 to 1966, 820 new societies were registered. At independence in 1963, there were 1,030 co-operative societies with 655 being active with a total membership of 355,000. The African small holder farmers were allowed to promote and register co-operatives for cash crops like coffee and pyrethrum (Swedish Co-operative Centre, KNFC, 2009). In Kenya, in 1966 there were 1,698 co-operative organizations of which over a thousand of these were co-operatives for marketing of agricultural produce, primarily coffee but also cotton and milk (Hyden 1983). By 1975 the country had 996 actively operating co-operatives with a membership of 664,000 (Sessional Paper No. 14 of 1975). By 1978 the country had 1,437 actively operating co-operatives with a total membership of 977,000. By 1995, co-operative activities had grown drastically, registering about 5,129 active societies (Manyara, 2003:8). Co-operatives rapidly grew in number to 7,000 by 1999 (Gamba P. and Komo I., CGD). Co-operative membership in Kenya had increased from 3,370,000 in 2005 to 8,507,000 in 2008. This rapid development was due official Government policy support.

After independence several co-operatives societies were formed in Ndaragwa Sub-county in Nyandarua County. For example, Ndaragwa (1965), Kanyagia (1966), Kahembe (1978) and Nyahururu Farmers (1981) co-operative societies were founded by settlers who had come from different parts of Kenya, mainly Nyeri, Kiambu, Murang'a and Rift valley. Ndaragwa, Kanyagia, Karagoini and Shamata were settlement schemes started through the initiative of Post-Independence Government, which had bought the land from European settlers (Wangigi, O.I, 2014). The settlers were required to pay some money to enable them ballot for individual plots. It was compulsory for each settler with a farm to belong to his/her respective society within his/her area. For example, Karagoini settlers paid 106 shillings for a plot and 25 shilling for membership in the society. The members were also expected to pay Settlement Fund Trustee which was given a duration of 30 years. The co-operative societies enabled them to raise money to complete payments and also market their produce (Ibid).

Kahembe and Nyahururu societies were formed by settlers who had bought land directly from European settlers. Kahembe group was founded by women from Kericho in Nyeri as self-help group called Nyakinyua in the 1950s (Ngiboca, O.I, 2014). They worked on European farms and would raise money, which was given to members according to their needs in turn. The members could buy household items, iron sheets and tanks. These women incorporated men in their group when they learnt that land was being sold in Nyandarua in 1970s and thus decided to form Kahembe Co-operative Society. The members elected committee members who included, Mr. Muriithi (chairman), Mr. Muthui (secretary) and Mr. Njuki (treasurer) (Ibid). The society raised enough money, and was able to buy a farm from a European settler nicknamed "Ndururu". The farm was sub-divided according to shares. Each share was made up of 4 acres. Membership was open to other members who were able to join the society (Phylis Mwiiri, O.I, 2014). The African settlers also would market their

produce through the society. Members of Nyahururu also formed a land buying company which later became a co-operative society. They wanted to raise money to purchase land in Nyandarua region. They were led by Mr. Njora and were able to buy land from a European settler called Gordan. The land was then sub-divided among the members according to shares. A member who was able to pay for one share acquired seven acres. They later used the society to market their produce (Mugambi, O.I, 2014)

Finally, it should be noted that while some societies started as land buying companies, they later formed marketing societies. The societies mainly cultivated similar crops mainly pyrethrum and wheat, maize. They also bought livestock as part of societies' asset which provided milk and wool for marketing. Deductions from their produce were used to pay for the assets and land loans (Ndungata, O.I, 2014)

Towards the end of 1990s, Agricultural co-operatives were dormant players. Their output and performance declined during the last two decades (1980 – 2002). For example an informant (Wambui Mulwa, O.I, 2012) said that there was a time they could not get their payment. The apex markets were mainly blamed for failing to remit payments to the societies. Many members stopped taking their produce to the societies and turned to private traders or privately owned firms such as Brookside. The competition worsened in persistent poor performance of the Apex markets. Just like KFA, KCC was sold to politically connected private investors in 2000 after it failed to pay Ksh.220 million owed to its employees and a bank loan of Ksh. 400 million. It was, thus, transformed into a private company. Many societies in the Sub-county were affected after the collapse of KCC, since milk was a major commodity in the region. The Narc Government after assuming power in 2003 negotiated and re-acquired KCC from private entrepreneurs and renamed it New KCC to operate under the Sate Corporations Act (Kobia, 2011:66). Members of Nyandarua County have currently

resolved to revive their societies in order to improve the marketing systems of their produce. (Waititu, O.I, 2011)

2.5 Summary

The growth and expansion of co-operatives before independence and post independence era have been examined in this chapter. The early co-operatives no doubt has had a great bearing and influence on the creating or establishment of modern co-operatives. As early as in the 1930's there were attempts to form co-operatives by the indigenous people of Kenya, in spite of lack of proper guidance. The economic sector was dominated by the British colonial government at this time. The need to form formal co-operative organizations arose when some African peasant farmers realized that they were being exploited, especially by the Asian traders who were paying very low prices for their agricultural produce.

It should be noted that when the formal organization (Co-operative Department) was set up to make arrangements and to guide groups towards co-operative enterprises, the organizers were not enthusiastic. The colonial government was not prepared by then to provide additional funds for additional instructors in co-operatives. The colonial idea of co-operatives was geared towards dependency perspective. Dependency emphasized economic factors as being decisive in shaping the kind of co-operation Kenya was to have with Britain. Initially Britain transferred the co-operative idea to Kenya mainly for her own benefit. The colonial government also realized that it could get a lot of raw materials and food production, if it employed some co-operative elements in the development of Kenya's economy, and especially if the standards of populace were raised. It was therefore decided that the natives of the country should be given encouragement to grow raw materials and foods, and to assure them that the government would be the buyer of these products.

However, the modern co-operative organization came into being in 1908, with the establishment of the Lumbwa Farmers Co-operative Society by European settlers. Those co-operatives organized by Africans were not founded until after 1930's. However, one thing remains certain, and that is that the settlers wanted to maximize their profits by trading under the pretext of a co-operative organization, thereby enjoying its privileges. The colonial idea of co-operative was key in elevating their economic status both in Kenya and in Britain. The government recognized the important role played by the co-operatives which was followed by the creation of Co-operative Department in 1946. The Registrar now called 'The Commissioner for Co-operative Development', was recruited.

After independence in 1963, the African small holder farmers were allowed to promote and register co-operatives for cash crops like coffee, pyrethrum among others. In the early 1960's these societies came about with the initiative of the local politicians. During this period, the third world became a focus of attention by politicians who were keen to show countries pursuing for independence that sustained development was possible under the western wing. It was only recently, however, that the co-operative movement in Kenya began to find its own identity and to appreciate its specific role in economic and social development, while not forgetting its limitations.

During independence, the government played an active role in promoting co-operative movement. The 1966 – 70 development Plan emphasized on the need to strengthen the co-operatives in order to play their role effectively. The Post-Independence Government identified co-operative movement as one of the vehicles for accelerating socio-economic development in Kenya. The new Co-operative Societies Act was passed in 1966 in order to cope with the emerging challenges facing the movement. The wave of forming marketing co-operatives spread in many parts of Kenya after independence. The land that was formally

owned by Europeans settlers in Nyandarua County was gradually turned over to African farmers on small holdings in Settlement Schemes (Ndungata, O.I, 2008). The division of labor became more complex and created an increasing interdependency among people. Members of Karagoini Settlement Scheme formed their Marketing Co-operative Society to market their produce as a group thus gaining more benefits.

However, the co-operative movement was accorded more recognition after independence than before. To this effect, the Ministry of Co-operative Development was created in 1974. The members were therefore able to gain the desired socio-economic results.

CHAPTER THREE

3.0 RISE AND PERFORMANCE OF KARAGOINI CO-OPERATIVE SOCIETY (1967 – 2000)

3.1 Introduction

This chapter examined the factors that led to the formation of Karagoini Co-operative Society. The process of acquiring membership, rights of members and procedures of electing management committee members and their duties are explained. The chapter also covers modalities of holding meetings and the mode of marketing.

3.2 Formation of the Society

Karagoini Settlement Scheme Plot No. 125 was allocated to members of Karagoini by Ministry of Lands and Settlement way back in 1967. According to the records from the Ministry of Co-operative Development, Nyandarua County, the said plot was among nine other plots including five dams, one school, one cattle dip and a nursery school (Ministry of Co-operative, Karagoini Farmers Co-operative Ltd. – General File No. CS/1758). The settlement scheme is located in Leshau Location, Ndaragwa Sub-county in Nyandarua County. The European settler who owned Karagoini farm was called Michael John. Farmers took the land under settlement loan to pay for duration of 30 years. It was given to the homeless who lived in government established villages. They bought the farm in form of shares (Ndungata, O.I, 2008).

The society was formed in 1967 and registered with the Ministry of Co-operatives to help the newly settled farmers market their produce. The main objective of the society was to promote the welfare and economic interest of its members. The new settlers had come from different parts of Kenya. The majority had mainly come from former Central and Rift Valley Provinces (Wangigi, O.I, 2014). Farm members with a common goal came together and

formed Karagoini Co-operative Society to market their agricultural produce which included milk, maize, wheat, milk, pyrethrum and wool.

Members voluntary joined together to achieve a common and social end, through the formation of a democratically controlled business organization making equitable contribution to the capital required and accepting a fair share of the risks and benefits of the undertakings. The shareholder members agreed to actively participate in the enterprise as they produced as a group rather than as individuals. In this way the members had an advantage through the economies of scale. The settlers in Ndaragwa Sub-county lived on European farms before they acquired individual land in settlement schemes. For example, Karagoini settlers lived on a European farm owned by Michael John. They were given some pieces of land and they also provided labour on the farm. Karagoini members sold their commodities to European settlers and individual traders before they formed their own society. They also sold their maize to an Asian businessman, who owned a milling company (Unia and Company Limited) at Nyahururu town (Ndungata, O.I, 2012).

One hundred and eighteen members (118) members of Karagoini settlement scheme came up with the idea of forming a marketing co-operative Society (Ndungata, O.I, 2012). This was a good number as the co-operative regulations required that a primary co-operative society must have a minimum of ten persons. The members agreed to form Karagoini Co-operative Marketing Society. After the agreement, the members held a meeting in 1967 to elect office bearers who included; Muriithi Mwihi as the chairman, David Waweru as the secretary and Samuel Mingu as the treasurer (Ibid). The interim committee was proposed and seconded in the meeting. The names were forwarded to the Commissioner for Co-operatives for confirmation. Copies of application with a list of members and copies of proposed by-laws were submitted to the commissioner. After the registration, the society received a copy of the

registered by-laws, an economic appraisal, an application form, Societies Act and Rules and a certificate of registration. Christopher Ndung'u was employed as the first manager (Ndungata, O.I, 2008).

A person would only qualify for membership of the society if he/she had attained 18 years and above or his/her occupation fell within the category or description of those for which the co-operative was formed (Wangige, O.I. 2012). Every member was to be a resident or occupied land within the Society's area of operation as described by the by-laws. Each member was charged 25/= on registration to make the office run effectively. This amount was to facilitate easy management of the society. No member of the society was to exercise any of the rights of a member unless he has made such payments to the society in respect of membership. Consequently, when a person had not made such a payment, he/she was not really a member and could not exercise the rights reserved for members (Gitau, O.I, 2012)

Every member of the society was to observe all the provisions laid down in the Co-operative Society's Act, rules and the by-laws. It was the duty of each member to fulfill any discussion made at the meetings. Members were required to deliver produce to the society at the agreed time. All the stakeholders were to uphold collective responsibility which included taking care of the society's property. They were to actively participate in all the actual and economic activities of the society with a view to improve the efficient running of the society (Waititu,O.I, 2011).

Each member of Karagoini Co-operative Society enjoyed various rights as provided for in the by-laws. For example, a member was free to exercise his/her democratic rights such for being elected or electing the committees to the organs of the society, subject to its by-laws. Members also had the right to ask for special general meetings or to contribute agenda at the

meeting. The stakeholders had the right to ask for credit facilities and to enjoy the use of all the facilities and services of the society.

The management committee of a co-operative society is the governing body of a registered society to whom the management of its affairs is entrusted. It is subject to any direction from a general meeting of the society and by-laws of the society. Thus Karagoini members elected nine members in the management committee of the society at the general meeting to manage the affairs of the society on behalf of the members. The key Committee members included the chairman, the secretary and the treasurer. For example, the committee members who took over from the founder members (1969-1974) were: John Kamau Njoroge (chairman), John Kabiari (secretary) and Samuel Mingu Macharia who was re-elected as the treasurer. Dickson Karimi Joram was employed as the manager. The committee members were not given a salary but acquired sh.50 as sitting allowances (Ndungata, O.I, 2011).

The voting criteria involve mentioning individuals and raising of hands in support of individuals mentioned. A committee member was only eligible for election if he/she was a registered member of the society, had attained the age of twenty one years and above and was not a member of more than one registered society having the same or similar objects.

A member of the co-operative could also not be elected into the committee if he/she was of unsound mind, had been convicted of any offence involving dishonesty or was imprisoned for three months or more. A member who was a dismissed employee of a registered co-operative society was automatically disqualified for election. (Wangigi, O.I, 2010)

The committee members elected had acquired basic literacy skills. They had either acquired standard 4 or 8 certificates. However the manager was not elected but was employed by the society and had to have acquired a standard eight certificate. The manager was later sponsored for courses on Accounts, Book-keeping and Management at Co-operative College. The

committee members were eligible for elections for three times. They were elected to those positions owing to their known and already proven abilities and success in their area. They were supervised by Co-operative Department (Ibid).

The duties and powers of the committee in relation to management of the society were delegated to the committee by its general members who elected them. The chairman, secretary and the treasurer were key in the management of the society (Gitimu, O.I, 2008).The chairman had the responsibilities of chairing the meetings. He had to improve general welfare of the society, promotes good and cordial relations between members and the committee and approves implementation of projects e.g. purchase of tractor and other society implement. The chairman also had the mandate of convening meetings as annual general meetings and special. He ensured that properties of the society were well maintained and also approved the society's budget (Ibid).

The secretary was responsible for taking minutes during the meetings, typing correspondences and circulars, keeping up to date records of office documents and filing documents. The secretary would also send out meeting notifications as well as receiving and guiding the societies' visitors. Generally he could do other duties assigned by the chairman. The treasurer was responsible for control of society's finances, preparation of financial statements e.g budget estimates, monthly or quarterly trial balances, issuing serialized and official society receipts for money or commodities received by the society. He also kept the books of accounts in accordance with the accounting instructions, monitored the performance of income generating projects initiated in the society (Wangigi, O.I, 2012).Members of Karagoini Co-operative Society attended general meetings to discuss the affairs and progress of the society. There were three kinds of general meetings which included, First general meeting, Annual general meeting and Special general meeting (Ndungata, O.I., 2011).

This first meeting was held in 1967 after registration to discuss several major issues related to elections, budget, appointment of an auditor and the society's bank. Elections were to be held every three years to elect office bearers. The first office bearers were retained for the first three years although there was a chance of being re-elected but not for more than three times (Ibid). Members considered and approved estimates of income and expenditure for the following financial year and decided upon the maximum borrowing powers of the society. A society's auditor and bank were appointed. Kenya commercial bank was the preferred bank (Ndungata, O.I, 2012)

The annual general meeting was called each year by the management committee (Njoroge, O.I, 2014). The Commissioner for Co-operatives was represented by a co-operative assistant. Announcements of the meetings were done at the center where produce was collected. If the members were less than 25, the meeting was postponed (Gitau, O.I, 2014). The secretary would read the minutes of the last annual general meeting which would be proposed and seconded by members. The reports of the committee, the Commissioner for Co-operatives or his representative and the auditor's report on accounts and balance sheet of the society would be presented.

A special general meeting could be convened or called any time by the committee members, Commissioner for Co-operative or his representative. A special general meeting would also be called on members' demand in case of a serious issue. For example when payment of their produce was inconsistent, they demanded for an explanation. A written notice was given to each member or representative who had important information to deliver to the members during the meeting e.g. Health officer, chief, Agricultural officer, Settlement officer or any other relevant officer. The meeting would also be held if there was need for members to add their shares or commission.

3.3 Mode of Marketing Members' Produce

Each member took his or her product to a central place. The functions of the society were to collect, process, and store and to sell members' produce. The society clerk weighed each farmer's produce and kept the records. Payments were made to the members at appropriate intervals. For example, milk was taken to Kenya Co-operative Creameries (KCC) on daily basis but was paid after a month. Pyrethrum was taken after fourteen days (14) to Pyrethrum Board of Kenya (PBK) and was paid once a month. Wool was taken to Kenya Farmers Association (KFA) after six months and individuals were paid through society's office in cash. Karagoini Society produced milk, pyrethrum, wool, maize and wheat. The members started selling their produce to apex markets in 1967 when they formed their own society (Ndungata, O.I, 2011).

The members used their own means of transport to take their products to the society's collection centre. Tractors were used to take the products further to KCC, KFA, NCPB and PBK for process and sale to various markets. A commission of 20% of gross payment was charged to pay for the maintenance of the tractor (petrol, diesel), wages and salary of support staff. Members used private vehicles when the society's tractor broke down (Ibid).

3.4 Achievements of Karagoini Co-operative Society

Karagoini members enjoyed benefits derived from their society since its formation in 1967. The committee members who were elected into the office in 1967 led by their chairman, Muriithi Mwihi encouraged the members to be affairs of the society. Members achieved a lot with time in areas such as marketing, education and training, acquisition of assets as well as their democratic control (Wangige, O.I, 2011).

The society played a major role in the area of marketing. It was through the co-operative effort that enabled the people of Karagoini to get more involved and to participate fully in handling and marketing of their produce such as maize, pyrethrum, milk and wool. The society was able to facilitate collection, transportation, processing and marketing of agricultural produce. The society hired a tractor in the initial stages to transport their produce from Laikipia wholesalers who dealt with transport services. Later the society was able to buy its own vehicle and acquire a posho mill under the chairmanship John Kamau Njoroge between 1970 – 1973 (Njoroge, O.I, 2014). A second vehicle and a tractor were also purchased during the reign of Kamau Kabugwa who was the chairman between 1973 – 1976 (Ibid). The tractor ploughed members farmer at subsided rates, the KFA provided farmers with seed fertilizers, salt and animal drugs which were paid through the society. The society helped the members to reap maximum benefits out of their produce by eliminating middlemen, thus improving the bargaining power of the members. By combining as a group, members were able to obtain increased supply, reap some economies of scale which reduced marketing costs and resulted in higher returns to the members (Wangigi, O.I, 2011)

Karagoini Co-operative Society in collaboration with the government played a major role in promoting employment, education and training. The society created employment for various cadre of staff such as managers, clerks and artisans. A number of managers were employed after successful interviews. For instances Christopher Ndung'u (1967), Dickson Karimi (1970), Margaret Wangui Maina (1973) served as managers. Clerks were also employed (Ndungata, O.I, 2011). They would receive the produce at the society's centre, weigh them and put the records in order as the produce proceeded to the apex markets. The managers and the clerks were sponsored for courses at the Co-operative College of Kenya (Ibid). The clerks took secretarial courses while managers took Administration management courses. They also attended other co-operative institutions for short-term courses. For example, clerks went to

Kenyatta Education Institute in Njoro. This information is courtesy of George Ndungata who had served as a manager between (1975 – 1984). He attended Dairy Training School in Naivasha (1971) for Dairy Management course and Animal Husbandry course in Laikipia College (AHITI) in 1973. He also acquired ABM 1 (1973) and ABM 2 (1978) at the Co-operative College of Kenya. A member of the society, Daniel Gitau explained how he acquired a certificate by attending an agricultural course in 1974 at Ol Joro Orok. In such seminars, participants were fully sponsored. They were offered food, accommodation and stationary freely (Ibid).

The members also benefitted from the assets that belonged to the settlement schemes such as livestock. They acquired cattle, barbed wire, doors and windows through the settlement office in the initial stage when they acquired individual plots. They paid the assets through the society which facilitated this transaction (Waititu, O.I, 2011). The society also provided members with loans which was processed through Kenya Commercial Bank and later Co-operative Bank of Kenya which started its operations from January 1968 (Ouma, 1989:170). The society provided a forum through which members could speak in one voice in making decisions in areas such as marketing, employment and elections. They used the co-operative approach to exercise democratic member control and economic participation by all members (Muchiri, O.I, 2009).

3.5 Summary

Karagoini Co-operative Society was formed in 1967 with the main aim of marketing farmers' produce. Since its registration, more members joined the society to enjoy its services. Members agreed to pay the required charges on registration to facilitate the smooth running of the society. Each member had to enjoy his/her democratic right as a registered member e.g. electing office bearers and participating in general meetings. The members elected the

management committee members to run the affairs of the society. General meetings were held annually to give members a chance of raising issues affecting them. Each member had a right to vote on all matters.

Karagoini members took their produce to a central place for marketing. The society made arrangements to transport the produce to the apex markets. The society did so using their own transportation means, thereby cutting down expenses that would have otherwise been charged to the farmer in an open market. The net result of this co-operative system was that the average producer in most cases got more income from the proceeds than was possible in the private market. Farmers were able to regard and judge their society in terms of economic benefits to members. Co-operatives came to eliminate the middlemen role and thereby fulfill an economic need in the society. Thus, co-operatives have been regarded as development vehicles possessing great potentiality. The economic benefits that the co-operative members could accrue were many and varied.

CHAPTER FOUR

4.0 CHALLENGES THAT FACED KARAGOINI MARKETING SOCIETY (1967 – 1990)

4.1 Introduction

In this chapter, a number of problems that faced Karagoini Co-operative Society were examined. The society lacked enough skilled manpower especially in the initial stages. The operations of the apex markets had great impact on the progress of the society due to lack of integrity and honesty as well as exploitation of primary societies. Lack of co-operative education and ignorance of some members also affected full participation of members in the affairs of the society. The dispute settlement mechanisms and their weaknesses will also be discussed.

4.2 Challenges that Occurred (1967 – 1990)

Karagoini Co-operative Society, especially in the initial stages lacked qualified personnel with managerial skills and ability to manage co-operative societies efficiently. For example, a key informant Ndungata explained how he was employed as a clerk in 1967 though he had not attended any co-operative institution but he attended several courses later in 1971 and 1973.

There existed in many co-operative societies, malpractices which undermined their progress from the 1980s. The economic liberalization and Structural Adjustment Programmes of the 1980s and 1990s introduced a new economic environment which required the government to relax its tight control over co-operative sector to allow members autonomy and prepare them for free competition with other businesses (Manyara, 2003). The government accepted to treat and regard co-operatives as private self-help organizations, unlike the period

immediately after independence when the government had to play a pragmatic role in the overall growth and development of co-operatives in the country.

Liberalization paved way for co-operatives to compete with other business organizations. As a result individual private traders started buying produces directly from Karagoini Co-operative members denying the society the marketing services. The middle-men paid better prices in the beginning but later some of them could run away with members' money. Some members who had taken loan were not able to remit their money to the society due to divided loyalty. They became more loyal to the middle-men than to their society and this led to the decline of the society. An informant, Margaret Wachira (County Co-operative Officer, Nyandarua) explained how a prominent trader, Mr. Gathecha escaped with members' money after collecting their milk (Margaret Wachira, O.I, 2012).

There were few co-operative employees who actually grew with the movement but pursued their selfish gains. Those members because of lack commitment to their jobs would go round the Sub-county using motorbikes to buy milk from farmers who were members of the society. For example, Mr. Karangi who was an employee of KCC started buying milk from members by the road side at Karagoini center. He sold the milk to KCC or other markets within Nyahururu. In many cases the traders benefitted themselves as individual as the members were not paid regularly (Ibid).

There were also instances where large-scale farmers bought commodities from small-scale Farmers at lower prices and sold them at very high prices to other markets or apex markets. Some farmers of so preferred selling their commodities to private traders who would pay them on the spot. Many members of the society became trade partners with the middle men and hence lacked full participation, honesty and commitment to their society (Waititu, O.I, 2014)

In the early 1980s, most of the economic institutions were faced with economic problems mainly caused by weak national policies and institutions, increased in the world market interest rates which hurt these institutions mainly because of external debts (Manyara, 2003). Some of the institutions lacked transparency and accountability that caused government intervention. For example, the government dissolved the KFA in 1984 and replaced it with (KGGCU). A government inquiry recommended the liquidation of KFA on allegations that the large-scale members of the association were exploiting small-scale farmers. The economic crises needed to be addressed and thus required financial support. The economic crises needed to be addressed and thus required financial support. The only remaining source of finance was the World Bank and the International Monetary Fund (IMF). They lend money with certain tough policy conditionalities, which included adoption of liberalized economic policies. The government had to adopt Structural Adjustment Programmes (SAPS). The reforms were to create an economy that was market oriented and encourage the private sector to play a pivotal role in the economy (Manyara, 2003).

Many co-operative societies started competing with the private sector. For example KCC started experiencing competition from private dairy traders. It was unable to remit money to primary co-operative societies on time. Some members of Karagoini Co-operative Society withdrew their services from the society in favour of private traders where they could be paid their dues on the spot without delays (Wambui, O.I, 2012). The private agents started paying the farmers poorly and sometimes disappeared with the members' money. Members' disloyalty increased and the society was left with a few members and was unable to pay the members' dues especially after KCC declined. The competition and low prices of dairy products worsened KCC's persistent poor performance particularly in the late 1980s and early 1990s. The employees of KCC were sacked and just like KFA, KCC was sold to politically connected private investors in 2000 after it failed to pay Ksh.220 million owed to

its employees and a bank loan of Ksh.400 million (Kobia, 2011). It was thus transformed into a private company. Narc Government after assuming power in 2003 negotiated and re-acquired KCC from the private entrepreneurs and renamed it New KCC to operate under the State Corporation Act (Kobia, 2011). An informant (Denis Kimani) who was an employee of KCC before its decline and was also re-employed in the New KCC, explained how they were sacked without pay, and are still promised to be paid in future.

General lack of co-operative knowledge on the part of the ordinary society members was limitation to Co-operative development. It is true that one of the greatest constraints in the co-operative movement is uninformed membership. Some members did not make a follow-up of their delayed payments (Wambui, O.I, 2012). Many Societies have not succeeded in the past because their promoters have failed to examine and thoroughly appreciate the fundamental business and co-operative requirements. Ordinary co-operative members are further handicapped by lack of knowledge about the co-operative principles in terms of their responsibilities and those of the managing committee and also the powers they possess in determining how their society should run. The interest of Karagoini members was mainly aroused only during the payment time instead of actively participating all year round, which would probably improve the societies (Ibid). In such cases the members have failed to realize that the society is actually theirs and belong to them and that it does not belong to the management team or to government as majority of them seem to believe. They never fully recognize that they are the elected supreme authority and that both the elected committees and the employees are responsible and answerable to them. The fact that co-operatives receive support and assistance from the government, does not remove such authority and power of members to exercise their rights. Many of the members of Karagoini Co-operative Society did not know the procedure to demand for their rights e.g. some members just

decided to break away from the society when their payments were delayed (Gladys Wangari, O.I, 2012).

In the 1970's, members of the society were educated through seminars. For example, Daniel Njoroge, who was a member of the Society explained how he benefitted after attending a seminar at Ol Joro Orok in which he was fully sponsored together with other members from Nyandarua County. Members of different Societies were able to interact and share ideas which motivated them as they went back to their Societies. Management Committees also attended short term courses and were awarded certificates of attendance (Gitau, O.I, 2014).

Most of the members of Karagoini Co-operative Society were very active in the initial stages because they were paid regularly and on time (Grace Wangui, O.I, 2012). They were later manipulated and misled by selfish leaders mainly because of illiteracy or lack of co-operative education. This happened even when they passed resolutions which were contrary and against their own interests and aspirations. Some members were also ignorant and did not care about going against the by-laws of the society. Some members defected after being suspended from marketing their commodities through the Society. For instance, if a member mixed his/her milk with water, he/she was not allowed to sell it through the Society for three months. The defectors only realized their mistakes after losing their benefits. Such defectors sometimes broke away from the co-operative society because they were offered a higher price by some dealers of private customers and only took to the co-operative society their worst products which they could not get rid of in any other way (Grace Karing'u, O.I, 2012). However, consistent education to members may with time wipe out ignorance and make them regard the Society as belonging to them; therefore supporting it fully.

Karagoini members did not experience major disputes in the 1970s and 1980s. They only experienced some problems from the 1990s due to delays in the payments of their produces

particularly pyrethrum and milk. The management team convened meetings to discuss issues affecting marketing and payment transactions (Grace King'ori, O.I, 2014). The co-operative societies formed between 1966 to 1st June 1998 were state-controlled (Manyara, 2004:30). Settlements of co-operative disputes were within the mandate of the commissioner.

In mid-1998, the management of co-operatives was left in the hands of members. This was to make the management democratic and enable co-operatives to be more self-controlled and self-reliant in a more liberalized environment. The members were able to deal with their internal challenges while the government role would be to create an enabling policy and legal environment for growth of autonomous and member-controlled co-operative organization (Manyara, 2003). However, the government has been holding meetings with co-operatives to educate them on the smooth running of their societies in order to minimize disputes. Government has been assisting in finding solutions to various problems, providing managerial guidance and supervision. However, the co-operatives are expected to develop the appropriate management capability to take full control of their own affairs.

4.3 Summary

This chapter has analysed a number of challenges that face co-operatives, with special emphasis on Karagoini Co-operative Society. There are a number of factors that contributed to the decline of the society which are also addressed in the chapter. Karagoini Co-operative Society lacked qualified manpower in the initial stages though the pioneer Societies such as Ndaragwa (1965), Kanyagia (1966) which majored in milk and pyrethrum performed better. Many members in the managerial committee lacked adequate administrative skills, though they owned land in the area and were prominent farmers. Many Africans at the time lacked adequate knowledge of running a co-operative society. With time, the popularity of the society declined due to delays and lack of payment for their produce. Some members failed to

take their produce to the society and claim that they have not received their payment to date (Gladys Wangari, O.I, 2012). The information given by current members indicate that either members lacked clear guidelines of following up on their payments or were ignorant. They lacked adequate education on co-operative performance in terms of their rights and those of management committees.

Many people were not familiar with the operation of co-operative societies and also lacked knowledge in initiating by-laws. Some members only appeared in the society's office during payment time but not during general meetings. Other members appeared only when there were disputes and this hindered the progress of the society. Nevertheless, the management committee played a major role in convening a meeting whenever there was an issue to be solved.

CHAPTER FIVE

5.0 THE IMPACT OF LIBERALIZATION OF AGRICULTURAL SECTOR ON KARAGOINI CO-OPERATIVE SOCIETY (1980 – 2000)

5.1 Introduction

In the early 1980s most developing countries faced a combination of severe balance of payment, high and variable inflation, slow growth and high unemployment. These micro-economic problems were caused by: weak national policies and institutions and increase in world interest rates. For instance between 1978 and 1980, Kenya faced the first serious economic crises since its independence (Mosley, 1986). In part, weak national economic policies and structural weaknesses contributed to rapidly collapsing economies (Mohan, et al, 2000). The Kenya government realized that there was need to formulate sound economic policies and structural flexibilities in order to emerge from the economic crises. The government introduced economic liberalization and Structural Adjustment Programmes (SAPS) in the 1980s and 1990s which ushered in a new economic environment. The government relaxed its tight control over many institutions including the co-operative sector to allow members autonomy and prepare them for free competition with other businesses (Manyara, 2004). As a result, the primary societies and the Apex markets such as NCPB and the KCC were affected as most members turned to private players for alternative means of marketing.

5.2 Emergence of Private Marketing Traders and Companies (1990 – 2000)

The aim of introduction of market liberalization was to provide an economic remedy to developing countries. The reform targeted the removal of policies that impeded markets and decelerated economic progress. Economic crises and overall stagnation were common indicators of economic distress evident during the late 1970's and after 1980s. For instance

between 1978 and 1980, Kenya faced the first serious economic crisis since its independence; the country's balance of payments was in serious deficit (Mosley, 1975). Kenya's exports were buoyed by a substantial increase in the price of coffee between 1975 and 1977. The net effect of coffee boom was a 54 percent increase in Kenya's terms of trade by 1977, the peak year of the boom. By 1980, however the price of coffee had subsided and the earlier terms of trade gain had reversed. The balance of payment crises was further worsened by the increase of oil price and decline of imports of consumer goods (Bevan, et al., 1999).

Another blow to Kenya's economy was caused by the suspension of aid by the donor community from 1991 to 1993. This was to force Kenya to move away from single party political system. The drive for democratization was of great concern with donor in the 1990s. A number of western countries made it clear from 1990 that they would grant aid only to developing countries that embraced democratic policies and pluralistic politics (Kiio, et al., 2005). The economic situation was rapidly deteriorating, and President Moi's government was finding it increasingly difficult to meet its financial obligations both locally and with external aid donors (Patel, 2001).

In the 1990s, Kenya began a more concerted and sustained effort at significant trade liberalization due pressure from donors. By 1995 even the wheat and oil markets, which had been the strongest resisters, were decontrolled (Swamy, 1994 and Ndung'u, 2003). In conjunction with liberalizing domestic prices the government also announced it would privatize most of the country's numerous parastatal companies. The role of the private sector was deemed important in facilitating market functioning and as a recipe of leading to better economic outcomes. Reforms were important policy instruments in streamlining price signal barriers between producers and product market.

Many of the societies in the Sub-county including Karagoini Co-operative Society were not successful in challenging the liberalized and privatized economy in 1990s. Karagoini Co-operative performed poorly and was unable to provide its members with services and support that it initially was formed to provide. Milk farmers were mainly affected as milk was a major produce. The major blow came with the fall of KCC with the advent of the liberalization of the economy which allowed entry of other actors into the dairy industry. The monopoly status enjoyed by Apex societies such as KCC and NCPB came to an end. Members of the society started taking their produce to private traders hence denying their society marketing services. The Apex markets which benefitted from the primary societies were also affected. Members went for months without payments. The competition and low prices of dairy products worsened KCC's persistent poor performance particularly in the late 1980s and early 1990s KCC was finally sold to private investors in 2000. Indeed, a number of privately owned firms such as Brookside, Delamere and Tuzo launched dairy processing plants and have since entrenched themselves in the market (Kobia, 2011).

From mid 1990s, a deteriorating situation was witnessed in Karagoini Co-operative Society. Most employees and members left the society especially when the KCC declined (Waititu, O.I, 2011). Records in the county co-operative office show that Karagoini offices were broken into in 1998 and important documents stolen, an indication that there was no security (Ministry of Co-operatives, Karagoini Farmers Co-operative Ltd, General File No.CS/1758). The dissatisfied members continued to flow into the private sectors for their marketing services. Members fell in the hands of private traders who offered better prices for their commodities such as milk, maize and pyrethrum and who would not delay their payment. On the other hand the same private traders or middlemen could sometimes run away with their money (Ibid).

From 2000 Karagoini members came together and discussed how they could solve the marketing issues of their produce after the decline of their society. They found that there was need to form an alternative society. As a result, Nyala Co-operative Society was formed to purchase milk. It comprised members from Nyandarua and Laikipia. Karagoini members shifted their services to Nyala which was stationed and Ndaragwa (James Ndung'u Waititu, O.I, 2011). Middlemen also penetrated into grain and pyrethrum market. An informant, Macharia Gichimu bought pyrethrum from farmers and he could take it directly to PBK between 2000 and 2003. Other prominent traders also penetrated into the wheat and maize market. For example, a prominent business people such as Ngugi wa Ndirangu, Grace Wangui went directly to the farms during harvesting time to buy grains from the farmers (Joseph Maina, O.I, 2014). However, Karagoini members held several meetings from 2005 with aim of reviving that society. They resolved to revive their society by 1st May 2008. James Ndung'u Waititu who was a key informant was elected as the chairman.

The general objective of Karagoini Co-operative Society was to promote the economic interest and general welfare of members in accordance with co-operative values and principles. Liberalization had adverse effects on some many Co-operative Societies in Kenya while others were able to stand firm in a liberalized environment. For instance, Karagoini Co-operative Society declined with decline of apex markets. As a result, members fell in the hands of middle men (Margaret Wachira, O.I, 2012). An example of a society that stood the challenges was the Mwea Farmers' Co-operative Society Ltd formed in 1967. It was able to take over the function of rice production and marketing from National Irrigation Board after liberalization of the rice sector in 1999. The society had its own SACCO and was able to take care of rice farmers' interest in Mwea Rice Mills Ltd. (www.mrgm.co.ke)

Producer co-operatives were also directly linked to government parastatal and no individual private traders were allowed to compete with co-operatives. Co-operatives were linked to

state run marketing corporations like NCPB, PBK, KFA and KCC among others. Most of the co-operative members' produce was sold to these corporations and the latter then linked the co-operatives to world market. These linkages excluded the participation of private traders in marketing of agricultural produce. Prior to liberalization marketing co-operatives were characterized by tight government controls. The government resorted to the formulation of policies and sessional papers to regulate and guide co-operatives. Sessional Paper No. 6 of 1997 provided a framework for the reform of co-operatives in line with the liberalized environment. (Kobia, 2011).

The linkage between co-operative societies and apex organizations was not without demerits. The problems that affected these corporations also directly affected these co-operatives. The former experienced transaction costs as a result of inefficiencies in their operations. Payments to co-operatives were then reduced and delayed for long periods. These co-operatives attached to the corporations became weak or totally collapsed (Wangige, O.I, 2012). For instance a two year delay in pyrethrum payments in early 1990s initiated a period of extended decline in production as farmers became frustrated and uprooted the crop. This caused an almost collapse of pyrethrum co-operatives in the country.

The wave of liberalization also affected other commodities in Karagoini Settlement Scheme such as pyrethrum and wool. This was mainly because of the collapse of the apex markets. The pyrethrum industry is governed by the Pyrethrum Act 1963 (Cap 340). It created the Pyrethrum Board of Kenya as the sole monopoly purchasers of flowers, and processor and marketer to extract. The regulatory framework was the major cause of the failure of both PBK and KFA. It encouraged corruption, inefficiencies, mismanagement resulting to farmers not being paid for their delivered production. Middlemen also tried to venture into pyrethrum and wool business but without success (Gitimu, O.I, 2008). However, the Kenyan pyrethrum

industry collapsed since 2000. Over the last ten years, Pyrethrum flower production has been on fast decline due to non-payment to farmers for produce delivered amounting to Kshs.800 Million, many farmers ended up uprooting their crops (www.agriterra.org/fr/news/57698).

Potential investors have shown substantive interest in the sector since Kenya is still seen to have enormous potential in pyrethrum production. A government bill proposing liberalization of pyrethrum market (2002 Amendment Bill) was intended to revive the pyrethrum industry. Its main objective was to restore Kenya Pyrethrum industry and the improvement of pyrethrum farmers' income. In 2006, a draft Pyrethrum Amendment Bill was developed with recommendations for the sectors' revival. This has since been reviewed to 2010 Pyrethrum Amendment Bill. Through the effort of Pyrethrum Growers Association and other stakeholders, the draft has gone through most of the technical stages and presented to the main Agricultural Committee in parliament for listing and debate. The draft Bill proposes the liberalization and privatization of the sub- sector (www.agriterra.org/news/51698).

The liberalization period brought a wind of change in the structure of the co-operatives. Having been fully dependent on the government for the control of markets and funding, it was difficult for them to suddenly start operating on their own. These institutions were not prepared to compete with private firms that brought in high levels of competition. In 1986 the government introduced a Sessional Paper on Renewed Growth and Economic Management of Economy (Sessional Paper No. 1 of 1986). The paper stipulated that the government would move towards liberalization with a view to among other things, encourage the private sector to get more involved in the running of formerly government owned and run Parastatal organizations. The advent to economic and political liberalization in early 1990's heightened the need for liberating co-operatives from government control. A new policy was consequently formulated by 1997 to provide for a member controlled movement. The aim

was to enable co-operatives make independent decisions concerning operations of their business and to have a level playing ground like the rest of the private sectors. New legislation was also put in place to implement this the same year (Wanyama, 2009)

The Sessional Paper No.6 of 1997 outlined the government role as facilitative in nature i.e. create an enabling environment for co-operatives to operate and a competitive market economy. The other role was regulatory particularly in the formulation of policies and legislation. Liberalization saw the mergers and splits of various co-operative societies into small uneconomic units. High level of mismanagement mainly fueled this, and other factors beyond management's control, like fluctuating market prices. Political influences could not be avoided and some individuals in management used their positions to gain political mileage. Other individuals escaped with society's fund to start their own trading agencies. Liberalization of major commodities such as milk, maize, wheat and pyrethrum weakened Karagoini Co-operative Society. As a result it was unable to support its members who finally sold their produce to private traders (Ngibocha, O.I, 2012).

The liberalization of KCC had a great impact on co-operative societies across the country. The most critical step in the liberalization of Kenya's dairy industry was the decontrol of Kenya's producer and consumer prices in May 1992, followed by an explicit policy statement that any party interested in getting in dairy processing and marketing business could be licensed, provided that the business premises met the minimum hygiene standard requirements (Mbogo, 1995). Prior to 1983, any license to process and distribute milk and milk products in Kenya was always issued on the agency of the KCC. It's clear that this practice was restrictive and it gave the KCC near monopoly power over the dairy industry in Kenya. KCC used to handle over 90% of the marketed milk production prior to the liberalization of Kenya's dairy industry (Mbogo, 1995).

Karagoini Society had a major blow especially when KCC collapsed and was unable to buy milk from the members or pay for the milk that had already been delivered. The farmers were unable to market the milk output leading to high levels of home consumption and waste of milk. As a result the society became dormant by 1998. Members started experiencing delay in their payment or payments were not made at all. The poor marketing trends undermined the faith and commitment to co-operatives. Members started selling their milk to private customers in the rural areas who were not themselves producing milk. They could also sell to customers in trading centers or towns.

In Kenya Maize market reform began around the same time as other countries in the region when it embarked on cereal sector reform program in 1987/88 (Nyoro J., et al.,1999). The reform process in the early 1990's, when, under pressure from international lenders, the government eliminated movement and price controls on maize trading, deregulated maize and maize meal prices and sold to registered millers (Jayne, et al., 1997). Private traders were allowed to transport maize across the county without any hindrance. Prior to this policy change, they were required to acquire movement permit for varying quantities of maize that was to be transported. The reform process was expected to reduce costs in the maize marketing system by encouraging more private sector participation in the Market.

Members of Karagoini Co-operative Society also got involved in the private marketing sector. There were those traders who could go to the farms to buy the maize from the farmers. The trader only needed to have a weighing scale and a license acquired from the county council. The farmers could be paid at a negotiated price according to the amount in kilograms of their maize (Mugambi, O.I, 2014). There were other traders who rented stalls or shops where they could store many bags of maize ready to be transported outside Nyandarua County to other counties such as Nyeri, Nakuru, Machakos among others at higher prices.

Some traders could sell their maize to wholesalers, posho millers and local markets. Farmers no longer depended on the co-operative societies but preferred private traders who offered better prices and without delays. However there were few cases where farmers were not paid on the spot, in such cases some farmers ended up losing their money to private merchants (Wambui Mulwa, O.I, 2012).

Liberalization of wheat trade was at work in 1993. In 1988, the government of Kenya with the support of the European Economic Community, World Bank and International Monetary Fund commenced the Cereal Sector Reform Programme (CSRP) whose objective was to liberalize the sector and remove all controls. As a result there was increased private sector participation in the market. The liberalization was further supported by USAID under KMDP from 1989, although significant implementation started in 1993 (Nyangito, 1998; Argwings-Kodhek, 1996).

Reforming the structural economic and political policies was deemed a recipe for correcting the economic bottlenecks and for reversing the rapid decline and economic instability characterized by weakening macroeconomic indicators. Economic growth rates were stagnating or mostly in the negative. The slow economic growth evident in the 1980s and the 1990's which marked a stark contrast to the moderate rates of growth experience in the 1960's and 1970's was perceived to have resulted from imprudent economic policies and structural weaknesses also contributed to rapidly collapsing economies (Mohan, et al., 2000).

Private traders who bought wheat from Karagoini farmers emerged at the same time with maize traders. Traders bought wheat from the farmers and sold it to millers within and outside the County. Some farmers transported their wheat straight to the market or to wholesalers who owned stores for their wheat. The traders had weighing balances and licenses. Farmers were paid according to the kilograms of maize they had. Each bag could be

weighed up to 90kg of grains. Prominent traders from Nyahururu such as Ngugi Ndirangu, Grace Wangui, Wabaire Kariuki bought maize and wheat from farmers across the Sub-county (Joseph Maina, O.I, 2012).

5.3 Summary

The performance of Karagoini Marketing Co-operative Society in a liberalized economy in terms of providing services to its members has been examined in this chapter. Liberalization has been viewed as a major cause for the rise of private merchants. There are unique challenges to every market; hence solutions should be tailored to the specific environment. The dairy sector was highly affected during the wave of liberalization in 1992. Most of Karagoini members declined to take their produce to the co-operative society especially when their payments were not made on time. The society became less active from late 1999 when KCC was unable to buy milk or pay the members. Farmers started taking their milk to private traders and companies which offered better payments.

Members of Nyandarua and Laikipia counties formed groups to market their produce e.g. Nyala Dairy Company was formed to facilitate the marketing of milk (Ndung'u Waititu, O.I, 2011). Karagoini members employed somebody to collect milk from farmers and take it to Nyala Dairy Company. Some members preferred to take their milk to willing buyers who paid them on daily or weekly basis. However, it was not without challenges, even where private traders or middlemen were involved. Some Brokers paid poorly or ran away with the money in case where it was not paid on a daily basis (Wangui Karing'u, O.I, 2012).

Finally, after the decline of KCC, farmers were discouraged and started taking other produce such as maize and pyrethrum to private traders. Some traders could go straight to the farmers

and buy maize and wheat from them and sell them to wholesalers within or outside the county.

CHAPTER SIX

6.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Summary

This study provides a number of findings which have important policy implications for the effective development and evolution of co-operatives in Kenya and in particular Ndaragwa Sub-county in Nyandarua County. Some of the findings presented here provide a basis for further analysis of experience and the formulation of more definitive conclusions and policy guidance. The major significance of the study lies in its contribution in the history of the Kenyan Co-operative Movement in laying the foundation on which more questions could be raised about the co-operative movement in the country and future policies. The study has provided information which could be useful in evaluating any aspects of the co-operative societies in the county in the attempt to make them effective institutions.

The policy recommendations that are made here should be viewed as suggestive courses of action that on the basis of the findings appear to be both appropriate and feasible in the attempt to strengthen the co-operative societies. If accepted their implementation could be achieved rather easily since the groundwork for their being put into effect is already present.

Through this study it is clear that the evolution of co-operative societies in Nyandarua County was not an easy process. Many difficulties were encountered on the way and indeed at certain junctures. Those charged with the management responsibilities considered their mission as hopeless and especially after the collapse of the KCC in late 1998. Today management difficulties have also presented a challenge to their total success. Consequently, various regulatory measures have been instituted by the Kenya Government in an attempt to control and guide their performance despite heavy opposition from co-operative quarters.

On the whole, however, the evolution of co-operative societies in Nyandarua can be said to be successful despite several obstacles. This success was evident from the late 1960's when many farmers came together and joined co-operative societies. Also the high prices for agricultural produce sold through co-operatives such as milk, pyrethrum was a motivation to many farmers.

Many societies contributed to various development projects. Karagoini Co-operative Society members were able to buy two vehicles and a tractor to facilitate the operations of the society. It was also able to build a posho mill which served the community of Ndaragwa Sub-county. Members of Kahembe Co-operative Society were also able to buy their land in form of shares. There were other co-operative societies which were also involved in different projects. An example is Kibirigwi Co-operative Society in Kirinyaga County, which participated in the local electrification project, aimed at providing electricity to all coffee factories in the co-operative and also individual households in Kibirigwi area. It also built a petrol station at Kibirigwi (Hedlund (ed), 1988)

After independence it became a definite government policy that in the planning for development of the country, the public sector should be allowed to grow to embrace a large enough section of the country's economy. Today co-operatives in Kenya have become significant channels for comprehensive development in conjunction with other forces of development operating in the rural areas of the country.

Farmers who grow certain products find it necessary to join a co-operative society where they get more benefits. The government plays a major role today in the co-operative movement in training, controlling and financing the co-operatives in the process of their growth. In contrast to the contemplated role for co-operatives before independence, today they have greatly hastened the Africanization of commerce in the country. They also have strengthened the

members' knowledge and democratic practices and the value of self-help in various fields. The co-operatives play a major role in bringing the members together for the purpose of improving their social and economic conditions and thereby contributing to the betterment of the society at large. Co-operative societies in Ndaragwa Sub-county and in particular Karagoini have served as a platform of the extension agencies for other departmental activities for example, agriculture and community development among others.

Specifically, co-operatives in Ndaragwa Sub-county have served as a means of countervailing market power against middlemen and other trading intermediaries interested in private gain. Farmers were able to get credit facilities including seeds, fertilizers, insecticides and other agricultural requisites at very low rates besides marketing their produce. Thus co-operatives became a superior form of economic organization in the entire country and a great help to small scale farmers who otherwise would have faced many difficulties without them.

In any case their performance success has been moderate due to many difficulties confronting them in their operations of marketing farmers' agricultural produce. There have been many cases of mismanagement, failure to set co-operative goals and objectives, lack of problem – solving behavior on the part of the managing committees, abuse of power entrusted to the managing committee by the members and many other unwarranted practices that reduce co-operatives to “necessary evils”. These challenges have sharpened farmers' development interests and endeavors. In their move to revive the declining co-operative societies in their areas, very close interaction between the co-operative and the government have developed. Co-operative members have come to learn more about how the government functions. The present role of the co-operative then has become both comprehensive and vital to the development efforts of the country.

Members have been able to fight for their rights amidst many challenges. For example in case of collapsed societies, members have come together in collaboration with the Ministry of Co-operatives in an attempt to revive them. Theoretically speaking the co-operative belongs to the members. However, their managing committees seem to claim more rights and privileges than the members. Members do hold various meetings with the government with the aim of reviving or strengthening the co-operative movement in Ndaragwa Sub-county and in particular Karagoini region. The aim is to develop a movement that operates with optimum efficiency in accordance with the dictates of sound business principle.

Towards that end, the government has undertaken to build up and intensify its machinery for guidance, supervision and control of the movement through the Ministry of Co-operative Development. Co-operative societies are being encouraged and developed in many areas of Nyandarua County. This transition has put co-operatives on their right perspective as agents for uplifting the economic status of the common man especially the rural peasant farmers.

From 1965, a number of societies were formed in different settlement schemes across Nyandarua County. Those that were formed in Ndaragwa Sub-county included Ndaragwa (1965), Kanyagia (1966), Karagoini (1967), Shamata (1968). People were still forming groups to market their produce even in 1990s. For example, Nyumba Mwireri co-operative society was registered on 31st July 1990 to deal with pyrethrum. Its area of operation was Shamata Location. Members of the group bought their own land in which they grew their own pyrethrum to sell through the group (Karagoini Farmers Co-operative Ltd. - General File No. CS/1758). Several other societies were formed in other Sub-counties such as Ol Joro Orok and Ol-Kalou. For example, Githumbato Farmers Company Limited (1977) and Weru Co-operative Society (1984) were founded in Ol Joro Orok Salient Scheme. Ol Kalou Salient Co-operative Society was also formed in Ol Kalou Sub-county (Gikenye, 1992).

From 2000, many societies were affected by liberalization which led to splitting of societies into other marketing units such as Nyala, and other private owned firms such as Tuzo and Brookside.

6.2 Conclusion

Co-operatives in Kenya have become significant channels for comprehensive development in conjunction with other forces of development operating in the rural areas of the country. Their role has been key in bringing the members together for the purpose of improving their social and economic conditions and thereby contributing to the betterment of the society at large. They also have strengthened the members' knowledge and democratic practices and the values of self-help in various fields.

The impact of co-operative movement in Nyandarua County was highly felt after independence. This is particularly because Africans felt that they could benefit more when marketing their produce through co-operative societies rather than individuals. The foundation laid by Karagoini members as they formed their marketing society paved a way for broader marketing systems.

The challenges faced by members opened windows for alternative marketing opportunities. Seizing opportunities enhances the Movement's strengths, overcomes weaknesses and pre-empts threats. To date, members are able to organize themselves to purchase produce and sell them outside the County, even without using the co-operative society. Thus members will be able to align with vision 2030, which is a vehicle for accelerating the transformation of the country into a rapidly industrializing middle income nation by 2030.

Members of Nyandarua County will be able to support the Declaration of a Global Vision for Development by getting involved in development of Global Partnership for Progress.

Currently, members of Karagoini not only market their produce within the County itself but also export them outside Kenya. Members have acquired a wider market especially due to liberalization which has expanded the marketing systems.

We have noted that the leaders and managers of the co-operative societies in Nyandarua County were not well positioned for competition in a liberalized, globalized and technologically competitive market economy. The co-operative sector has been losing out on its previous dominant position to other sectors in the national economy. There is need for rigorous policy analysis, which can stimulate co-operative growth, though this has not been an obvious priority for co-operative leaders. There is a vast gap between co-operative policy analysis and decision making. The main objective and interest of co-operatives is to provide benefits to both individual members and the County at large. In the absence of a rigorous co-operative policy analysis, decisions have been based largely on the intellectual and ideological conviction of policy makers. At least, policy decisions on co-operatives have been based on perception devoid of co-operative values as well as interest of members. Therefore, It is important that in the era of a liberalized market economy that members of co-operatives be it ordinary members or leaders are correctly informed about the unique nature of co-operative enterprise, before taking public positions on issues.

6.3 Recommendations

On the strength of the findings, this study lays down several recommendations which cover areas on marketing, education and training, information technology, accountability among other motivational factors.

There is need for reliable market information to guide players and hence do away with exploitation especially of farmers by middlemen. Prices set should always be market driven. Support from all stakeholders and partners are critical for success. There is therefore need to

assess how government, donors and other stakeholders could support members in a more sustainable way.

Helping producers get organized and strengthening their capacity is one of the ways to contribute to fight rural poverty. In order for co-operatives to really contribute to reducing rural poverty and play other essential roles effectively, specific actions must be taken to help strengthen them. To promote growth and ensure that the poor participation is discouraged, a number of policy measures will need to be put in place. A stable microeconomic environment should be maintained as well as strengthening a competitive environment. This will create room for investment and improved delivery of services.

There is also need to provide members with appropriate education. Members are still ignorant on how the liberalized economic environment operates and particularly on how it relates to the co-operatives, for example, there are poor co-operative members who are manipulated by a few individuals in electing co-operative officers. Assistance is therefore required in investing in training programmes that create awareness to the co-operative members on their rights. This would in turn make them demand for good governance, transparency and accountability. Institutions such as co-operative colleges are poorly equipped to undertake such functions. Co-operative civil education could therefore be undertaken through the non-governmental education while the formal training on the need and operation of the co-operative movement could still be financed through the existing co-operative institutions.

Areas such as information technology are important in order to ensure that transparency and accountability of co-operatives to members are assured. Assistance would be required to enable co-operatives invest in information gathering, inputting, processing and dissemination. Such investment includes purchase and installation of computers, related software and training of personnel to run and manage them. This is likely to help the processing of

production, marketing and payment data, which then could enhance timely payments to members.

To overcome the problem of poor and inefficient management systems, the co-operative movement requires to be assisted to invest in developing sound and accounting models for adoption by agricultural co-operatives in a more liberalized economy. This would enhance accountability through strengthening of watchdog systems, such as improvement in accounting, budgeting, internal and external accounting. Penalties for fraud and misappropriation of funds could also be made harsh within the legal framework. Co-operatives will require assistance in hiring qualified and experienced management employees, who could meet the new challenges in competition with other businesses. In addition, assistance would be required in training such staff, particularly on the job training.

The government should put in place all the necessary measures to make the co-operative movement more cohesive. This way, members will be more confident and thus continue to support the movement as their own. For instance, visits and study tours by new co-operative management to successful co-operatives at all levels are very effective training tools. Communities should also be exposed to co-operative spirit. People who are potential members but still outside the membership of co-operative movement need co-operative education. This should be extended to other sectors such as schools and churches in a more decentralized manner through discussion and various kinds of group work. Churches should be encouraged to introduce business and investments in their organisations. It has been recognized that the National Council of Churches of Kenya (NCCCK), helped to spread the benefits of savings and wise borrowing through seminars and conferences organized by workers (Kobia, 2011). This will demonstrate how free co-operative, successfully improve members' livelihood and co-operate with the government.

The employees and co-operative leaders also need the best available training in the appropriate techniques. Education of employees and officials for careers in the co-operative movement should be encouraged through the establishment of more technical training institutions and universities. Centers for co-operative research and policy analysis should be given priority in order to strengthen capacity for independence policy analysis in co-operative sector. This will expand forums for future research thus allowing space for players to advance their interests, to the advantage of the co-operative movement.

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www.mrgm.co.ke

APPENDIX 1: SAMPLE GUIDELINE

SECTION I

Questionnaire for Co-operative Officers

Fill the blank spaces as per instructions. Please tick (✓) the correct response in the spaces provided or write the answer in statement form as required.

State your job status _____

1. What is your sex

2. For how long have been working as a Co-operative Officer.

0 – 5 6 – 10 11 – 15 16 – 20 20 and above

3. When was the first co-operative society in Ndaragwa Sub-county formed. Indicate the year _____

4. What led to the formation of the Societies? _____

5. How many co-operative societies are in existence in Ndaragwa Sub-county today?

6. How many co-operative societies are active today? _____

7. Are there some co-operative societies that have collapsed since 1967?

Yes No

8. If yes what led to

9. their failure?

10. What are the main products processed by the co-operative societies in Ndaragwa Sub-county today?

11. Do you in your own opinion think that co-operative societies are playing a major role in economic development today? Yes No

12. Give reasons for your response.

13. Is the Government of Kenya playing a major role in promoting co-operative movement in the County particularly in Ndaragwa Sub- county_____

Yes No

14. If your answer to the above question is yes, what contribution has the government played in promoting co-operative movement?

SECTION II

An Interview Schedule for Management Team of Ndaragwa Sub-county Co-operative Societies.

1. Name of society? _____

2. What is your status in the society? _____

3. In which year was your society formed? _____

4. Who came up with the idea of forming the co-operative societies in the Sub-county?

5. What was the main objective of forming co-operative societies?

6. Did the majority of the farmers support the idea of forming co-operative societies in the Sub-county?

Yes

No

7. Give reasons to support your answer to the above question?

8. What crops did the members market through the co-operative societies?

1. _____

2. _____

3. _____

9. How did the society help members to transport their produce?

10. Who were the key officials in the management committee?

- 1. _____
- 2. _____
- 3. _____

11. What was the criteria of forming the management team? _____

12. What activities did you carry out to ensure the smooth running of the society?

- 1. _____
- 2. _____
- 3. _____

13. How did you process the members' payment after marketing their produce?

14. When did you register your society with Ministry of Co-operatives?

15. Is this society still active today?

Yes No

16. If your answer is No, what has led to its decline?

17. How does the Government support the co-operative societies in the Sub-county?

SECTION III.

An Oral Interview Schedule for Members of Co-operative Societies in Ndaragwa Sub-county.

1. In which year did you join the society? _____

2. Why did you decide to join the co-operative society?

3. What crops do you sell through the society?

1) _____

2) _____

3) _____

4. Do majority of the farmers support the co-operative movement in your area?

5. Do you benefit from the Society as a member?

Yes No

6. If yes what are the benefits?

7. What is the mode of transport from the farm to the market?

8. Did you incur any losses in the marketing process?

9. Are you still a member of co-operative society today?

Yes No

10. If your answer to the above question is No, give reasons as to why you are not a member? _____

11. Are Co-operative Societies still active today in your Sub-Sub-county?

Yes No

12. If your answer to the above question is No, give reason for their decline?

13. What do you think should be done to motivate members to join co-operative societies? _____

14. Are you happy with the mode of payments after you have delivered your products?

15. Can you identify some of the challenges you have faced as a member of a co-operative Society?

APPENDIX 2: NAMES OF INFORMANTS (AGES ARE ESTIMATED IN YEARS)

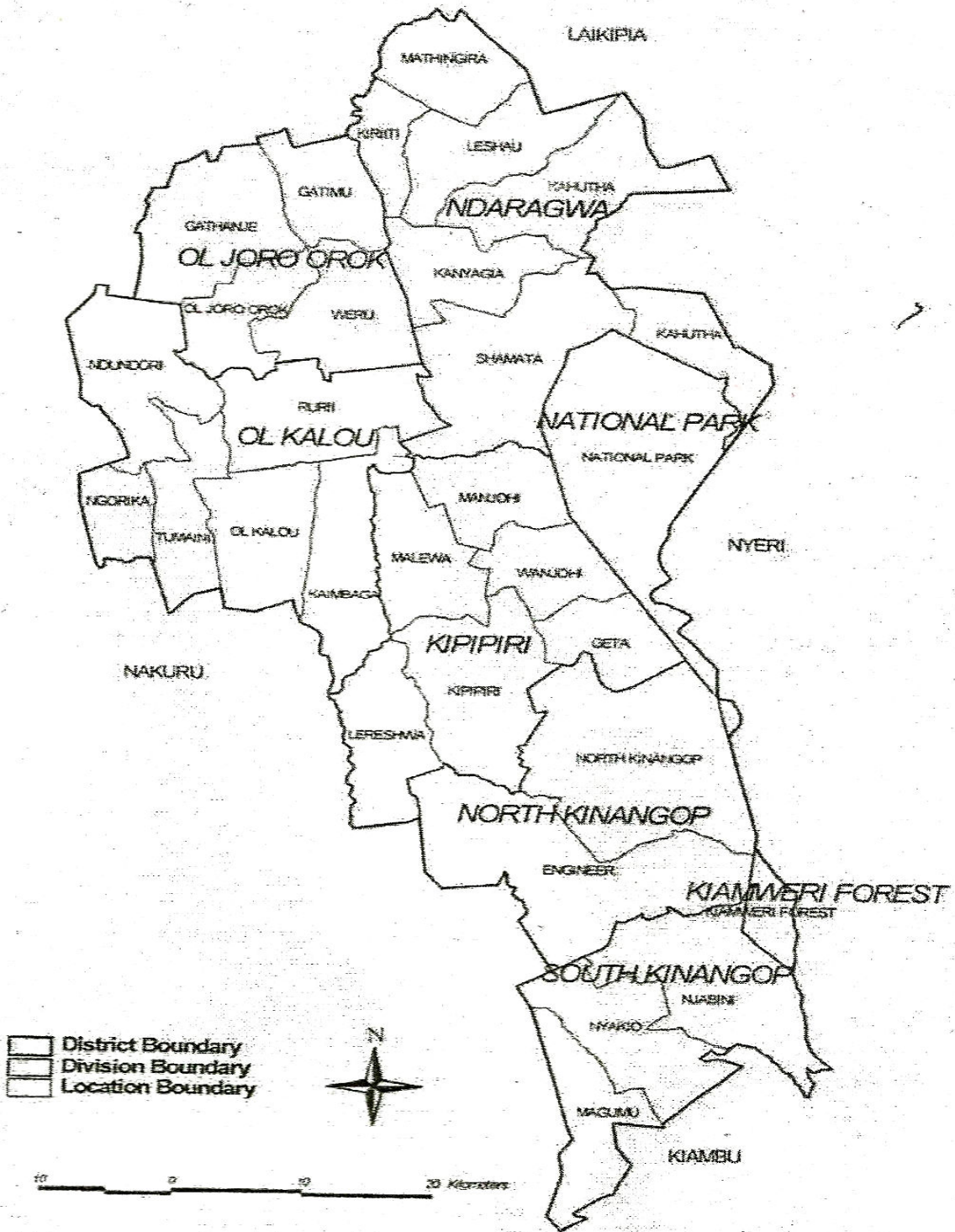
Names	Interview Dates.	Age	Place of Interview
Mrs. Jane Mugambi	2-12-2008	50	Kamukunji
Mr. Joseph Maina	1-12-2008	56	Kamukunji
Mr. George Ndungata (Manager)	31-8-2012.	68	Karagoini
Mr. James Waititu (Chairman)	20-9-2011	60	Karagoini
Mr. Raphael Gitimu	1-12-2008	70	Kamukunji
Mr. John Nderitu	2-12-2008	80	Leshau
Mr. Daniel Muchiri	2-12-2008	80	Leshau
Mr. Isaac King'ori	2-12-2008	60	Leshau
Mr. Joel Ndwati	2-12-2008	55	Leshau
Mr. Muchai Kabiru	29-1-2011	70	Karagoini
Mrs. Mwangi Kimani	29-1-2011	75	Karagoini
Mr. Wangigi	31-4-2012	70	Kahembe
Mrs. Gladys Mwangi	31-8-2012	68	Kahembe
Mrs. Wambui Mulwa	31-8-2012	66	Kamukunji
Mrs. Phylis Ngibocha	31-8-2012	75	Kahembe
Mrs. Grace King'ori	1-8-2012	73	Gachonjoma
Mrs. Grace Karing'u	31-8-2012	76	Kahembe
Mr. Nyutu Wainana	8-5-2014	55	Gatimu
Mr. Kiragu Muriuki	9-5-2014	59	Gatimu
Mrs. Wambui Irungu	19-5-2014	70	Ol Kalou
Mrs. Martha Ng'ang'a	22-5-2014	48	Gatimu
Mr. James Mungai	19-5-2014	50	Karagoini
Mr. Nga'ang'a Ndichu	9-5-2014	48	Shamata
Mrs. Njeri Ng'ang'a	5-5-2014	70	Shamata
Mr. Denis Kimani	16-5-2014	50	Nyahururu
Mr. Macharia Gichimu	21-6-2014	45	Ndaragwa
Mr. Titus Chepkonga (AFC Manager)	8-5-2014	50	Nyahururu
Mrs. Margaret Wachira (District Co-operative Officer)	31-8-2012	48	Nyahururu

APPENDIX 3: MAPS

i) Location of Nyandarua County in Kenya



Prepared by Kenya National Bureau of Statistics, Cartography/GIS Section
Source: 2009 Kenya Population & Housing Census



Source: Nyandarua District Development Plan (2002 – 2008)