Co-operative governance: pathways to poverty reduction? The case of Kenya

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For my father-in-law, Monsufur Choudhury, and his belief in education.

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ABSTRACT

A reviving and growing co-operative movement across the globe is attracting greater attention, leading to recognition of the important role that it can play in reducing poverty from actors such as national governments and development partners. However, the history of co-operative development in many developing countries has shown us the risks of such attention on the co-operative model, where external stakeholders direct the objectives and activities of co-operatives. This research extends understanding of co-operative governance, and discusses how it can be used to safeguard the co-operative form. It does this to show how member control and decision-making can remain central within a revived co-operative movement and contribute to reducing poverty.

I develop a conceptual framework through 'pathways' that extend existing co-operative governance concepts and theories to the African context. The pathways show how a balance in different governance areas can combine to influence the way a co-operative operates, and the impact that this can have on poverty at the village and household levels. I operationalise the pathways through two case study co-operatives in rural Kenya, with contrasting governance characteristics. Using a qualitative research approach with participatory methods, I compare the balance in the two co-operatives' different governance areas, tracing their direct and indirect links to poverty outcomes in two case study villages (where each of the co-operatives have a large number of members), as well as in member and non-member households.

The research shows that a balance in the relationships between internal and external stakeholders, as well as strong member participation and loyalty to the co-operative, can combine to allow a balance in the economic and social outcomes of co-operatives - essential to reducing poverty in communities and households. Striving towards this balance in co-operative governance is crucial to maximising impact on poverty.

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LIST OF ACRONYMS

AGM	Annual General Meeting
AI	Artificial Insemination
ASALs	Arid and Semi-Arid Lands
CCA	Canadian Co-operative Alliance
CDF	Community Development Fund
CEO	Chief Executive Officer
CIS	Co-operative Insurance Services
CoCK	Co-operative University College of Kenya
DCO	District Co-operative Officer
DFID	Department for International Development
FAO	Food and Agricultural Organization
FGD	Focus Group Discussion
HCU	Horticultural Co-operative Union
ICA	International Co-operative Alliance

ILO	International Labour Organization
KARI	Kenya Agricultural Research Institute
KCC	Kenya Co-operative Creameries
KFA	Kenya Farmers Association
KNFC	Kenya National Federation of Co-operatives
KPCU	Kenya Planters Co-operative Union
Ksh	Kenya Shillings
KUSCCO	Kenya Union of Savings and Credit Co-operatives
LoL	Land of Lakes
MCDRN	Measuring the Co-operative Difference Research Network
MDGs	Millennium Development Goals
MOLD	Ministry of Livestock Development
NACOs	National Co-operative Organisations
NGO	Non-governmental organisation
SACCOs	Savings and Credit Co-operatives
SGM	Special General Meeting
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
US OCDC	United States Overseas Co-operative Development Council
VSLA	Village Savings and Loans Association
VSO	Voluntary Service Overseas
WOCCU	World Council of Credit Unions

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

In recent years co-operatives have been attracting renewed interest from different quarters. Firstly as an organisational form that was reviving and growing across the world (Develtere et al., 2008). Secondly as a ‘resilient’ economic form, which weathered the global economic downturn in 2008 (Birchall and Ketilson, 2009; United Nations, 2009). Then in the UK as the organisational form facing governance problems, as depicted in sensational news reports of the Co-operative Group (Farrell, 2014). However, most people will not know what a co-operative is. Others will accuse them of many things: of being bureaucratic and overly complex, of being agents of government or of development, of benefitting only a privileged few (Miller, 1981; Youngjohns, 1980). So why should we be interested in this form? The answer lies in how others see co-operatives: as member-owned enterprises that combine social goals with the economic to offer a ‘third’ way of doing business (Birchall, 1996; Spear, 2010), and a form that can play an important role in tackling poverty (DFID, 2009).

This research uncovers the form found at the heart of this unique model. It puts forward a conceptual framework that unpacks governance relationships and processes to understand how co-operatives can overcome some of the challenges they have faced over the years, particularly in developing countries. This includes retaining owner-member control, inclusive member participation and an identity based on a set of values and principles (Novkovic, 2008). It uses the conceptual framework to examine how co-operatives can take advantage of emerging opportunities to reduce poverty within the membership as well as in the wider community.

The empirical research for this PhD project was undertaken in Kenya, which has a co-operative movement that is growing and thriving in a number of different sectors. The Kenyan movement is also characterised by increasing autonomy from government, allowing the research to explore governance challenges around member control and participation, as well as around developing a co-operative identity. As in many other countries throughout Africa, Kenya also has high levels of poverty and is unlikely to meet the Millennium Development Goal (MDG)[1] of halving poverty by 2015. This thesis makes important contributions to both the co-operative and poverty reduction literature, with few other comparable studies looking at the impact on poverty by a co-operative, either in a village or in households (c.f. Calkins and Ngo, 2005; Vicari, 2011).

I begin here in section 1.2 by discussing the problem areas on which the research centres, approaching them from both the co-operative side of the debate as well as the poverty and development side. In section 1.3, I discuss the focus of the research and how this addresses the research problems identified. I end in section 1.4 by outlining the structure of the thesis, and what I will cover in each chapter.

1.2 RESEARCH PROBLEMS: PRESERVING THE CO-OPERATIVE IDENTITY AND REACHING POVERTY TARGETS

1.2.1 Preserving and understanding the advantages of the co-operative form

Co-operatives have often had a tumultuous history in developing countries. This began in some with a top-down introduction by governments following colonisation, with close public sector control and oversight to facilitate trade to Europe (Satgar and Williams, 2008). This often continued through independence, followed by a sudden severing during economic liberalisation, with co-operatives losing their privileged position in government (Birchall and Simmons, 2007). In this context co-operatives in many developing countries were ill-equipped to govern themselves, with members unable to immediately assume control. Reports of widespread corruption and mismanagement within co-operatives soon emerged (Develtere et al., 2008). However, some did survive and even thrive. Case study research in Uganda by Kwapong and Korugyendo (2010a) linked post-liberalisation success stories to areas such as strong co-operative leadership that helped to build partnerships with external investors and government, as well as retaining an active membership base. They conclude that continued development of the co-operative sector requires a focus on building good leadership and governance.

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[1] The MDGs consist of eight goals that were agreed in 2000 by all of the 189 UN member states to reduce poverty by 2015 (United Nations, 2011)

Today there are close to one billion co-operative members around the world (ICA, undated-d, accessed 25 November 2014), amounting to one in seven of the world's population. When small children are taken out of the population figure, the numbers tell an even more impressive story. In some countries, such as Canada or Norway, as many as one in three people are members of a co-operative (ICA, undated-b). Co-operatives also play an important role in the economies of many countries, with the livelihoods of an estimated 3 billion people (almost half the world's population) made secure by co-operative enterprises (UK Co-operative College, 2010; ILO and ICA, 2014). In Kenya for example, co-operatives account for 45% of GDP, and 31% of national savings and deposits (Wanyama, 2009).

I discuss this revival in Chapter 2, and how it has attracted a renewed interest in co-operatives, including by governments and development partners[2]. This interest comes with opportunities for co-operatives and their members, but also places them on familiar and dangerous ground with risks of co-operatives once again being governed and controlled by external stakeholders. The importance of preserving their identity and governance model is discussed in the literature (Novkovic, 2008). However, there is a gap in knowledge on *how* this can be done as co-operatives emerge onto the scene in greater numbers and attract wide attention from external players.

Co-operatives are also being recognised as having a role to play in reducing poverty (Birchall and Simmons, 2007; DFID, 2009; ILO and ICA, 2014). These studies often refer to the *potential* of co-operatives in this area, drawing on the advantages of their organisational form. Although there are no large scale studies, some discuss evidence on increased incomes or contributions in other ways that have helped to improve living conditions in countries, communities or households (Chambo et al., 2009; Develtere et al., 2008). These studies also discuss the different advantages co-operatives have used to impact these areas, such as their member-user status where the owner-members are also users of their services, providing co-operatives with a guaranteed market (Mooney, 2004), or the advantages of the co-operative federating structure (Simmons and Birchall, 2008). However, there is less understanding of why some co-operatives are able to reduce poverty whilst others do not, or indeed why some reduce poverty more

[2] I use this term in a descriptive way to mean agencies engaged in development work, such as NGOs and multilateral organisations

than others. Even within the same co-operative sector and in the same location, why might some co-operatives perform better than others in this regard?

Other authors argue that co-operatives are not designed to reduce poverty and are instead there to meet member needs (Münkner, 2012), which may be focussed on wealth creation (Pollet and Develtere, 2005). Indeed their identity as business enterprises (ICA, undated-a) supports this perspective. Is the debate on co-operatives and poverty reduction, therefore, even relevant? Can they still impact this area without any specific intentions in it?

This research will address these gaps in knowledge and provide insights into how, even without an explicit intention in this area, co-operatives' multiple activities around meeting different member needs can reduce poverty. The research also explores how co-operatives can be supported to more effectively do this (either internally through their own structures and processes, or externally by others) in the households and communities where they operate.

1.2.2 Meeting poverty reduction targets and bringing people into development processes

Much progress has been made towards the MDGs but, as we approach the end of its target period of 2015, many remain unreached – particularly in Sub-Saharan Africa. The target of halving poverty will not be achieved in the region, with 48% of people in Sub-Saharan Africa still living in extreme poverty in 2010; the target was to reduce this from 56% in 1990 to 28% by 2015 (United Nations, 2013). The target of halving hunger will also not be achieved in the region, with 27% of people still hungry by 2012. The target was to reduce this from 32% in 1990 to 16% by 2015 (United Nations, 2013).

This has highlighted the need to do things differently, and paved the way to a discussion on a sustainable development agenda post-2015. This agenda calls for transformative shifts in important development areas to create a better world in the decades ahead. The message at the core of this outlook is sustainability: mobilising social, economic and environmental action together to eradicate poverty irreversibly (United Nations, 2013). It emphasises the need to end extreme poverty, leaving no one behind. It also calls for inclusive growth, with diversified economies and equal opportunities for people (United Nations, 2013).

This altered approach to development emphasises the important role that co-operatives can play in reducing poverty, given their widespread membership and impact on livelihoods (see section 1.2.1). As businesses owned by their members, co-operatives can promote areas that are important to them. This provides an alternative enterprise model that can include a focus on job security and improved working conditions, or enhanced incomes through profit sharing and distribution of dividends (ILO and ICA, 2014). As democratic member-owned and controlled enterprises co-operatives can also help bring people into development processes, allowing them to be involved in decisions that affect their economic as well as social lives.

Despite the role that co-operatives might be able to play in this emerging development agenda, external stakeholders (including development partners) can undermine the way they operate as member-owned enterprises. How can co-operatives manage these relationships to take advantage of the new development environment to help reduce poverty?

1.3 RESEARCH FOCUS

This research addresses the problem areas in a number of different ways, including at the conceptual level as well as operationalising the concepts and theories through case study research. In this section I discuss the research questions that guide this study, unpacking them to show how they allow exploration of the research problems. I also briefly outline the conceptual framework that underpins the research, linking it to the research questions. I then discuss the empirical study, providing an insight into how the conceptual framework was utilised. Finally I encapsulate here the different ways in which the research has furthered understanding at both a theoretical level, and in practice.

1.3.1 Research questions

The research focuses on the following questions:

Primary question:

In what ways does co-operative governance impact poverty?

Secondary questions:

1) How do the different components of co-operative governance influence

performance?

2) In what ways does co-operative performance impact poverty at the village and member/non-member household levels?

The primary question is a general overarching query on the link between co-operative governance and poverty reduction. It deepens current discussions on the links between co-operatives and poverty reduction (Birchall and Simmons, 2007; Gertler, 2004; Zeuli et al., 2004) through a focus on understanding how co-operative *governance* impacts the ways in which, and the extent to which, co-operatives are able to reduce poverty. This question is posed at a theoretical and conceptual level, to pull out an understanding that can be adapted and applied to a wide range of contexts.

Secondary research question 1 requires the unpacking of co-operative governance. This firstly involves establishing an understanding of the different components of governance. It also involves distinguishing co-operative ‘performance’ from that of investor owned firms, which might focus on profit maximisation rather than wider benefits to members, their families and communities (Soboh et al., 2012). This then paves the way for each governance component to be examined for either a direct or indirect link to different co-operative performance areas or activities.

Secondary research question 2 allows an exploration of how the different co-operative performance areas then reduce (or do not reduce) poverty at both the village and member/non-member household levels, as well as the extent to which they are able to do this. Establishing an understanding of ‘village’ and ‘household’ as well as ‘poverty’ are important to addressing this question. A focus on both the village and member/non-member household levels allows exploration of the impact of co-operative governance on poverty in the wider locale where co-operatives operate, as well as a comparison of specific membership advantages or disadvantages for households. The way the village and household levels might influence each other is also explored through this question.

1.3.2 Conceptual framework

The conceptual framework in this research, discussed in Chapter 3, explores the research problems and questions by examining co-operative identity and its link to the way co-operatives are governed (Novkovic, 2008). This takes us to the relationships that co-operatives have with different stakeholders, both internal and external to the organisation (Cornforth, 2004). This includes internal members, board directors and staff, as well as external stakeholders such as government representatives or development partners. Key to the conceptual framing is the concept of balance, and how competing priorities and interests of different stakeholders (Spear, 2004) can be managed to retain member control, whilst drawing in important external resources. The concept of balance adds a new approach to the co-operative governance literature, showing that competing governance theories do not have to be mutually exclusive, but can combine to create governance relationships that are more supportive for the co-operative.

The framework also explores the concept of member loyalty and what this means for entry to and exit from co-operatives (Hirschman, 1970). It adds to these concepts by identifying member dissatisfaction as the opposite extreme to loyalty, and dissecting the latter through Jussila et al's (2012) concept of member commitment. This shows that co-operative governance is not just strengthened or weakened by members entering or exiting, but extends these notions to include varying degrees of participation or withdrawal in the co-operative's different areas of operation.

The conceptual framework allows exploration of how the balance in co-operative relationships and member participation/withdrawal influences the extent to which co-operatives are able to balance economic and social outcomes in their different areas of activity. This adds to literature on the importance of a balance in social and economic goals (Novkovic, 2013b; Spear et al., 2009) with an understanding of how *governance* affects social and economic outcomes of co-operatives, as well as how a balance between the outcomes can be maintained.

These three governance components (co-operative relationships, member participation/withdrawal and co-operative activities) are brought together into pathways from co-operative governance to poverty reduction (see figure 3.4). These pathways allow exploration of how different governance components can combine to influence overall co-operative performance. Even where co-operatives do not have an explicit intention to reduce poverty, they show how this performance can impact poverty in both villages and member/non-member households. The pathways (which depict the conceptual framework for this research) further understanding of how, in an environment with various internal and external pressures, a balance in co-operative governance relationships and processes can help to preserve an identity of autonomous member-owned and controlled democratic enterprises with economic as well as social values. The pathways also show how, in preserving this identity, co-operatives are more likely to reduce poverty in communities and member/non-member households in their areas of operation.

The conceptual framework was developed in an iterative way. This allowed it to take shape gradually throughout the different stages of the research, informed by the literature review as well as the empirical findings and analysis. The research also identified potential evidence of social capital, and its importance in understanding the impact of co-operative governance on poverty. This area only emerged through my analysis of empirical findings, which did not explicitly explore this concept. I therefore identify social capital as an area for further conceptual development.

1.3.3 Empirical study

The conceptual framework is operationalised through the analysis and discussion of primary data in Chapters 6, 7 and 8. The empirical study was undertaken in Kenya in 2012 with two case study co-operatives working in the same sub-sector (dairy farming) and in the same district, but showing contrasting governance characteristics. One co-operative had a stable governance system and the other faced a number of governance challenges. Neither co-operative had any specific objectives in poverty reduction, with their five year strategic plans focussing on being lead processors and marketers of dairy products. The co-operatives are analysed using the conceptual framework to understand the balance in their different governance components and the links to performance in their different areas of activity. The impact of this performance on poverty is then explored in two case study villages, where each of the case study co-operatives has a large number of members.

This was a qualitative in-depth study that focused on understanding the perspectives of research participants, using a wide range of participatory methods as well as semi-structured interviews. It was largely carried out at the local level with both co-operative members and non-members in the two case study villages and others within their household, as well as with staff and directors of the two co-operatives. Other local and national level actors were also interviewed to understand the wider context within which the two co-operatives operated.

1.3.4 Contributions to knowledge

The research contributes to both theoretical knowledge as well as development practice. In the former area it does this in four specific ways, by expanding understanding of:

i) The existence of an institution of co-operation (much like the institution of marriage or education) that embodies important social norms and values within society (Hannan, 2014b). This allows co-operation to be recognised as a set of beliefs and ideologies beyond the co-operative economic form, which is capable of bringing people together to take ownership of areas that affect their lives and to direct them.

ii) Governance theories for the African co-operative context (Hannan, 2014a; Hannan 2014b). Much of the thinking on co-operative governance has been documented in developed countries to explain the context there. I adapt these theories to make them more relevant for meeting the challenges facing co-operative governance in many African countries.

iii) The link between co-operative governance and poverty reduction (Hannan, 2014a; Hannan 2014b). Recent research has emerged on the potential of co-operatives to reduce poverty, and the extent to which they do this in some co-operative sectors and in some countries. I look specifically at co-operative governance relationships and processes to explain *how* they are able to reduce poverty even without any specific intentions in this area, and why some might be better at it than others.

iv) Dynamic processes of entry to and exit from co-operatives (Hannan, 2014b). I expand notions of members entering or exiting a co-operative into dynamic processes suggesting varying degrees of activity and inactivity within the membership. This extends understanding from how members entering or exiting a co-operative might strengthen or weaken it, to how member participation or withdrawal from the co-operative's different areas of activity might strengthen or weaken its governance and affect overall performance.

In the area of how the research has contributed to development practice, I show that it has helped to expand understanding in three specific ways:

i) As co-operatives struggle to establish autonomy and member control, I show how they can use their governance relationships and processes to secure support from external stakeholders without undermining these fundamental areas to their identity.

ii) Research has shown the importance of local institutions (including co-operatives) in embedding sustained long-term action capable of improving people's lives (Korten, 1980). I show how valuing the long-term relationship that co-operatives have with members and communities is fundamental to their impact on poverty. This relationship allows co-operatives to foster understanding of the needs of members and their communities. I discuss the different ways in which farmer co-operatives are able to do this, as well as put in place measures to meet them.

iii) Research with co-operatives has largely focussed on quantitative and economic approaches (Gomez, 2006; Boyle, 2004). I add to the limited literature on qualitative research with co-operatives (Borda-Rodriguez and Vicari, 2014; Hartley, 2014), showing innovative use of a wide range of participatory methods to understand the links between co-operative performance and poverty reduction (Hannan, forthcoming). This includes research with participants at the co-operative, village and household levels.

1.4 THESIS STRUCTURE

Four clear sections to the thesis can be identified: Chapters 2 and 3 review the literature and discuss the conceptual framework. They establish markers for the research, which guide it through subsequent chapters. Chapters 4 and 5 present the methodology and methods that capture how the research is put into action, as well as providing the background to the research location. Chapters 6, 7 and 8 are the core findings chapters, which discuss evidence from the empirical study. Chapter 9 draws together conclusions from this study, and points to areas for further research. I outline below the purpose of each chapter, and the discussions they contain.

Chapter 2 presents Part I of the literature review, which explores co-operatives and poverty reduction. This begins by discussing co-operatives and their unique identity. I then look at how co-operatives emerged in developing countries, and what this meant for the way they developed there over the years. I use these discussions to pull out challenges that co-operatives have faced throughout their history, particularly in Africa. I then turn to a discussion of poverty, conceptualising this as a dynamic and multidimensional process. I bring these discussions on co-operatives and poverty together, locating them within the people-centred development approach. I show how recognising this positioning is fundamental to understanding how co-operatives reduce poverty.

Chapter 3 presents Part II of the literature review, and focuses on understanding the links specifically between the governance of co-operatives and poverty. I discuss three different components of co-operative governance (co-operative relationships, member participation/withdrawal, co-operative activities), and propose the notion of balance in some of these areas to address challenges that co-operative governance faces in Africa (drawn from the general challenges discussed in Chapter 2). I explore how this balance can impact poverty at the village and member/non-member household levels. This chapter builds up a conceptual framework for this research, and presents pathways from co-operative governance to poverty reduction. The pathways uncover how the different components of co-operative governance can influence performance, with this chapter important in addressing secondary research question 1.

Chapter 4 presents the methodology and methods used in this research, highlighting the importance of a social constructivist approach, which explores how people perceive *their* reality. In the latter part of this chapter I present the methods used in the empirical study. This includes a discussion of semi-structured interviews, as well as each of the eight different participatory methods at the village level, and five at the household level.

Chapter 5 provides a background to Kenya, focussing on how co-operatives have developed there over the years. It traces this (from the early period, through to British colonial rule, then to an independent Kenya) to understand how this history has affected the contemporary co-operative movement. The latter part of this chapter looks more specifically at the co-operative dairy sector in Kenya, then at the study location within the Ukambani area in eastern Kenya. In these sections I discuss the specific challenges that co-operatives and the dairy farming sub-sector face in Kenya.

Chapter 6 is the first of the findings chapters, and maps the governance relationships and processes of the two case study co-operatives onto the pathways from co-operative governance to poverty reduction (presented in Chapter 3). It explains how history has affected the governance of the two co-operatives. I then compare the governance balance of the two co-operatives, and discuss how this has influenced their performance in four key areas of activity: i) training; ii) farm inputs and services; iii) milk income and dividends; iv) other capital support. This chapter provides empirical evidence, which builds on the earlier conceptual discussion of how different components of co-operative governance influence performance.

Chapter 7 argues that Co-operative A reduced poverty in Village A in a number of different areas, more than Co-operative B in Village B, through a balance in its governance relationships. The chapter begins by establishing an understanding of poverty from the perspective of the research participants in the two case study villages, and identifying eight areas that they prioritised as important to improving living conditions (such as access to water and food). It then compares how the performance of the two case study co-operatives (as discussed in the previous chapter) impacted these eight areas in the two villages and member/non-member households, drawing out the importance of a cash income in accessing many of the priority areas. The chapter (along with the following one) addresses secondary research question 2 on how co-operative performance impacts poverty at the village and member/non-member household levels.

Chapter 8 is the last of the three findings chapters, and focuses largely on dairy farming. It argues that through a balance in governance both co-operatives were able to change dairy farming practices in member households to improve milk productivity and income more than in non-member households. Co-operative A was able to do this better in Village A than Co-operative B in Village B. The chapter also examines the extent to which milk income impacted the eight priority areas. It also discusses the extent to which the case study co-operatives support members with cash from other sources, as well as the impact of cash from the case study co-operatives at the wider village level. This chapter also looks at entry to the case study co-operatives, and identifies barriers to new member entry in both villages.

The final chapter (Chapter 9) concludes by drawing together the key research findings, and examining how they have addressed the challenges discussed in previous chapters (particularly regarding co-operative governance). In so doing it shows that the balance in Co-operative A's governance relationships and processes allowed it to reduce poverty more effectively in Village A, than Co-operative B in Village B. The chapter also addresses the primary research question on how co-operative governance impacts poverty more broadly beyond the Kenya context, by highlighting contributions to both theory and development practice (as summarised in section 1.3). This chapter also reflects on the research process, including the importance of support from partners in the co-operative movement at both an international level as well as in Kenya. It also discusses the significance of the small household sample size, which allowed in-depth exploration of relationships, activities and participation, as well as the importance of the social constructivist approach in guiding the research. The chapter ends by recommending areas for future research that would provide important insights on how the pathways from co-operative governance to poverty reduction might be used and developed further.

CHAPTER 2

CO-OPERATIVES AND POVERTY REDUCTION

2.1 INTRODUCTION

Co-operatives have evolved over time, changing and adapting to major historical developments into a currently thriving global co-operative movement. By tracing their development in this chapter I show that they are a unique form, and one that continues to face challenges going into the future. Acknowledging the existence of this co-operative form, and any advantages or disadvantages it might bring, is the first step to ensuring an enabling environment capable of nurturing further development of the sector and its contribution to poverty reduction.

A discussion of the relevant literature in this thesis is divided into two parts. In the first part (in this chapter) I focus on a general discussion of the literature on co-operative identity and on the conceptualisation of poverty. I also discuss the place of co-operatives within the poverty discourse, looking at the different ways in which they can impact poverty. In the second part (in the next chapter) I unpack co-operative governance and how it might help to address the challenges that co-operatives face in reducing poverty. These two parts of the literature review help to develop a conceptual framework to understand how co-operatives can reduce poverty more effectively.

I begin here in section 2.2 by discussing how the institution of co-operation has developed over time. In section 2.3 I discuss the co-operative identity, and how it has evolved to its current form. In section 2.4 I explore the different ways of conceptualising and approaching poverty. In section 2.5 I discuss where co-operatives sit within the poverty discourse, examining evidence from the literature on their role in reducing poverty. In section 2.6 I conclude on where the co-operative movement has now arrived, and what might lie ahead.

2.2 THE INSTITUTION OF CO-OPERATION

The concept of co-operation has existed within society since ancient times (Chambo and Diyamett, 2011). Informal group formations such as within tribes, families and neighbours were perhaps amongst the first forms of co-operation. Claims on the origin of co-operatives also date as far back as 3000 BC, with the formation of co-operative guilds by ancient craftsmen in Egypt (Abeidat 1975, cited in Holmén 1990). This early history of co-operation suggests that an institution of co-operation exists, much like other fundamental institutions such as the institution of marriage or the institution of education.

Institutions can be defined as 'the norms, rules, habits, customs and routines (both formal and written, or, more often, informal and internalized) which govern society at large' (Brett, 2000:18). The word 'institutions' has a distinct meaning from 'organisations'. If institutions are the 'rules of the game' (North, 2003:19), then organisations are the 'players of the game' (Leftwich and Sen, 2011:323). Institutions influence how organisations are set up and run, where groups of individuals with a common purpose come together to achieve joint objectives (Leftwich and Sen, 2011). Institutions can therefore be seen as the embodiment of social norms and values, which are expressed through organisations.

In describing the process of economic change, North (2003:10) refers to a 'circular flow', which begins with initial perceptions of reality. This then leads to the construction of a set of beliefs and ideologies, which then lead to the creation of institutional structures. These then lead to the enactment of policies. This process can feed back on itself to create changes to perceptions, ideologies, institutions and policies. In this research, I begin with the idea of co-operatives as institutions that embody certain values and principles with respect to their mode of governance, as well as organisations that aim to achieve benefits for their members.

It can be argued that the global co-operative movement, and in some countries the national co-operative movement, is an institution. The model of co-operative development and its importance in people's lives in countries such as Uganda and Kenya for example (in Kenya up to 63% of the population is estimated to be engaged in economic activities that are either directly or indirectly linked to the movement [Wanyama, 2009:3]), supports this concept of the national movement as an institution. The primary co-operative society, which is usually found at the community level, also embodies important social norms, rules and values at a local level.

This conceptualisation of co-operation as an institution brings with it certain challenges, such as those linked to the concept of gendered institutions (see Box 2.1). Although this research will not look specifically at gender issues within co-operatives, being aware of how and why women and men might participate and benefit differently from co-operatives is important.

Box 2.1: A gender perspective on institutions

Male power and privilege can extend beyond the domestic sphere to 'purportedly neutral institutions' where development policies are formulated and implemented (Kabeer 1994:xii). Such gendered institutions include both government and non-government, including local civil society institutions as well as labour market institutions. An analysis of the latter also brings in discussions of the 'gendered economy' (Barrientos et al., 2003:1515), which argues that labour market institutions need to be situated at the intersection between productive and reproductive work. This would allow for a full recognition of the 'reproductive economy' which underpins productive market based activity (Barrientos et al., 2003:1515).

Others argue that if there is a 'masculinisation of privilege' then attention needs to be directed to the structures that uphold men's advantage in order to address the models guiding the development process (Chant, 2008:190). There is, therefore, a need to link discussions between gender inequality and those on the rules and practices of institutions involved in the development process (Kabeer, 1994).

2.3 CO-OPERATIVES AND THEIR UNIQUE IDENTITY

Co-operatives have a unique identity, which distinguishes them from other types of bodies. I explore this identity here, and the presence of a national as well as an international co-operative movement. I discuss how the co-operative form has developed over the years, particularly in Africa, to uncover what co-operatives look like now and the challenges that they continue to face.

2.3.1 Defining and distinguishing the co-operative form

In 1995 the International Co-operative Alliance (the global co-operative apex body) defined a co-operative as:

'An autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.' (ICA, undated-a).

This definition was also adopted by the International Labour Organization (ILO) in 2002 when it developed Recommendation 193 on the promotion of co-operatives. This widely accepted definition (DFID, 2005; Philip, 2003; Ravensburg, 2009) presents co-operatives as not just a group formed of people to meet economic needs, but also to meet social and cultural needs. It draws out the importance of governance with the mention of 'autonomy', 'jointly-owned' and 'democratically-controlled'. And lastly it refers to a co-operative as an 'enterprise' clearly distinguishing it from charities and neighbourhood or community based associations (see Appendix 1).

Co-operatives are guided by six core values and seven principles, which have evolved over the years (Novkovic, 2008) and are agreed on periodically by global co-operative congresses (see Table 2.1). The values emphasise their nature of self-help, self-rule and working together on fair terms. They provide the foundation on which the operating principles are based. The first four principles relate directly to the governance of co-operatives – how they should be set up, organised and run. They emphasise the open and voluntary nature of co-operative membership 'without gender, social, racial, political or religious discrimination' (ICA, undated-a). They emphasise the democratic organisation of co-operatives, based on a one member one vote system, including in decision-making on the allocation of capital surpluses and the election of board directors. They mention co-operatives only entering agreements with others that continue to ensure their autonomy and control by members (Birchall, 2004).

Table 2.1: Co-operative values and principles

Values	**Operating principles**
Self-help	1. Voluntary and open membership
Self-responsibility	2. Democratic member control
Democracy	3. Member economic participation
Equality	4. Autonomy and independence
Equity	5. Education, training and information
Solidarity	6. Co-operation among co-operatives
	7. Concern for community

Source: Table developed by author with information from ICA, undated-a.

The final three principles relate to improving and supporting the co-operative, its membership and the wider community (including other co-operatives). These emphasise the importance of education and training for both members and co-operative staff, as well as wider public awareness on key issues such as co-operation or other social goals (MacPherson et al., 2001). They emphasise the importance of solidarity amongst co-operatives and working through local, national, regional and international co-operative structures. And finally the principles mention the important role that co-operatives can play in their communities. In many countries co-operatives also have their own legal identity enshrined in (for example) a Co-operative Societies Act, which recognises some of their distinguishing characteristics and provides legislative support for them (Theron 2010).

Legal requirements of co-operatives, however, are often limited to common capital ownership or democratic member control, without reference to other co-operative principles (Novkovic, 2008). Novkovic argues that the survival, competitiveness and success of co-operatives as a business form rests also on the application of their other principles. These principles have the potential to guide strategies and practices that can be turned into co-operative advantages, showing the need for governance to be based on co-operative values and principles (Johnson and Shaw, 2014). I discuss this further below by unpacking the economic and social identity of co-operatives, and how this is expressed through their governance model.

The economic and social identity of co-operatives

As organisations owned by their members who also use them (its member-user status), co-operatives do not just focus on economic areas but also other social areas important to their members (MacPherson et al, 2001). This 'dual nature' (CCA, 2004; Odeke, 2011) can be explained by understanding co-operatives as 'enterprises' that 'build economic capital in communities', as well as associations that 'build social and human capital' (CCA, 2004:1).

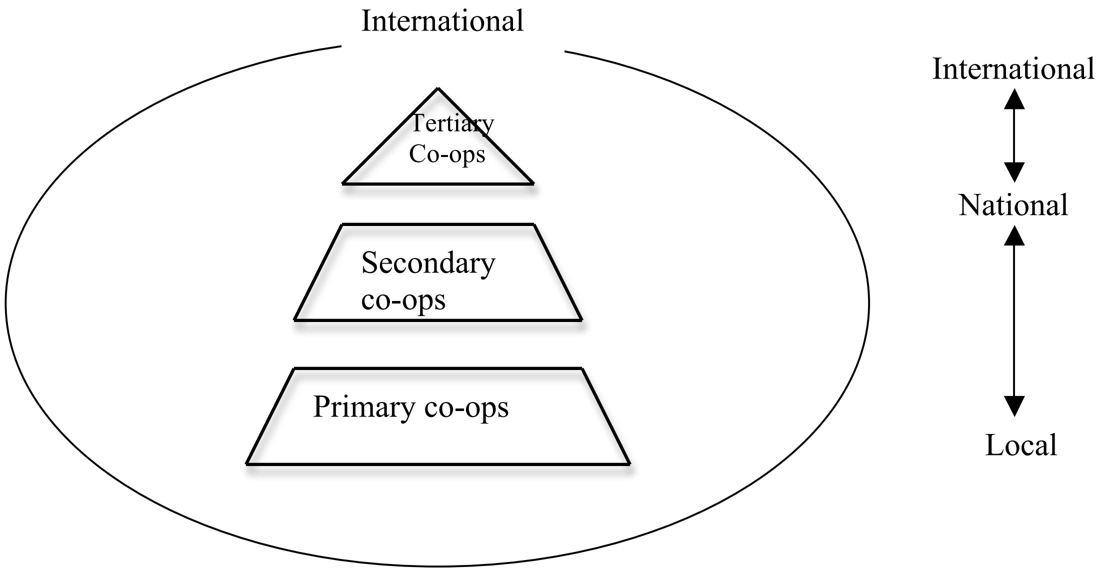
Co-operatives' dual nature means that they often have multiple objectives (Mooney, 2004; Emana, 2009), some linked to their economic identity and some to their social identity. This distinguishes them from investor owned firms that might only have an economic identity with objectives predominantly around profit maximisation (Odeke, 2011). Another important distinction in this area between co-operatives and investor owned firms is in relation to 'man-capital' (Holmén, 1990:27). In co-operatives people are seen as superior to capital (one member, one vote), whereas in investor owned firms capital is seen as superior to people (i.e. voting rights linked to shareholder value).

The social identity of co-operatives might also mean that they have separate objectives, which pursue the last three co-operative principles around education, training and information as well as supporting the communities where they operate. In investor owned firms people might be considered only as 'economic objects': as consumers, producers, investors (ILO, 2000:26). In co-operatives people are the members that own them, who then expect the co-operative to respond to their needs and show concern for their communities (Odeke, 2011). Accordingly co-operatives may be more engaged in identifying solutions to the issues affecting the communities where they are based (ILO, 2000).

The co-operative movement: its shape and purpose

The co-operative sector provides a 'network of linkages from local to global' (MacPherson et al., 2001:7). This network refers to a 'movement', which begins with primary societies that can federate to form secondary co-operatives (also known as unions). In some countries, there are also national level apex or tertiary structures. These three tiers (primary, secondary, tertiary), or a combination of these three tiers, within a country is referred to as the national co-operative movement (see Figure 2.1).

Figure 2.1: Co-operative federating structure



Source: author's own

Primary societies are usually found at the community level, and are the most common form of co-operative (DFID, 2010). They might consist of members who are farmers that supply agricultural produce to the co-operative, and can range from a handful of members to thousands. These primary co-operatives might then bulk their produce with a secondary co-operative to improve economies of scale, as well as access to resources and markets. In such cases members of secondary co-operatives would be the primary co-operatives. Secondary co-operatives might then be members of a tertiary co-operative at the national level where this exists. In some cases primary co-operatives might also be direct members of apex structures at the national level. Often the national co-operative movement will be linked to the global co-operative movement through membership and representation at international sectoral structures, such as the International Co-operative and Mutual Insurance Federation. These sectoral apex bodies sit within the global apex body for the co-operative movement, i.e. the International Co-operative Alliance. Although other types of organisations also federate, such as self-help groups and trade unions, co-operatives clearly have strength at the global level through both the sectoral and apex bodies.

This federating structure brings with it two distinct advantages at both the national and international levels. Firstly, it provides a networking advantage through economies of scale. This can allow co-operatives to bulk buy input supplies and distribute amongst the membership, access wider markets and form stronger negotiating positions, as well as access technology, capital and innovation (Gupta, 2004). Secondly, it provides an advocacy advantage through representation and promotion of the co-operative movement with actors at the different national and international levels. The advantage in this latter area is closely linked to an ideological base, and the concept of a social movement (Wanyama, et al., 2009; Birchall, 1994; Birchall and Simmons, 2007).

2.3.2 Rhetoric versus reality: a story of co-operation

We have so far discussed the 'rhetoric' – the values and principles embedded in the co-operative form, and what co-operatives *should* look like. To understand how the co-operative form has developed *in practice* over the years, I trace its history here. I discuss the early years of co-operation, and then the colonial and post-colonial days, through to the current state of the co-operative sector and the challenges that remain for it in Africa.

The early years of co-operation

Co-operation, in its modern form, is generally recognised as emerging from the English town of Rochdale during the period of early industrialisation (Euro Coop 2010; ICA, undated-c). In 1844 workers formed a co-operative to provide essential provisions (such as food) at affordable prices to its members (Euro Coop 2010). Co-operation in Europe thus began with a strong grounding in a social movement of the people and linked to the labour movement. The success of the co-operative model led to the growth of co-operatives across Europe, and the formation of ICA in 1895.

The co-operative model was exported to developing countries by colonial governments as well as the co-operative movement itself (Hussi, et al., 1993; Pollet and Develtere, 2005). The co-operative sector that emerged in Africa was therefore not a 'home-grown or spontaneous movement' (Develtere et al., 2008:2) as in Europe. It was aligned largely to the public sector under a 'colonial co-operative paternalism' (Pollet and Develtere 2005:67), with minimal member control or autonomy. There was a proliferation of co-operatives that formed over this period, with 'government the prime patron' (Develtere et al., 2008:3).

The British colonial co-operative model in Africa

The British colonies throughout Africa (which included Kenya) organised collective production units, using co-operatives to bulk and export cash crops (such as coffee, cocoa and cotton) to Europe in the name of colonial state authorities (Develtere et al., 2008). The sector was controlled directly by a government department, headed by a Registrar (Develtere et al., 2008). This government authority over co-operatives was enshrined in their common legal form (Shaw, 2006), which clearly outlined their link to government and the administrative and technical apparatus of control (Pollet and Develtere, 2005) – see Box 2.2. This often included the establishment of a national co-operative marketing board, which monopolised the buying and selling of produce from co-operatives.

Box 2.2: The Co-operative Societies Act

Co-operative Societies Acts, which set the foundation for national co-operative law, were originally established during the colonial period in many developing countries. Although these Acts have all now been amended a number of times, they continue to limit the scope of co-operative activity and functioning in some areas and can result in being an 'obstacle' to co-operative development (Theron 2010:30). In many African countries policies are being developed to redress this, but these have been slow in emerging and still do not cover all co-operative sectors.

Based on Shaw (2006) and Theron (2010)

Following independence, many of the new national governments continued to favour a co-operative strategy led by the state (Hussi et al., 1993; World Bank, 2008). The tiered co-operative structure allowed them to drive forward national economic development strategies, and continue the 'co-operative-export nexus' (Develtere et al., 2008:3).

Under this model, in the 1950s and 1960s the co-operative sector expanded significantly. By 1966, there were over 7,300 co-operatives in Africa, with more than 1.8 million members (Orizet 1969, cited in Develtere et al., 2008). In Uganda, for example, the number of members was estimated to have doubled during this period, with a tripling of the amount of cotton handled by co-operatives. By the early 1990s virtually all co-operatives throughout Africa had emerged as 'dependent agents or clients of the state' (Develtere et al., 2008:xix). The close control by government and policy framework undermined their commercial viability and inherent character of member control (Hussi et al., 1993).

Co-operatives in the era of liberalisation

Economic liberalisation policies, introduced in many developing countries in the 1980s and 1990s to shrink the public sector and expand the role of the private, affected the co-operative sector widely (Birchall and Simmons, 2007; Shaw 2006; Vicari, 2011). Co-operatives lost their close political position in government structures, which included the withdrawal of support to co-operative marketing boards and threatened their monopoly in many areas (Birchall and Simmons, 2007). It also led to withdrawal of other types of support such as input marketing of seeds or fertiliser to farmers. Instead co-operatives had to compete directly with new actors, such as private businesses, which began emerging in the new liberalised environment with stronger leadership and more market-orientated approaches. This often resulted in co-operatives losing market share and previously established trading links (Develtere et al., 2008).

The liberalisation process was critiqued for being too fast. The abrupt withdrawal of government oversight left a vacuum, with members unable to immediately leverage control over the management of co-operatives. In many cases this led to management abusing their powers, including failure to hold elections or to surrender members' savings (Develtere et al., 2008). Liberalisation also offered farmers a choice to abandon mismanaged co-operatives and sell their produce to private buyers. This resulted in a drastic reduction in the supply of produce to co-operative unions, eventually leading to the collapse of this tier in many countries (Develtere et al., 2008; Ponte, 2002). It included the loss of people's savings or livelihoods which were tied to them, and developed into a mistrust of co-operatives by many (Theron, 2010; United Nations, 2009).

The current state of the co-operative sector

Revival of co-operatives

In the 1990s, with economic liberalisation severing the links to government, leading co-operative scholars called for co-operatives to be based on fundamental principles and values (MacPherson, 1995; Münkner and Shah, 1993), resulting in the ICA definition of co-operatives (see section 2.3.1). Many national governments began to show signs of a renewed willingness to support co-operative development, with 70 countries revising legislation in line with Recommendation 193 (Johnson and Shaw, 2014). This changing scenario provided an opportunity for co-operatives to become member orientated and controlled for the first time in many countries (Pollet and Develtere, 2005).

In the last decade a 'revival' or 'renaissance' of co-operatives has been observed throughout the globe (Develtere et al., 2008:iii; UK Co-operative College, 2010:3). ICA currently has 272 member organisations from 94 countries across the world. This amounts to one billion members (ICA, undated-d, accessed 25 November 2014), which is one in seven of the world's population. In some parts, such as Canada or Norway, one in three people are members of a co-operative. Co-operatives now generate 100 million jobs globally, which is 20% more than multinational enterprises (ICA, undated-b). Their impact on livelihoods is even wider, with the livelihoods of an estimated 3 billion people (or nearly half the world's population) made secure by co-operative enterprises (UK Co-operative College 2010).

The current revival of co-operatives has given rise to the emergence of some thriving co-operative sectors around the world, including in agriculture (such as in dairy and coffee) and financial services (UK Co-operative College, 2010). Fifty percent of agricultural produce in the world is marketed via co-operatives (DFID 2010). Dairy co-operatives in countries such as India, Uganda and Kenya are transforming the production and supply of milk in their countries (see Box 2.3). Savings and Credit Co-operatives (SACCOs) represent the largest growing co-operative sector in developing countries, with loan portfolios in African SACCOs growing at an average of 12% since the financial crisis in 2008. Previous to this, growth was much higher at 35.3% in 2007 and 21.1% in 2006 (Allen and Maghimbi, 2009). These statistics make evident the widespread presence of co-operatives, particularly in sectors such as agriculture and finance.

Box 2.3: The organisational advantages of the Indian co-operative dairy sub-sector

Co-operatives are the largest formal actors in the dairy sub-sector in India, playing an important role in the growth of the milk industry. This industry has tripled production in the last three decades from 21 million metric tons in 1968 to 80 million in 2001. Along with government players, co-operatives account for 20% of total milk production. India has approximately 100,000 dairy co-operative societies at the village level with over 12 million farmer members. One of the main advantages of the Indian dairy sub-sector is its ‘bulking’ capacity, collecting approximately 16.5 million litres of milk every day, which is delivered to 170 district level diary co-operative unions for processing and marketing. These unions also provide a range of inputs and other services to members through the primary societies including animal feed, veterinary services and artificial insemination. Co-operatives market milk to over 1,000 towns and cities across India, with annual sales exceeding 80 billion rupees.

Based on Rajendran and Mohanty (2004) and US OCDC (2007)

The hybrid co-operative model

As the movement develops and individual co-operatives grow, their need for capital to expand business operations also increases. This situation has given rise to the hybrid co-operative model, which combines the co-operative and investor owned forms (Bekkum and Bijman, 2006; Spear, 2010). Hybrid co-operatives are emerging across developed as well as developing countries, and can take different shapes in different contexts. Key features include the supply of capital to the co-operative either by members or by non-member investors, with the prospect of capital gain on shares (Woodford, 2003). This allows the co-operative access to credit for either vertical integration by adding value to products, or horizontal integration into new business activities (Woodford, 2003). In some hybrid models voting rights are in proportion to capital investments, rather than following the one member one vote system (Spear, 2010; Woodford, 2003). As hybrid co-operatives develop, the extent to which they are able to 'keep the best of both worlds' (Bekkum and Bijman, 2006:13) where they retain their collective member identity with innovative investment structures, remains to be seen.

Challenges for the co-operative movement

The co-operative movement continues to face a number of challenges that may affect the ways in which it evolves further in developing countries. The most important of these is perhaps the on-going struggle to become member-focussed (Münkner, 2004), allowing members to control the co-operative and the objectives it pursues. As the role of government changes within the operation of co-operatives, the extent to which they are able to take on board member priorities and strive to achieve them becomes important to understand. The challenge here is also in the extent to which they are able to do this whilst competing successfully in a liberalised market environment.

A second challenge is in developing a federating structure that can use both its networking advantage (for example, through economies of scale) as well as promote the wider objectives of the movement (by using its advocacy advantage) (Simmons and Birchall, 2008). This latter area becomes more important as co-operatives establish greater autonomy from government. ILO and ICA (2014) state that an important way for co-operatives to impact the future development agenda is through enhancing their representation and advocacy roles. However, following the post-liberalisation scandals, the 'missing-middle' in the co-operative tiers has made it more difficult for the movement to use these federating advantages[3].

A third challenge faced by the African co-operative movement is in securing women members and leaders (ILO, 2010a; Rawlings and Shaw, 2013; Shaw 2006). Despite producing up to 80% of the food in Africa (ILO, 2010a), they represent less than 30% of co-operative members in most countries there (Majurin, 2012). In Kenya women represent only 26% of overall membership and 9% of co-operative management (ICA 2001 cited in ILO, 2010a). There are a number of factors directly impeding women's participation in co-operatives. This includes the requirement to own assets, such as land

[3] Co-operatives at the tertiary level (i.e. national level apex structures) are also not common and are still defining their roles in the 'revived' co-operative structure (UK Co-operative College 2010).

for farming or livestock for milk production. Even where women are the main labourers in these areas (as they often are in many societies), legal ownership (which might rest with male relatives) would instead determine co-operative membership rights. Co-operative laws in some countries have also resulted in limiting women's membership, such as laws that only allow one person per household to be a co-operative member[4]. In Andra Pradesh, where this requirement was removed, it resulted in thousands of women joining co-operatives (Birchall 2004).

2.3.3 Summary

The distinct identity of co-operatives, as both economic and social players sets them apart from many other types of organisations. Their histories, which include how they emerged and were introduced into society, have influenced the modern day co-operative form. In Europe, their origin in a social movement of the people has framed co-operatives as enterprises based on a set of values and principles. In developing countries, their introduction by colonial governments and continued push through national governments have mostly left co-operatives struggling to disassociate themselves from a legacy of public sector control and mistrust.

Despite these constraints, there is a definite revival of co-operatives across the globe. A more supportive legislative environment is developing as co-operatives engage with their core values and principles. However, a number of challenges remain for the co-operative sector in Africa including an ongoing struggle to be member-led and controlled, developing a federating structure at the national level that can support its further growth and development, and a membership with more involvement of women.

2.4 THE DYNAMIC NATURE OF POVERTY

Poverty has many dimensions, and can be conceptualised in many different ways (Laderchi et al., 2003). Rather than providing a detailed appraisal here of the extensive literature in this area, I give a general overview of the concept of poverty and explore areas that are relevant to this research. This includes understanding the transitional and

[4] This might be to protect voting from being concentrated in large families or to reduce complications in using family assets as guarantees

multidimensional nature of poverty, as well as a focus on agriculture and poverty dynamics.

2.4.1 Conceptualising poverty

Poverty is generally perceived to have different dynamics, rather than being a static concept that can be captured through one school of thought. A single definition of poverty is, thus, often avoided by scholars with no overall agreement in this area (Laderchi et al., 2003). I discuss three different approaches to poverty, which also have inter-linkages: absolute, relative and subjective poverty.

Absolute poverty provides a measure against a poverty line (Klasen, 2008; Hulme and Shepherd, 2003). This line has been established in many countries, as well as globally, as a way of identifying who is poor and who is not in absolute terms. The poverty line is often determined by income levels (Ayala et al., 2011; Borooah, 2005). However, increasingly, other factors are being taken into account in establishing the poverty line, such as food consumption (Hulme et al., 2001). Measures of absolute poverty form the predominant way of generating poverty statistics within a given country or region. It is also the main mechanism to identify eligibility for many state support programmes aimed at reducing poverty.

Others have advocated for an alternative conceptualisation of poverty, through the *relative poverty* discourse (Kingdon and Knight, 2006; Klasen, 2008). This identifies individuals or groups as poor when they cannot achieve the living conditions that are the general standard in the communities where they live. Their resources are so below those of others that they become ‘excluded from ordinary living patterns, customs and activities’ (Allen and Thomas, 2000:12-13). Relative poverty, therefore, does not necessarily identify poverty as absolute and measurable against a poverty line. Instead it depends on the norms and values of a particular society, and the weight they place on particular aspects of life (Allen and Thomas, 2000). Some authors argue that relative poverty can also be used to determine the poverty line (Silber 2007; Laderchi et al., 2003). For example, Silber asserts that the European Union’s definition of the poverty line as being equal to 60% of median income is actually a *relative* approach to poverty.

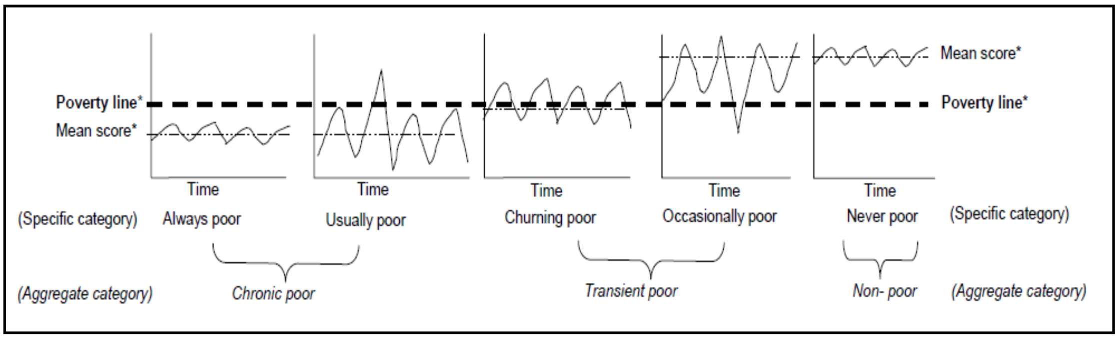
Subjective concepts of poverty were popularised by Chambers in the 1980s and 1990s (Chambers, 1983; Chambers, 1995), although the term was not coined till later. He argued that the poor should be enabled to analyse and express their own needs, which are likely to differ from those identified *for* them by development professionals (Chambers, 1995). The concept of *inequality*, fundamental to relative poverty, is also embedded within the notion of subjective poverty (Klasen, 2008). As people analyse their own situation they are likely to do this in comparison to others.

This research develops a subjective approach to poverty, which captures people's experiences of poverty in the case study villages. The main data collection method used to develop this understanding (wealth ranking exercises) encourages participants to categorise wealth groups in relation to others, drawing in concepts linked to relative poverty and inequality. Conceptualising poverty in this way allows the research to focus on areas that research participants themselves have identified and prioritised. It also provides insights into how people might rise or fall from different wealth categories, and an exploration of how the former might be supported whilst the latter is abated.

The transitional nature of poverty

In breaking down the concept of poverty, Hulme and Shepherd (2003) describe three categorisations of poor: i) the chronic poor, who are always poor or usually poor; ii) the transient poor, who are occasionally poor - poor in some periods, but not in others; iii) the non-poor, which includes those who are never poor through to those that are always wealthy. These categorisations introduce poverty into a temporal landscape, where people can fall into or move out of poverty depending on a range of factors. Figure 2.2 shows the relationship between these categorisations and the poverty line. The chronic poor either remain below the poverty line or move in and out of poverty on a regular basis. The transient poor may fall below the poverty line in some seasons or during times of crisis. The non-poor will always remain above the poverty line. For obvious reasons, it is the chronic poor who have been the main focus in poverty reduction discourse and practice. However, with greater risks linked to climate change for example, the transient poor might also be at more risk of falling below the poverty line.

Figure 2.2: The chronic poor, transient poor and non-poor – a categorisation



Source: adapted from Jalan and Ravallion, 2000 in Hulme and Shepherd, 2003:406

Although this research takes a subjective approach to poverty rather than an absolute approach that might be more commonly measured against a poverty line, recognising periods of hardship, how people cope during these times, and the impact this has on well-being is important to any conceptualisation of poverty. Considering the transient nature of poverty is therefore important in understanding how the case study co-operatives in this research might address this aspect of poverty amongst their membership and wider.

The different dimensions of poverty

From the 1980s discourse emerged on the multidimensional character of deprivation. This viewed poverty as wider than just income and food consumption and included aspects such as access to education and healthcare. Its logic was that income and consumption based indicators capture only the means to the end, rather than the end in itself (Hulme and McKay, 2006). The end may be, for example, preventing premature mortality. Raising income levels alone would not necessarily reduce poverty unless people also had access to other components to improve their living standard (Hulme and McKay, 2006) – in the example above this may include access to healthcare. Multidimensional aspects of poverty incorporated the denial of opportunity to live a tolerable life which was not 'prematurely shortened, made hard, painful or hazardous' (Anand and Sen, 1997:4-5). It also included the notion of living with 'dignity, confidence and self-respect' (Anand and Sen, 1997:4-5).

These descriptions resonate with Chambers' work on rural poverty and participatory methods (Chambers, 1995), which highlight eight dimensions of deprivation. These include physical assets and income (material aspects of poverty); social inferiority linked to aspects such as gender and caste; isolation from both social and economic support; physical weakness which include the sick and disabled; seasonality linked to food shortages; powerlessness of the poor; and humiliation which erodes self-respect. These eight dimensions capture the broad reality faced by the poor, although Chambers acknowledges that there are other aspects of deprivation that can be added to these. The Millennium Development Goals (MDGs), sealed the poverty discourse to measures beyond income and consumption to include wider aspects of deprivation.

In developing a subjective definition of poverty, this research incorporates a multidimensional approach. In Chapter 7, I discuss eight areas that participants in the case study villages identified as important to understanding their poverty and well-being. Many of these eight areas overlap with Chambers' eight dimensions of deprivation, as well as the MDG areas[5].

2.4.2 Agriculture and poverty dynamics

I have so far discussed general conceptualisations of poverty. Here, I focus specifically on agriculture and its importance in poverty debates. Although the majority of the people in the world now live in urban areas, in developing countries 3 billion of the 5.5 billion people there live in rural areas (Dethier and Effenberger, 2011). Approximately three out of every four people in rural areas depend on agriculture for their livelihood, either directly or indirectly (World Bank, 2008), showing its importance for the world's poor. Remoteness of some rural areas can mean limited access to markets, raising prices of inputs as well as more costly output marketing. All this can reduce the profitability and feasibility of agriculture or other rural income generating activities. The large numbers of people engaged in agriculture in developing countries means that GDP growth which originates in agriculture is at least twice as effective in reducing poverty as growth outside this sector (World Bank, 2008). However, the decline in donor support to the agricultural sector since the 1980s (Jones and Corbridge, 2010) has led to

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[5] There are eight MDGs: i) Eradicate extreme poverty and hunger; ii) Achieve universal primary education; iii) Promote gender equality and empower women; iv) Reduce child mortality; v) Improve maternal health; vi) Combat HIV/AIDs, malaria and other diseases; vii) Ensure environmental sustainability; viii) Global partnership for development

under-investment in this area 'damaging growth, development and poverty reduction in poor countries' (Dethier and Effenberger, 2011:2).

A renewed interest in agriculture can be seen now, with the World Bank's 2008 World Development Report focussing on 'Agriculture for Development'. The report explains that the 'political economy has been changing in favour of agriculture' (World Bank, 2008:22), with a growing focus on the sector by donors and others (Smith, 2011; Jones and Corbridge, 2010; Dethier and Effenberger, 2011). The World Development Report also emphasises that economic growth in agriculture-based countries, which include most of Sub-Saharan Africa, requires a 'productivity revolution in smallholder farming' (World Bank, 2008:1). Growing interest and awareness in these areas present an important opportunity to explore how farmer co-operatives might help improve the contribution that agriculture makes to poverty reduction.

2.4.3 Summary

Poverty is dynamic, with a number of different approaches that can be taken to its study. Whichever approach is used, the importance of the transitional nature of poverty and its multi-dimensional aspects are important to understanding how people cope with hardship, and its impact on their lives. This would include impact in areas from income to healthcare, and allowing people to live with dignity and self-respect.

With the majority of people in rural areas engaged in agriculture, growth in this area is more likely to reduce poverty. This emerging awareness has led to a focus on agriculture for development, providing an opportunity for a better understanding of how farmer co-operatives might contribute to this area.

2.5 LOCATING CO-OPERATIVES WITHIN THE POVERTY DISCOURSE

I bring the discussions above together here to explore the place of co-operatives within the poverty discourse. I begin by discussing how the co-operative form is gaining acknowledgement and interest. I then analyse the fit between co-operatives and the people-centred development approach, before examining evidence from the literature on the ways in which co-operatives impact poverty.

2.5.1 Shedding the institutional 'black-box' around farmer organisations

Often smallholder farmers cannot access credit, advances in technology, markets or even market information on their own (Dethier and Effenberger, 2011). In many cases their only access is through local institutions, which can play a fundamental role in facilitating this access and shaping the delivery of services (Agrawal and Perrin, 2009; Havnevik and Sandstrom, 2000). Along with the renewed interest in agriculture, this has led to a renewed interest in farmer organisations (Bernard and Spielman, 2009; Shiferaw et al., 2008), with co-operatives often mentioned as the main type of farmer organisation. For many Africans a co-operative is the only group to which they will belong (Develtere et al., 2008). However, their legacy of mismanagement and corruption following the period of economic liberalisation (see section 2.2.2) has left a reluctance for many studies in the agricultural sector to refer directly to co-operatives, with terms such as 'farmer-owned businesses' used instead (Birchall, 2003). This institutional 'black-box' around farmer organisations means that the advantages of the co-operative form cannot be utilised, and its disadvantages cannot be effectively addressed (Birchall 2003).

However, the recent revival of co-operatives is beginning to now result in more scrutiny and interest in the co-operative form (Cuevas and Fischer, 2006). Evidence of a changed situation is emerging, with a greater recognition of co-operatives and the federating structure as well as an understanding that the type of institution, not just institutions, matters in making poverty reduction more effective. Donors are beginning to appreciate the important role co-operatives play in tackling poverty (DFID 2009), which can also be seen by the UN declaration of 2012 as the Year of Co-operatives. This renewed interest in the role of the co-operative form means that there is now an audience more willing to explore the advantages that co-operatives bring to poverty reduction and address the challenges.

2.5.2 The co-operative form: good for poverty reduction?

Despite renewed interest in co-operatives by development partners and others, one of key debates concerns the capacity of co-operatives to directly address poverty. Münkner (2012 and 1999) argues that unlike some community based mechanisms, 'co-operatives are not designed to help the poor' (Münkner, 2012:15) and that they are not 'instruments for development' (Münkner, 1999:1). He argues that beginning from these premises will not lead to a favourable position for co-operatives vis à vis poverty reduction. Although Münkner's assertions are not based on any specific research but on his general experience of working with co-operatives, his comments resonate with those of others. Indeed the ILO and ICA definitions (see section 2.2.1) emphasise co-operatives as enterprises that provide economic opportunities for members. In some countries, the growing recognition of co-operatives as businesses within the private sector places them in the category of 'wealth creators and not poverty reducers' (Pollet and Develtere, 2005:62).

However, co-operatives' dual social and economic identity means that, as well as pursuing economic objectives, they may also be committed to social achievements. MacPherson et al., (2001:6) argue that 'if they are committed to outreach and a broadening base in community, they can reduce poverty at the same time'. Co-operatives, therefore, should not be seen so much as instruments of poverty reduction as a means through which groups of people can gain advantages that they could not do individually (Birchall, 2003). If this approach is taken, then Birchall asserts that co-operatives have the potential to reduce poverty 'more effectively than other forms of economic organization' (Birchall, 2003:4).

Similar to private sector enterprises and other types of organisations, co-operatives sometimes also need external support (financial or otherwise) to pursue their objectives (Develtere et al., 2008; FAO, 2012; Global Forum on Food Security and Nutrition, 2012). Develtere et al. argue that successful co-operatives in Africa, which can reduce poverty, have structured collaboration in place with external actors (such as donors) in areas from marketing of members' produce to facilitating educational or training programmes. Such support, however, risks transferring co-operatives from 'dependent agents of the state' (see section 2.2.2) to dependent agents of development partners. Although much of the post-liberalisation literature critiques them in the former area (Pollet and Develtere, 2005; Wanyama et al., 2009), there are only a few studies that discuss co-operatives in relation to donor dependency in contemporary times (Develtere et al., 2008; Pollet and Develtere, 2005; Global Forum on Food Security and Nutrition, 2012). In this scenario Pollet and Develtere argue that there are two types of co-operative support agencies. The first are national co-operative development agencies that have originated from northern movements, and foster co-operative development in the south. These have emerged from the sixth co-operative principle of co-operation among co-operatives and include bodies such as the Canadian Co-operative Association, We Effect from Sweden or Land o' Lakes from the USA. The second type of co-operative support agency is civil society players or intergovernmental organisations that sympathise with co-operative development, but may see them as tools to achieve other objectives such as specific development goals. Develtere et al. (2008: 20) name co-operatives with such donor dependent relations as 'don-operatives'.

From this discussion an enabling environment, which does not erode the co-operative form, can be identified where development partners recognise co-operatives as democratic member owned and controlled enterprises operating in the private sector. This reduces the risk of external actors influencing co-operatives' goals (Münkner, 2012), and undermining the focus on their multiple objectives around meeting member needs. Such an enabling environment would also ensure that any short-term programming focus of development partners does not undermine the long-term relationship that co-operatives' have with their members and the communities where they operate (Birchall and Simmons, 2009; Korten, 1980; Münkner, 2012; Global Forum on Food Security and Nutrition, 2012). A better understanding of how such an enabling environment can be brought about, which allows co-operatives to take advantage of the growing interest from development partners whilst at the same time safeguarding their identity, will help to deliver a wider impact on the poverty reduction agenda.

2.5.3 Co-operatives and the people-centred development approach

The main approaches to development, with a top down focus on rapid economic growth through industrialisation, began to be heavily criticised by the 1980s for their failure to deliver major improvements to the poor's living conditions (Vlaenderen, 2001). Alternative approaches were called for that allowed participation of local people. Korten (1984, 1987), who worked extensively in Asia with USAID, popularised the people-centred development approach. Rather than a focus on funding or external actors, it emphasises people as the critical development resource (Korten, 1987). It is based on the poor defining what they consider to be improvements in the quality of their lives, as well as mobilising and managing resources themselves to create a better future for individuals and their community (Korten, 1984). The people-centred approach is also associated with good governance: the latter sets the foundation from which people and groups can articulate their interests, needs and concerns (António, 2001). To facilitate this, the people-centred approach calls for a strengthening of institutional and social capacity that supports greater local control, accountability, initiative and self-reliance. Korten (1987) argues that this approach allows the poor to meet their own needs on a sustained long-term basis.

The concept of ownership emerges from this approach: ownership for development resting with the poor themselves. This emphasises people themselves as agents of development, solving their own problems through local organisations and networks (Allen and Thomas, 2000). One of the main criticisms of the people-centred approach is its heavy reliance on grassroots voluntary associations for putting it into practice. Sustained efforts from people in such situations, where there might not be any immediate financial or other rewards, may prove difficult. The people-centred approach also tends to consider communities as homogenous, without any power differentials that might limit the knowledge or priorities of certain groups from emerging, such as of women or certain social classes (Vlaenderen, 2001).

The people-centred development approach has been commonly attached to co-operatives (Birchall, 2003; Hartley, 2012; Vicari, 2007a; Vicari, 2007b; United Nations, 2009), which are people-centred rather than capital-centred enterprises (ILO, 2010b). The European origins of co-operatives in a people's movement would also clearly align their heritage within a people-centred model. Applying this approach to co-operatives also addresses the criticism linked to its heavy reliance on grassroots voluntary associations. As enterprises with both economic and social goals, co-operatives can combine direct benefits for members through participation in people-centred development. This approach also allows co-operatives to address the two challenges from development identified above: recognising co-operatives' democratic member ownership and control, and safeguarding their long-term relationship with members and communities. A people-centred approach further emphasises the importance of governance within co-operatives, and that governance relationships and processes allow members to articulate their priorities and take them forward through their co-operative.

2.5.4 Reducing poverty the co-operative way: a review of the evidence base

I have so far discussed where co-operatives sit within different poverty debates. I now turn to the evidence base, examining whether they actually reduce poverty. Many studies discuss the potential of co-operatives to reduce poverty (Birchall and Simmons, 2007; Couture, 2003; ILO, 2012), but only a few provide evidence in this area. Even fewer discuss *how* co-operatives reduce poverty, and the processes through which they are able to do this. Greater knowledge in these latter areas would ensure that co-operatives, as well as development partners, are able to support these processes to impact poverty more effectively. Although there are a number of earlier studies exploring co-operatives and poverty reduction (Holmén, 1999; Shah, 1995), I focus here on the post-liberalisation period and explore their relevance to contemporary times.

<u>Co-operative membership and leadership: the poor and the elites</u>

Considering who are members of co-operatives along with who runs and benefits from them, are fundamental areas that need to be considered before we can really begin to look at whether and how co-operatives reduce poverty. A number of authors acknowledge that whilst co-operatives do not reach the very poorest, as they have little to pool, they do reach sections of the poor (Münkner 2012; Bernard and Spielman, 2009; Thorpe et al., 2005; Holmén 1990). Münkner (2012:13) argues that it is the 'relatively poor' (who are able to organise and have some assets to pool) that benefit from co-operatives, as well as the non-poor.

There is, however, some evidence to suggest that certain co-operative sectors are better able to reach the poorest. A member income survey by the World Council of Credit Unions (WOCCU), an international sectoral apex body for co-operative financial institutions, found that in Kenya and Rwanda 71.3% and 55.3% of member respondents respectively lived below the national poverty lines (WOCCU, 2010:1). Savings and credit co-operatives (SACCOs) do not require members to have access to land or to own large assets, removing what can often be a barrier to participation and membership. Recent studies have also shown that the co-operative dairy sector in some developing countries, such as India, are proving to overcome barriers of caste and class in their membership and help the landless poor (Birchall 2004).

Other studies explore the benefits of different membership models including those that are made up of just the poor and those that have a 'mixed membership' - members from both the poor and the non-poor (Münkner 2012:13; Birchall, 2003:7). A large proportion of co-operatives in Africa have a mixed membership base (Develtere et al., 2008), with advantages of this model noted by authors across different co-operative sectors (Münkner, 2012; Develtere et al, 2008; DFID, 2009; Birchall, 2003). For example, evidence from a survey with 23,000 credit unions in Kenya, Rwanda and Colombia, showed that a mix of membership from the poor and lower-middle class resulted in wealthier members providing a steady source of income for the co-operative. This allowed riskier and potentially less profitable services to be made available to poor members (WOCCU, 2007).

Others have raised the critical issue of how mixed membership allows the election of leaders and managers from a broader membership base (Münkner 2012; Develtere et al., 2008). This can provide the poor with access to new knowledge and markets (Münkner 2012). At the other extreme, studies refer to elite capture (Francesconi and Heerink, 2010; Prowse, 2007). In case study research with five countries (Afghanistan, Ethiopia, Yemen, India and Vietnam) and 54 institutions, Agrawal and Perrin (2009) recorded greater accountability of decision-makers in co-operatives to their wealthier members, with corresponding benefit flows to these households.

These debates highlight the importance of understanding how co-operatives interact with their different members. It also raises the issue of how elites, who might bring advantages with them to co-operatives, can be held accountable to poorer members and allow them to retain control of their co-operative (Develtere et al., 2008).

Do co-operatives increase member income?

Although no large-scale studies have been done presenting an overarching picture in this area, case study research with specific co-operatives or communities provide insights on how co-operatives impact member income. A study of women producers in collective enterprises (including co-operatives) across seven countries in Asia, Africa and Latin America found that income had improved from engagement in fair trade networks and markets, which often paid a higher price for the women's produce than local or conventional markets (Jones et al., 2012). A study of Amul, a dairy co-operative in India, found that it generated an additional income of USD 90 for each family a year (World Bank, 2002:202) using the federating structure outlined in Box 2.4. Milk Vita, a dairy co-operative in Bangladesh that uses a similar structure to Amul, increased farmer earnings ten-fold from 1998 to 2000 (Birchall, 2003:36). Although these studies describe how the co-operatives were able to use their federating structure to raise member incomes, they do not explore the processes either within or external to co-operatives that allowed them to use this advantage to such an effect. If co-operatives have such advantages, are all dairy farmer co-operatives in the case study countries able to use these to the same extent to improve member incomes?

Other evidence emerged from a study in Uganda (Kwapong and Korugyendo, 2010b:4), which interviewed 407 members from 24 agricultural co-operatives. Over 92% of participants confirmed an increase in income over the past five years, with the majority agreeing that this increase was due to participation in the co-operative. Participants linked increased income to areas such as improved household food consumption. Although the study collected data on how the co-operatives were governed, such as member attendance at meetings and participation in decision-making processes, it did not analyse these in relation to income changes. For example, were there any links between member involvement in decision-making within the co-operative and impact on income? Another study by Kwapong and Korugyendo (2010a) explored why some co-operatives in Uganda survived liberalisation whilst others collapsed. They describe characteristics of successful co-operatives, such as good leadership and member loyalty. However, they do not explore why certain co-operatives showed these characteristics whilst others did not. How did good leadership come about? Why did members remain loyal? Such investigation would also explain how other co-operatives could develop these characteristics for success.

An in-depth case study with 106 members of a nut growers co-operative in Brazil found that members received 50% higher prices for their produce through the co-operative compared to dealer prices. Members also had access to a shop through the co-operative, which sold consumables and farm inputs at 20% below market rates. Before establishment of the co-operative members needed to sell 10kg of nuts to purchase 1kg of rice. Since it began operating they can sell just 1kg of nuts to buy 1kg of rice (Vicari, 2014:693). Although Vicari analyses the processes that impact these areas, she focuses largely on areas external to the co-operative itself, such as personal factors related to member health or education, environmental factors related to climate or infrastructure, and social factors related to public policies. This means, for example, she draws linkages between the education members receive from the co-operative and women's effective participation. She does not examine the processes within the co-operative itself to understand why this type of member education was identified as important by the co-operative in the first place. Such investigation would improve understanding of why some co-operatives focus on member education (that can reduce poverty) more than others.

Questionnaire surveys carried out with 270 co-operative members across Tanzania and Sri Lanka (in four sectors: consumer, credit, agricultural/fishing and manufacturing/industrial) showed that between 75 to 100% of respondents agreed the co-operative had increased their income (Birchall and Simmons, 2009:36). A number of reasons were given for this increase, including: access to small loans to support income-generating activities, the role of co-operatives in supplying inputs to members at low prices and on credit (which supported productivity and raised incomes), their roles in providing knowledge and training to members. However, Birchall and Simmons do not compare the different co-operatives in the study and the ways in which they provide services to members. Even if they provided the same services, were there differences in how effective they were and what were the reasons for this difference?

Although these studies provide evidence of co-operatives improving member incomes, as well as how they do this, they do not discuss *why* the co-operatives are able to do this or the processes through which they do this. An exploration of these areas would improve understanding of how other co-operatives can be supported to increase member income more effectively.

<u>Other ways that co-operatives support members</u>

As institutions with a social identity, it is important to also understand whether co-operatives support members beyond an income focus. One of the most important ways they do this is perhaps through food security and nutrition. Their predominance in the agricultural sector (see section 2.2.2) has seen them play an important role in not just widening farmer access to markets, but also to inputs and other services to improve production and access to safe food. This has included increased agricultural produce for home consumption as well as increased family intake of fresh milk (ILO and ICA, 2014).

Other important roles that co-operatives play are discussed in Birchall and Simmons' (2009) study in Tanzania and Sri Lanka, such as the establishment of welfare committees that respond to member needs (including financial needs) during illness or bereavement. Co-operatives in Sri Lanka also provided loans to members during expensive festival periods to 'help reduce depression amongst poorer members' (Birchall and Simmons, 2009:40). Some of these areas also emerged as important in a study with cocoa farmer co-operatives in Cote d'Ivoire and Ghana (Calkins and Ngo, 2005), which identified member technical training in production as a key strength of the co-operatives. These co-operatives also provided cash advances and credit for member purchase of inputs. The study compared over 200 member households with cocoa producer households in a control village, and found that overall members had an average 19% higher yield per hectare (Calkins and Ngo, 2005:6).

Similar to the discussion above on income, although these studies provide evidence of co-operatives supporting the wider needs of members and communities, they do not explore the reasons *why* co-operatives are able to do this. For example, in the Calkins and Ngo (2005) study in Cote d'Ivoire and Ghana, were there differences in the types of services provided by the cocoa co-operatives to members? If so, why did these differences exist and did they vary member productivity? Such investigations would help co-operatives, as well as development partners working with co-operatives, to understand how such services to members can be improved to reduce poverty more effectively.

2.5.5 Summary

The space for co-operatives within the poverty discourse continues to be negotiated. As the institutional black box around farmer organisations is shed, development partners are beginning to acknowledge the co-operative form and explore its contribution to poverty reduction. However, within this development scene co-operatives risk becoming mere 'instruments for development' without the advantages of their unique identity being used to transform the development agenda. This can be avoided by adopting a people-centred development approach, which allows co-operative members to take ownership of the development process, and become the agents of their own development.

Evidence is emerging on the contribution that co-operatives make to poverty reduction, including in reaching some of the poorest, in raising incomes, and in supporting members in other important ways. Although studies show how co-operatives use their institutional advantages to impact these areas, the evidence base is limited in understanding *why* some might be better or worse at using these advantages than others. Further research that explores not just whether and how co-operatives reduce poverty, but the processes through which they are able to do this would improve understanding of how the co-operative form can be used and supported to have a greater impact on poverty.

2.6 CONCLUSION

Co-operatives in developing countries have emerged from a history of public sector control and mismanagement to arrive at a crossroads. In one direction, they continue to compromise their identity (embedded in their values and principles), allowing the revived interest from national governments and donors to once again influence their goals and objectives. In the other direction, they take a less well-traversed road to preserve a rediscovered identity where member control and decision-making remain central, pursuing the multiple economic as well as social objectives important to members. As empirical evidence emerges to support the contribution of co-operatives to poverty reduction, the kind of relationships that co-operatives develop with external stakeholders vis-à-vis their internal members will influence the objectives that they pursue and the direction they take at this crossroads.

This literature review has identified important questions that this research will investigate further. This includes how member control and decision-making can remain central to the co-operative form in an environment where external actors are regaining interest in co-operatives. It also includes better understanding of the processes through which co-operatives impact poverty, and how these can be strengthened. In the following chapter I explore these areas further by mapping them onto co-operative governance relationships and processes.

CHAPTER 3

FROM CO-OPERATIVE GOVERNANCE TO POVERTY REDUCTION

3.1 INTRODUCTION

In the previous chapter I explored co-operatives and poverty reduction, highlighting gaps in knowledge around *why* co-operatives reduce poverty and the processes through which they are able to do this. I show here how a focus on co-operative governance can help to explain some of these processes to poverty reduction, and build up a conceptual framework depicted through pathways. The concept of pathways allows us to reflexively analyse fluid networks and relationships (Leach et al., 2007), which we might find in examining governance within organisations, bringing together possible sequences of events that lead from one stage (such as outputs) to another (such as outcomes) (DFID, 2006).

In section 3.2, I begin by looking at the concept of governance and some of the challenges faced by co-operatives in this area. In 3.3 I explore the first of three components of co-operative governance: the internal and external governance relationships within co-operatives. In 3.4 I explore the second component of co-operative governance linked to member participation and withdrawal. In 3.5 I examine the third component linked to the main activity areas of primary farmer co-operatives. In section 3.6 I explore an understanding of co-operative performance as both efficient and effective. In 3.7 I draw the discussion together into a conceptual framework, presented through pathways, which will be used in this research to explore whether, how and why co-operatives reduce poverty at the village and household levels. Finally in section 3.8 I present some conclusions.

3.2 THE MEANING AND CHALLENGES OF CO-OPERATIVE GOVERNANCE

3.2.1 What is governance?

The word governance emerged from a Latin word meaning to steer or give direction (Cornforth, 2012). It is about rules, regulations and procedures, as well as about relationships and communication (Novkovic, 2013a). The Co-operative Housing

Federation of Canada (2010) defines co-operative governance as how directors, and the members that elect them, set and provide overall direction for the co-operative.

When we talk about governance, are we then really just talking about management? It is important to distinguish between the two (Carver, 2007). Although both are important within co-operatives, they have distinct roles. Using a building metaphor, governance can be seen as the architecture and inspection with management as the construction component, undertaking daily building activity guided by the architect's plans and aware of the inspector's presence and requirements[6]. This distinction between governance and management also draws in concepts of control and that of checks and balances to ensure that each body is doing its job well. A notion put forward by Shah (1995) that the board gets the management it demands, can be extended to the idea that members also get the leadership they demand, and that ‘good governance is the best guarantee for good management’ (Shah, 1995:203). These issues are explored further throughout this chapter.

Although the term governance has often been used synonymously with *government* (Jordan et al., 2005), they should not be confused here. The discussion in this chapter focuses on organisational governance (rather than on public administration), drawing on both corporate and co-operative governance literature.

3.2.2 Challenges for co-operative governance

Chapter 2 discussed some of the challenges that co-operatives have faced throughout their history. This included the struggle for autonomy, and identifying the appropriate levels of external support and member control. It included challenges linked to electing and hiring the most appropriate leaders, as well as equal member participation and access to benefits. The majority of co-operative governance studies, which discuss such challenges, have been based in Europe or North America (Cornforth 2002; Cornforth 2004; Hendrikse and Nilsson 2012; Spear 2004). Here I discuss three of the main challenges, which emerged from the literature, showing how they are also core governance issues for many African co-operatives.

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[6] Personal e-mail communication from Dr Fred Freundlich, Faculty of Business in Mandragon University, Spain, on 5th January 2014

Ownership and control

One of the main challenges for co-operative governance (as with corporate governance in many cases) is ensuring that ownership and control are not separated (Jussila et al., 2007), and that owner-member interests are protected in the way co-operatives are run and managed (Cornforth, 2004). The difficulty encountered by a *large* number of *small* members (Wade et al., 1990) provides a challenge to this area: how control can be effectively exerted over other influential actors involved in the governance of a co-operative, to constrain their power and ensure member control (Spear, 2004).

In Africa the challenge in this area is two-fold. As discussed in section 2.2.2, the historical relationship between African co-operatives and their governments has meant that officials sometimes played a direct role in governing and running co-operatives. The second challenge for Africa in this area is in overcoming the legacy of management corruption, which contributed to the collapse of many co-operatives throughout the continent in the 1980s and 1990s. A recent counter trend can be seen emerging with a move to become more independent from the state and to find ways of returning control to owner-members (Develtere et al., 2008).

Inclusiveness and member participation

The challenge with respect to inclusiveness and member participation is two-fold – whether co-operatives are open to all who meet the requirement for membership, and whether they allow members to equally participate in their governance. These areas have been explored in Chapter 2, which includes a discussion of whether the poor and women are members of co-operatives, and their levels of participation. Here, I explore the implications of different levels of inclusiveness and participation for co-operative governance. In a discussion of member-based organisations in the UK, Spear et al. (2009) present a scenario where, over time, membership declines or becomes inactive. In such cases they argue that the organisation may end up being run by an elite board or full-time staff, and result in boards losing their legitimacy and accountability. It also becomes more difficult to find members with the right skills to stand for board elections, thus weakening the ability of the board to hold management to account.

In Africa many co-operatives are facing a number of challenges in their membership composition. The numbers of women and youth members remain significantly lower than older male members (ILO, 2012)[7]. Many of the reasons for these challenges are rooted in history and culture, such as land ownership favouring the male head of the family, with possible links to the phenomena of gendered institutions (see Box 2.1). As discussed in Chapter 2, a debate has also emerged on the extent to which the poor are members of co-operatives, and their participation in leadership (including on boards). Some African governments have begun to recognise these governance challenges and have tried to address them through co-operative policies and by-laws. For example, in Kenya the new constitution passed through parliament in 2012, requires members of all elective or appointive bodies to be composed of no less than one third from either sex (Constitution of Kenya, 2010). What this will mean for women's membership, participation and leadership in co-operatives remains to be seen. A number of countries (including Lesotho and Uganda) have also set up support structures within the co-operative movement to encourage a greater involvement of youth (Hartley, 2014), whilst others have introduced new codes of co-operative governance in this area (e.g. Mauritius).

Degeneration of co-operatives

Three forms of degeneration can be identified as taking place within some co-operatives in developed countries: constitutional degeneration, characterised by restricting membership and recruiting employees that allow members to retain more of the surplus (Münkner, 2004; Jones and Kalmi, 2012); organisational degeneration where participatory structures become limited and co-operatives are dominated by elites (Münkner, 2004); goal degeneration where external market pressures may mean that co-operatives focus less on social goals, degenerating to become similar to other businesses (Münkner, 2004; Spear et al., 2009). Co-operative values and principles are intended to counter this degeneration but where these are not well understood, or where hybrid co-operative models (see section 2.3.2) exist this may be more difficult (Münkner, 2004; Spear, 2004). Isolated co-operatives working on their own may also face greater difficulties in avoiding degeneration than networked co-operatives that have developed supporting structures within the movement (Jones and Kalmi, 2012).

[7] An exception to this is the new financial co-operatives sector, where women and young people are more prominent

In Africa, the challenge in this area goes back to the historical origin of co-operatives and the extent to which they developed from co-operative values and principles in the first place. The top-down manner of their introduction to the continent may mean that people did not necessarily *choose* the co-operative form so much as they were *required* to join it, facing little alternative in marketing their produce. Their continued membership may signal the limited presence of other formal institutions in rural Africa. Although this should not detract attention from the importance of the form in organising people, it means that members may have little awareness of co-operative values and principles (Wanyama, 2009), which may not have been the driving force in bringing them together.

How can these governance challenges be addressed to optimise the impact of this form on poverty? In the sections below I analyse different components of governance, and how they influence the way co-operatives operate.

3.3 THE RELATIONSHIPS IN CO-OPERATIVE GOVERNANCE: FINDING A BALANCE

In this section I discuss the first of three components of co-operative governance, taking a closer look at the relationships between co-operatives' internal and external actors. This includes members, board directors and staff, as well as their relationship with external stakeholders. I examine existing co-operative governance theories, in the context of these relationships, to understand their relevance for the African context. I propose the concept of balance to understand how these relationships might address some of the challenges discussed above.

The literature on co-operative governance is limited, and where this exists it has often been borrowed and extended from *corporate* governance (Cornforth, 2004; Danda, 2011). This focuses on the roles and responsibilities of the board of directors or on board-management relations (Cornforth 2002; Cornforth 2004; Spear 2004; Hendrikse and Nilsson, 2012). A popular governance model for non-profits (Nobbie and Brudney, 2003), the Policy Governance model developed by John Carver in the 1970s (and which has been adopted by some co-operatives in developed countries) recognises that governance must begin with owners, but then also places a heavy importance on the board (Carver, 2007).

Perhaps because of this origin outside of the movement, co-operative governance theories often only refer to members in relation to the board rather than in their own right, as may have been expected in a form where members play such a key role. Another reason for this lack of member centrality may be that in developed countries, where many of the theories originate, co-operative members are playing a limited role in governance. For example in UK consumer and user co-operatives only between one and five percent of members participate in board elections (Spear, 2004). In other parts of the world co-operatives have emerged and developed differently, suggesting the need to adapt governance thinking to their context. For example, in some countries in East and Southern Africa co-operative policies stipulate levels of quorum before member meetings can begin or voting can progress (Theron, 2010). In Zimbabwe this is set at a quarter of the membership (Theron, 2010), and in Kenya the policy states that the by-laws in each co-operative should stipulate this level (Co-operative Societies Act, 2005).

Cornforth (1995, 2002, 2004) provides some of the most extensive discussions on co-operative governance, approaching this from a European organisational and management background. He outlines six predominant theories of *corporate* boards, and examines their applicability to co-operatives: i) a democratic model; ii) principal-agent theory; iii) stewardship theory; iv) resource dependency theory; v) stakeholder theory; vi) managerial hegemony theory. He concludes that one unifying theory is not likely to be useful given the complexities involved (Cornforth, 2004). Instead he argues for an approach that brings together multiple theories and highlights the important paradoxes and tensions that co-operative boards face. He identifies three key paradoxes and argues that these can be used to improve understanding of the reality within organisations (Cornforth, 2004). These are the tension between:

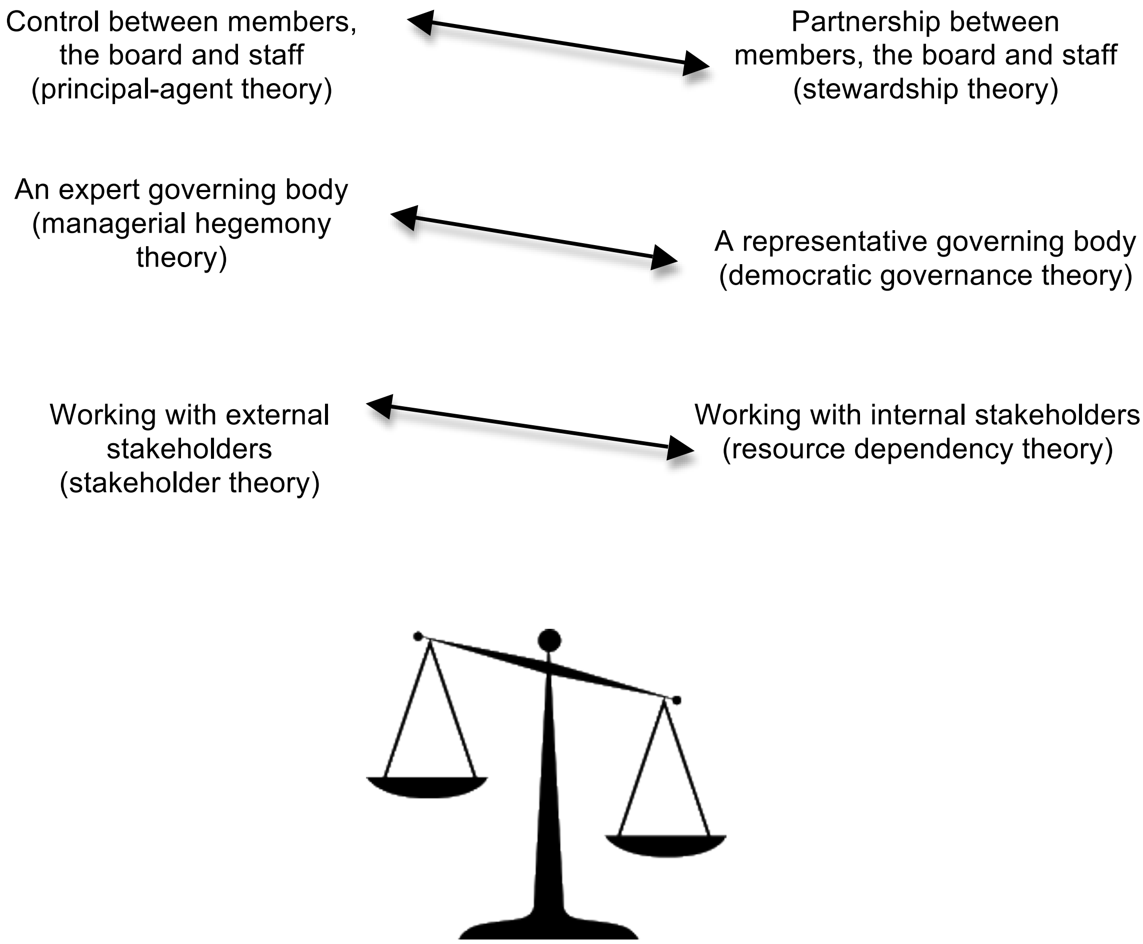
i) Board roles of *controlling* and *supporting* management;
ii) Board members who are *representatives* of a membership group, and *experts* responsible for organisational performance;
iii) Board roles of driving *performance* and *conformance* – the organisation remains accountable and behaves prudently whilst improving performance.

Cornforth acknowledges that a paradox perspective (which emphasises the tensions between opposing points) is not always appropriate, suggesting that a focus may also be needed on ‘balance’ (Cornforth, 2004). I propose a way forward from this discussion, adapting Cornforth's three tensions into areas that need to be 'balanced' to resolve the conflict in his paradoxes. I adapt these areas to address some of the co-operative governance challenges identified in section 3.2.2, in order to explore how co-operative governance in the African context can deliver real advantages to members and others:

i) Balance in control/partnership between members, the board and staff: this brings members and other staff into this area of balance, alongside the board and management;
ii) Balance between a representative and an expert governing body: this area remains relevant for the African context;
iii) Balance in working with internal and external stakeholders: this latter group (e.g. government and development partners) has played an important role in the development of African co-operatives in many countries with a balance needed in how co-operatives engage with them whilst ensuring conformance to their principles.

Figure 3.1 below depicts this balancing scale showing the relevance of the different governance theories, which are discussed further below.

Figure 3.1: Balancing co-operative relationships



Source: author's own, drawing on concepts from Cornforth (2004)

The concept of 'balance' allows governance to be understood as not static, but as something that is in constant flux. For example aspects such as regular competitive board elections, can be added or taken away to alter the balance. Such aspects can change motivations that drive the relationships between the different actors to tip the scale one way or the other. Sound rules and structures (which can be understood as the environment through which governance is operationalised, such as good management) can be put in place to limit the overall movement from the different components. Working towards a balance in the three relationship areas by members, the board and management will allow the co-operative to be governed through democratic control and joint ownership as stipulated in the co-operative identity. The notion of a 'balance in co-operative relationships' throughout this thesis will, therefore, refer to how the two competing theories in each of the three relationship areas work together in this way.

Below, I apply each of the existing governance theories and extend them to include more of a member focus, and consider their relevance to understanding the relationship balance in the African co-operative context.

3.3.1 Control/partnership between members, the board and staff

Two governance theories are important here: the principal-agent theory and stewardship theory. The principal-agent theory has its origins in economics and finance (Muth and Donaldson, 1998), and has dominated corporate governance research (Daily et al., 2003). It is based on a relationship where the owners or shareholders of the organisation (the principal) delegate work to others (the agent), who perform this management function (Walsh and Seward, 1990). These agents are usually the staff, with responsibilities also often delegated to the board of directors who are sometimes identified as a second level of agency (Daily et al., 2003). The ideal in this theory is an unbroken line of integrity from principal to performance (Carver, 2007). The tension in the theory arises through the 'agency problem' (Eisenhardt, 1989:58), which assumes that agents have different interests from principals, breaking the line of integrity. Within a co-operative I suggest that this line of integrity can be from the leadership of the primary co-operative to the member, or within a co-operative network it can be from the national or secondary co-operative leadership to the primary co-operative or its farmer members.

The principal-agent theory argues that putting in place appropriate controls, incentives and monitoring mechanisms on management is essential to achieving the principal's interests, rather than the agent's (Mitchell et al., 1997). *Controls* include separating strategic decision-making (the role of the board of directors) from decision-implementing processes (the role of management). However, effective control mechanisms would require director interests to be closely aligned to member interests. Within a co-operative the most effective way of ensuring this would be for board directors to also be active members, and to have an economic stake in the co-operative (Old, 2009). *Incentives* can also be put in place to encourage management to act in the best interest of shareholders or members, such as through remuneration packages

(Walsh and Seward, 1990). With regards to *monitoring*, appropriate information systems can be put in place, which inform the principal of what the agent is doing, to curb agent opportunism (Eisenhardt, 1989). Some countries require co-operatives to also have a supervisory board[8], which plays a similar monitoring role with the board of directors as the latter does with management. Monitoring mechanisms would thus need to be in place between the principal and all three levels of agents (the board of directors, management and the supervisory board).

Extending this theory further to co-operative members not only requires understanding the extent to which staff and the two boards are accountable to general members, but also the extent to which the latter are directly involved in important decision-making. In Africa as attempts are made to rebuild the trust lost between co-operatives' membership and leadership, following their legacy of mismanagement and corruption, the principal-agent theory helps in understanding and monitoring the motivations driving these relationships.

The principal-agent theory has been criticised for only presenting a partial view of the world and not capturing other complexities in organisational research, particularly those beyond the economics literature (Eisenhardt, 1989). It is also criticised for its questionable values about human behaviour and motivations, and the emphasis on relationships based on distrust (Old, 2009). Stewardship theory is based on opposite assumptions to principal-agent theory, making it an obvious counter-balance.

Stewardship theory has its roots in psychology and sociology (Davis et al., 1997), and has been an important building block of organisational theory. In stewardship theory managers want to act as effective stewards of the organisation's resources and are seen more as partners (Cornforth, 2004). They have no inherent conflict of interest with shareholders (Muth and Donaldson, 1998) and, by working towards organisational collective needs, their personal needs are also met (Davis et al., 1997). A stewardship approach in governance has sometimes been referred to as a moral imperative, which shows respect for the rule of law (Carver, 2007).

Rather than a relationship based on controls, incentives and monitoring mechanisms,

[8] Supervisory boards are smaller than the board of directors, and are also usually elected directly by the membership

stewardship theory is based on trust, autonomy and empowerment of management (Davis et al., 1997). Indeed, the former set of characteristics can be counter-productive in this relationship, potentially undermining the steward's pro-organisational behaviour and lowering their motivation (Davis et al., 1997). Stewardship theory therefore encourages the board to engage with managers to improve organisational performance rather than to ensure compliance with shareholder interests. It argues for a close relationship between the board and management, with the latter often sitting directly in key board positions (Davis et al., 1997). This would give stewards authority and discretion to move strategy forward without facing accountability obstacles, and allow for a more 'hands-off' role for the board (Old, 2009). Extending this theory to general members requires understanding whether co-operative staff are approachable to members, and the extent to which they consult the wider membership and take their opinions on board.

Criticisms of stewardship theory are linked to levels of risk associated with the potential for trust to be betrayed, resulting in losses for the organisation (Davis et al., 1997). The close alignment of management and governance structures under this theory can also undermine the system of checks and balances, and make management opportunism easier than under the principal-agent theory. The history of co-operative development in Africa provides a challenge to stewardship theory. However, as co-operatives re-emerge as more member-based and member-orientated, stewardship theory may have more explanatory power.

A balance in control/partnership would therefore mean having appropriate checks and balances on both the staff and the two boards (the board of directors and supervisory board), as well as having members working in partnership with them to improve the operations of the co-operative. Another possible aspect in the control/partnership balance, which is not addressed in traditional governance theories, is the relationship *between* members: to what extent do members work together and support each other to improve co-operative operations?

3.3.2 A representative/expert governing body

I apply democratic governance theory and managerial hegemony theory to explore the balance here between a representative and expert governing body. The democratic governance theory originated from thinking on public administration and local government to deal with abuses of power in the democratic process (Bevir, 2011). The theory is often discussed along two fundamental lines: representation and accountability, which are core democratic values (Olsen, 2013). Representative democracy promotes moral ideals and behaviour, which emphasise the character of officials as much as their relationship to the public. Representative democratic institutions are believed to lead to efficient and responsive public services, and to responsible government (Bevir, 2011).

The close alignment of accountability to this theory emphasises that agents will act in the interests of principals if they are made *accountable* to them (Bevir, 2011; Philp, 2009). That is if they have to explain and justify their performance to those they govern and face sanctions for misbehaviour and power abuse (Philp, 2009). However, Olsen (2013) states that *effective* accountability depends on the institutional settings within which accountability processes take place, and which address important questions such as who is accountable to whom? What are legitimate identities and roles?

Within co-operatives this theory emphasises that board members are elected by the membership, that they are *representative of* as well as *accountable to* the electorate (Cornforth, 2004). It allows for a lay or non-professional board, where anyone can put themselves forward for election. Although expertise is desirable it is not an essential requirement – the focus being instead on somebody that can effectively represent the interests of members, and answer to them.

The managerial hegemony theory draws on sociology and psychology and has its conceptual base in organisational theory (Old, 2009). It rejects the board of directors as an effective governing body, and instead encourages an organisation dominated by professional managers (Hung, 1998). Hung explains that there are both subjective and objective factors, which lead to managerial hegemony. Subjective factors help to explain a governance system in private companies, where management has controlled the selection of board members. This results in co-optation of compliant directors, interested in personal benefits (such as financial compensation, and the prestige and status associated with board membership) rather than effective governance of the organisation (Kosnik, 1987). Directors' lack of independence from the incumbent management means that, in order to maintain their board seat and associated benefits, they are expected to refrain from overt criticism of management behaviour (Kosnik, 1987).

Objective factors, which lead to managerial hegemony, include board directors' limited knowledge of the organisation (Kosnik, 1987). This is perpetuated by a lack of access to the required information to make effective decisions, due to their reliance on information provided by management (Hung, 1998). As such this theory depicts a board that is passive, and merely providing a 'rubber stamp' for decisions made by management (Kosnik, 1987:169). It is seen as ineffective in representing owner interests, or maintaining effective oversight of management performance. Under the managerial hegemony theory professional managers are able to assert growing control over the organisation. Criticisms of managerial hegemony include its heavy focus on the board's control role with management rather than acknowledging its other roles and responsibilities (Old, 2009).

In co-operatives this theory argues that having ordinary members on boards would mean that they might not have the knowledge or expertise to effectively challenge management decisions (Cornforth, 2004). The tension in this theory would be between managers and directors asserting their expertise over the other to grapple control of the organisation. In some African countries, the Co-operative Societies Act stipulates levels of qualifications that board directors need to hold before they can stand for election. However, these are often low. In Kenya, for example, the only requirement is for directors to be able to read and write (Co-operative Societies Act, 2005), suggesting that a knowledge and expertise gap may very well exist between managers and boards. With a 'new professional managerial class' (Cornforth, 2004:18) emerging in Africa, this knowledge gap may be extending and increasing the relevance of this theory to a modern Africa.

A balance in a representative and expert governing body requires a board that combines both functions - board directors who are able to relate to the membership and effectively represent their interests, as well as have sufficient expertise to work effectively with management and successfully run the co-operative.

3.3.3 Working with internal and external stakeholders

Two governance theories are helpful in understanding the balance here: stakeholder theory and resource dependency theory. Stakeholder theory became popularised by Freeman (1984) in the mid-1980s. His widely referenced definition (Frooman, 1999; Mitchell et al., 1997; Steurer et al., 2005) identifies stakeholders as 'any group or individual who can affect or is affected by the achievement of the organisation's objectives' (Freeman, 1984:46). In co-operatives this includes the internal actors - members, board directors and staff. It also includes external actors such as suppliers, customers, investors, providers of capital and also their geographic communities (Allen, 2007). It can also include government officials and other co-operatives. In this last area, it would consider the federating relationships from the primary community level co-operative, to the secondary district level, and the tertiary national level, as well as to the global level.

Using stakeholder theory to understand the leverage of external stakeholders in a co-operative takes us to the 'Principle of Who and What Really Counts' (Freeman, 1994:411) for an organisation. The first part of this principle is about identifying *who* the stakeholders of an organisation are, and the second part refers to their salience in the organisation. Mitchell et al. (1997) identify three stakeholder attributes that help managers to identify stakeholder salience:

i) Power to influence the organisation: the stakeholder can get the organisation to do something that it would not otherwise have done;
ii) Legitimacy of their relationship with the organisation: this can be based on ownership rights or moral claims, with a perception that the actions of the stakeholder are appropriate;
iii) Urgency of their claim on the organisation: the extent to which stakeholder claims receive immediate attention.

Stakeholders in possession of one attribute only are considered to have low salience, those with two attributes are of moderate salience, and those that combine all three are of high salience (Mitchell et al., 1997). Mitchell et al. also add a dynamic aspect to this theory, and discuss how stakeholders can acquire or lose attributes throughout their relationship with the organisation, so affecting their salience level. They also refer to latent stakeholders, and include those that might be *potential* stakeholders. They argue that the potential relationship can be as relevant as the actual one (Mitchell et al., 1997). In co-operatives latent stakeholders could include non-members, who might already have some stake in the co-operative as customers of its services or simply as potential new members. These stakeholder attributes help us to understand how and why managers prioritise certain stakeholders, and respond to them in the way that they do. In co-operatives this analysis would also need to include the relationship between directors and stakeholders, and understanding the former's prioritisation in these areas.

In co-operatives, as in investor owned firms, external actors may also play important governance roles. In UK co-operatives there is a growing interest in multi-stakeholder boards, which include external actors (Spear et al., 2009). This can result in some board directors acting in the interests of their stakeholder group rather than in the interests of the enterprise (Spear et al., 2009). The history of co-operative development in Africa, discussed in Chapter 2, has shown that important external actors in the governance of co-operatives there have been government officials. Although co-operative legislation in many African countries now limits membership of the board to members (Theron, 2010), government officials may still attend as well as play an important role in board meetings and member meetings. In some countries co-operative legislation stipulates certain situations where the presence of government officials is required before decisions can be passed. In Tanzania and Kenya, for example, the Registrar and District Co-operative Officers (respectively) are able to remove the board of directors and appoint an interim board if they believe it to be in the interest of members or the public (Theron, 2010; Co-operative Societies Act, 2012). In other countries government involvement continues to be required in areas such as financial accountability and health and safety. This shows their continued high salience in many countries by possessing attributes in all three areas (power, legitimacy and urgency). Stakeholder theory helps us to understand that ownership may not be the only factor in the control of member-based organisations (Spear 2004), and shows the importance of co-operatives working with external stakeholders to successfully run their operations.

In the resource dependency theory organisations are placed within their wider environment and their dependence on other actors and organisations for survival and success is acknowledged (Cornforth, 2004). The leverage that this dependence then gives to the actor over the organisation and its internal stakeholders is critical to understanding this theory (Frooman, 1999).

Here the role of the board is to manage the co-operative's dependence on others by ensuring good relations with key external stakeholders in order to get the resources they need (Hillman and Dalziel, 2003), both for the co-operative and for individual members, and to respond to external changes. This can include working with external stakeholders such as banks or other investors and donors, or private farm input suppliers. It can also include co-operatives working with other co-operatives for shared outcomes through the federating structure, as well as with non-members who may be customers of the co-operative's products. Do these external actors support or undermine the governance and operations of the co-operative? In resource strapped communities of rural Africa co-optation by external stakeholders, which diminishes the supremacy of the General Assembly and member control, can be an important governance issue.

A balance in working with internal and external stakeholders would therefore require co-operatives organising around their members but also effectively leveraging support and resources from external stakeholders without compromising member control. Within a co-operative federating structure this would require a polycentric system of governance, which safeguards each co-operative's decision-making processes, and allows 'many centers of decision-making which are formally independent of each other' (Ostrom et al., 1961:831).

3.3.4 Interdependence of relationship theories

The balancing scale depicted above in Figure 3.1 also suggests that the different theories might combine to influence the overall balance in co-operative relationships. For example, a balance in control and partnership between members, directors and staff, and between an expert and representative board, could allow directors and staff to recognise members as a high salience stakeholder. This recognition of members' power, legitimacy and urgency could mean that directors and staff seek out and prioritise member involvement throughout the running of the co-operative. Combining other areas, such as a balance between an expert and representative governing body as well as between working with internal and external stakeholders could mean that board directors are able to understand the specific needs of members and successfully secure resources from external actors to directly meet them.

This suggests that the balance in each of the three relationship areas is interdependent: a dip in one area can alter the balance in another, and influence the overall position of the scale.

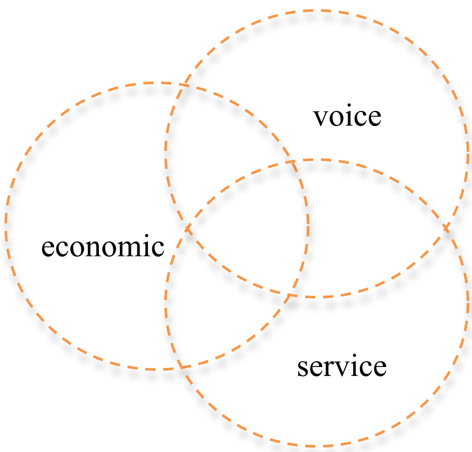
3.4 (RE)ENTRY AND EXIT FROM THE CO-OPERATIVE

On joining a co-operative, members can participate in it in different ways. On leaving a co-operative, they can withdraw from it in different ways. In this section I discuss the second component of co-operative governance by looking at how member entry or exit can strengthen or weaken governance processes. I use the word '(re)entry' to show that entry can involve new members or returning members that have been inactive in the co-operative for a while.

A framework on 'exit, voice and loyalty', developed by Hirschman (1970), explores the choices that members have when they become dissatisfied with their organisation and how those choices help to repair the organisation or lead to its decline. On dissatisfaction members can exit, or members can remain and exercise voice by taking their issues directly to management or others in authority (Hirschman, 1970). Hirschman also introduces the concept of member loyalty into this equation which, taken to an extreme can turn exit into an act of betrayal, has the potential to hold exit at bay and activate voice (Hirschman, 1970). Similarly high entry costs (such as membership fees) or high exit costs (such as ideological or emotional affiliation to a group) can limit exit and promote voice (Hirschman, 1970). Whichever option is taken (exit or voice), both have the potential to weaken or strengthen co-operative governance, depending on the extent of the exodus or the way voice is exercised. For example, exit can weaken areas such as the co-operative's collective and pooling capacity. Or it can send a clear message to the co-operative's leadership, which helps to instigate change and improve the operations of the co-operative. Similarly voice can be used in an antagonistic way to undermine the leadership, or it can be used constructively to improve and support it.

However, Hirschman's model largely views exit as a definitive act rather than understanding it as a dynamic process. This can be illustrated by looking more closely at the different ways that members might participate in farmer co-operatives. Three key ways of participation can be considered: i) economic participation, for example through regular delivery of farm produce; ii) service participation either as customers or users, for example of a farm inputs store; iii) voice participation, for example through attendance at member meetings and voting. Dissatisfaction may mean that whilst members continue to sell their produce to the co-operative (perhaps due to a lack of marketing options), they have withdrawn in other ways – perhaps no longer participating in meetings or using the co-operative's services. This suggests varying degrees of activity and inactivity amongst the membership, and that entry to and exit from the co-operative do not always have clear defining lines. Figure 3.2 below depicts this situation.

Figure 3.2: Member participation or withdrawal: degrees of activity and inactivity



Source: author's own

The overlapping circles show the degrees of member participation or withdrawal in one, two or all three economic, service and voice areas. The place where all three circles overlap represents the greatest level of participation in the co-operative, with member withdrawal occurring with a move towards the perimeter of each circle. Entry to the co-operative can occur with member participation in any *one* area, with complete exit occurring on withdrawal from all three areas.

Hirschman's concept of loyalty, which affects member entry and exit in these three areas, can be further dissected through Jussila et al's (2012) concept of member commitment through three avenues: i) organisational identification ii) organisation-based self-esteem iii) psychological ownership. These three areas provide a more detailed insight into Hirschman's concept of loyalty, helping to illustrate its links to entry and exit. In the first area of organisational identification, members identify with the co-operative's goals and values, which influence their commitment to it. This also includes a perception of the co-operative operating in member interests. Organisation-based self-esteem is based on a sense of personal importance experienced as a member of the co-operative and a belief that 'I do count in this organization' (Jusilla et al., 2012:4). Commitment here is also linked to whether the co-operative provides help in times of trouble, instilling a belief in the member that they are supported by the co-operative when this is required. Psychological ownership is linked to a sense of possession and the emotional importance of the co-operative to the member. This is also closely aligned to members feeling that they control the co-operative. However, Jussila et al., argue that merely participating in co-operative governance is not sufficient to ensure psychological ownership. What is needed is the perception that change has been brought about through use of voice. The perception of whether governing bodies represent member interests is also important to gaining psychological ownership (Jussila et al., 2012).

This understanding of loyalty suggests that if different components alter the balance in the relationships and processes of governance, member participation (or loyalty to the co-operative) and member withdrawal (or dissatisfaction with the co-operative) in the three areas (economic, service and voice) may also alter making some members more active whilst others less active. An example to illustrate this is if board elections are not perceived to be fair, then psychological ownership of the co-operative may reduce amongst members. This could lead to some members attending meetings less or only selling part of their produce to the co-operative and taking the rest to competitors, so leaving other marketing channels open for further exploitation in the future if dissatisfaction increases.

3.5 CO-OPERATIVE ACTIVITIES: A BALANCE IN WHAT AND WHY?

So far I have discussed the first two components of co-operative governance: the internal and external relationships, as well as how members participate or withdraw from co-operatives. I now examine the third component, unpacking how co-operatives engage in their different areas of activities. In section 2.3.1 I discussed how co-operatives have a dual economic and social identity, which might mean they have multiple objectives to meet member needs in different areas. Here I unpack their economic and social goals to understand the kinds of impact that they might have from pursuing these multiple objectives and activities. I then discuss how co-operatives can balance economic and social goals (or outcomes) in their different areas of activity.

3.5.1 Economic and social goals

Economic goals emphasise the economic interests of members and others in the wider community. This includes activities that help to generate greater income and other financial benefits. It might also include activities that are not directly linked to the business of the co-operative, but nonetheless promote the economic interests of individuals. It has a focus on the concept of self-reliance, and includes the aim to accumulate capital and develop other resources in order to 'remain free from all external controls and directions' (Danda and Bamanyisa, 2011:231). Social goals look beyond individual or co-operative economic needs to wider social benefits within and beyond the membership. This might include investments in public goods and services in communities where co-operatives operate. Social goals incorporate a perception of co-operatives as not just economic enterprises, but as associations that also 'build social and human capital' (Canadian Co-operative Association, 2004:1).

Social goals can get 'squeezed out' and result in co-operatives degenerating to become similar to other businesses (Spear et al., 2009:10). However, the reverse is also dangerous: too great a focus on social goals can mean that the financial viability of the enterprise is threatened (Spear et al., 2009). A balance is important, therefore, between economic and social goals to preserve the dual identity of co-operatives (Novkovic, 2013b; Spear et al., 2009).

<u>From goals to economic and social outcomes</u>

Goals provide a useful way of understanding what co-operatives are aiming for, or want to achieve. An insight into what they actually achieve requires exploring how these goals lead to outcomes. In a study with farmer leaders and staff from 42 smallholder marketing co-operatives in Latin America and Asia, Gouet and Paassen (2012) identify three areas where the co-operatives engage in important activities for members:

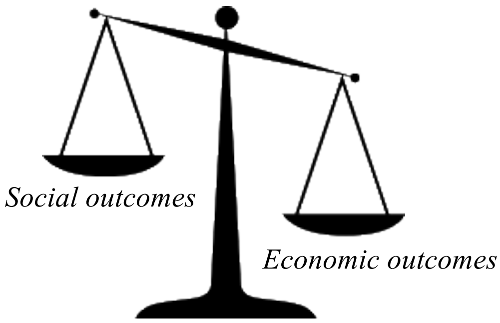
i) Direct involvement in marketing and /or service delivery;
ii) Networking, negotiating and providing support;
iii) Collection and distribution of information.

Although each farmer co-operative will engage in different activities, I adapt these three general areas to improve understanding of the different roles that they might play in a rural African context, and how a balance in economic and social *outcomes* in these areas might improve co-operative operations. The adapted activity areas are:

i) Use of collective and pooling capacity;
ii) Direct service provision;
iii) Networking and advocacy.

Collective and pooling capacity combines Gouet and Paassen’s first and third activity areas. It captures the way marketing activities are carried out in co-operatives, and the way information is collected and distributed through its networks. Direct service provision captures Gouet and Paassen’s ‘service delivery’ to farmers by the co-operative, and ‘providing support’. Networking captures Gouet and Paassen’s notion of the co-operative bringing in service delivery and support to farmers from others outside of the co-operative. This activity area can be extended to include a wider concept of networking for advocacy purposes, beyond Gouet and Paassen’s discussion of co-operatives as businesses. This wider concept captures the role of co-operatives, within a federating structure, as a social movement actor (Develtere et al., 2009). These three activity areas are captured in Figure 3.3, and discussed in more detail below.

Figure 3.3: Balancing economic and social outcomes in co-operatives



- Use of collective and pooling capacity
- Direct service provision
- Networking and advocacy

Source: author's own

3.5.2 Use of collective and pooling capacity

Co-operatives provide advantages through collective storage, processing, packaging and selling of member produce. Such collective action and pooling of resources can generate economies of scale, which help co-operatives to pay a better price to farmers. This, in turn, can stimulate greater competition in the marketplace (US OCDC, 2007), and improve farmers' marketing position in two ways: by strengthening their economic negotiating position and by addressing local market imperfections (Gouet and Paasen, 2012). However, co-operatives do not need to buy all raw produce from farmers to ensure competition in the marketplace. They can instead buy enough at a fair price to 'regulate' the market, and set a 'baseline' price for competitors. This can result in a better price for farmers where there was previously a market imperfection (Gouet and Paasen, 2012).

Collective action and pooling of resources can also impact farmers by reducing barriers to their entry into the productive economy and improving their bargaining power (US OCDC, 2007). It allows farmers to individually contribute small amounts of produce, bulk them and market them jointly. It allows them entry into a marketplace that may be dominated by large farmers, and can give them similar levels of bargaining power. Collective action also allows co-operatives to bulk purchase (such as of farm inputs) and provide members with dependable supplies at competitive prices (US OCDC, 2007). This can improve the productivity of farms and lower production costs, benefitting small farms in particular, and further reducing barriers to their entry into the marketplace.

Co-operatives can also balance social outcomes by using their collective capacity to bring members together for events, such as training (Ravensburg, 2009). The fifth co-operative principle on education, training and information encourages general knowledge promotion, not just around the business areas of the co-operative. This is also linked to networking discussed below and the co-operative drawing in services, such as training, from others.

3.5.3 Direct service provision

Co-operatives can provide a wide spectrum of services from credit and insurance to consumer goods and farm inputs (US OCDC, 2007). Depending on their business model, they may provide some of these services directly or tap into other sources for access. A balance in economic and social outcomes in this area would require co-operatives providing direct service provision in areas that benefit members economically, as well as promote their social well-being. For example, co-operatives that support the provision of farm inputs (economic outcome), as well as a hardship fund (social outcome) accessible to members during crisis (such as when there are high healthcare costs due to illness, or funeral costs due to death) are more likely to ensure that children remain in school, or enable farm productivity to continue with minimal disruption.

3.5.4 Networking and advocacy

Gouet and Paasen (2012) identify networking as the most important issue for co-operatives. Of primary importance is networking and collaborating with key actors such as local service suppliers and government officers to improve market opportunities, farm conditions and access to technologies. Gouet and Paasen discuss the importance of linking up with research centres to influence the direction of research, and to provide information to farmers about new technological developments to improve production. They also highlight the importance of farmer access to knowledge about markets, and ensuring a better fit between farm activities and market opportunities. The sixth co-operative principle of co-operation among co-operatives also encourages networking specifically within the movement, such as through the formation of unions and apex bodies (Wanyama et al., 2009).

In addition to a networking advantage, the co-operative federating structure also allows co-operatives to contribute to wider advocacy strategies that promote their sector or the movement in general. Through secondary and tertiary structures, farmers in primary co-operatives can raise issues and concerns in areas from accessing public resources to shifts in government policy. This would provide them with a voice externally, outside of their organisation. However, the fragmentation of the co-operative tiers in developing countries (see section 2.3.2) means that many co-operatives, including across parts of Africa, rise and fall without ever belonging to a secondary or tertiary co-operative (Wanyama et al., 2009). This would limit both the networking and advocacy opportunities available to co-operatives through the federating structure.

In section 2.5.2 I discussed two different types of co-operative support agencies: those that originate from northern co-operative movements, and those from civil society or multilateral bodies that sympathise with co-operative development but might see them as tools to achieve other objectives. The former type of agency, which may itself be part of a co-operative federating structure, is more likely to recognise and support the advantages of the co-operative form in this area. The latter type may not place a value on this structure and may even undermine it in the way it works with co-operatives (Develtere et al., 2008). The approach of development partners is, therefore, important to the networking and advocacy roles that co-operatives are able to play.

A balance in economic and social outcomes by the co-operative in this area would allow it to negotiate other service delivery into its membership area, which recognises the wider needs of farmers. For example, it would be important for farmer co-operatives to support the provision of training by others to improve productivity in the produce area that it markets, but also to work towards objectives of improving farm productivity in areas unrelated to its business. The latter may not lead to economic outcomes that directly benefit the co-operative, but may help promote wider social outcomes related to the well-being of families. A balance in this area would also allow the co-operative to contribute to wider networking and advocacy strategies that promote the needs of the sector or the movement in general.

3.6 CO-OPERATIVE PERFORMANCE: AN EFFICIENCY OR EFFECTIVENESS APPROACH?

Irrespective of whether a co-operative has the explicit intention of reducing poverty, these three components of co-operative governance (co-operative relationships, member participation/withdrawal, co-operative activities) have the potential to combine and affect overall performance of the co-operative, impacting poverty areas. Before we explore how this might occur, we first need to agree on a meaning of co-operative performance. In this section I discuss the importance of understanding co-operative performance not just through traditional efficiency measurements, but also through the concept of effectiveness. This allows an exploration of performance that embraces the multiple objectives and activities of co-operatives.

Efficiency measurements and analysis are amongst the most commonly used tools to measure firm performance within the agricultural and food markets (Hailu et al., 2005). These measures try to capture the competitive advantage of businesses and their viability in the market. As enterprises operating within the market, the performance of co-operatives has often been viewed against such efficiency indicators. These indicators capture the concept of technical efficiency: whether a business is able to achieve the maximum output from a specified set of inputs (Hailu et al., 2005). Efficiency also captures a second concept, allocative efficiency (or price): whether the inputs and the prices paid for those inputs allow maximisation of profits (Hailu et al., 2005). Together, technical efficiency and allocative efficiency provide a measure of economic efficiency: whether resources are being used in an optimal manner to maximise profit (Boyle 2004). Against this concept of efficiency, studies have shown co-operatives to be ‘inefficient’ compared to investor owned firms (Ferrier and Porter, 1991; Gradziuk, 2012).

However, measuring the performance and impact of co-operatives can be a complex process, perhaps more complex than for other organisational forms (Getnet and Anulo, 2012; MCDRN, 2013). This has led authors to call for a different approach to measuring co-operative performance, which takes into account their different objectives and *raison d’être* compared to investor owned firms (Soboh et al., 2012). This alternative embraces the concept of ‘efficiency of organisation’, referring to an organisation that generates a better outcome for the people involved (Milgrom and Roberts, 1992:23-24). Others have referred to this alternative organisational performance measurement as ‘effectiveness’ (Biloslavo et al., 2013; Ostroff and Schmitt, 1993; Cameron, 1986). Whereas economic efficiency is about maximising the result of an action in relation to the resources used, effectiveness is about achieving an intended or expected result (Biloslavo et al., 2013).

A ‘co-operative efficiency model’, which I would classify as an effectiveness model, was developed by Soboh et al. (2012) to compare performance in the European dairy industry against a traditional economic efficiency model. The former model took into account the different organisational objectives of co-operatives, beyond profit maximisation. This included their ability to improve *member* income, to accept *all* the produce that members deliver to them, and provide other services that members require (Soboh et al., 2012). They found that in the traditional model investor owned firms were overall more efficient. However, in the adapted co-operative model overall co-operative performance improved, and that of the investor owned firms worsened (Soboh et al., 2012).

However, is it an either or situation, or can organisations be both efficient and effective? Bilosalvo et al.’s (2013) study of companies in the food and beverage industry in Slovenia found that some companies were indeed able to manage this performance ‘duality’ to be both efficient and effective. This can be understood by recognising that organisations operate in multiple domains, requiring that their performance should also be viewed in a multidimensional way (Ostroff and Schmitt, 1993; Cameron, 1986). This would mean that rather than looking for linear associations between organisational attributes and performance, wider patterns of attributes and links should be explored (Ostroff and Schmitt, 1993).

Within a co-operative organisational context this duality in efficiency and effectiveness would recognise the multiple objectives and activities of co-operatives. This would consider whether co-operatives maximise profit as well as whether they improve margins to farmers (Boyle, 2004). It would also consider the role of co-operatives in bargaining with customers (i.e. buyers and suppliers) to improve price and other delivery conditions for both the co-operative and the farmer. The dual efficiency-effectiveness concept would also take into account other *raisons d'être* of co-operatives beyond the immediate economic context. The phrase 'income enhancement'[9] captures the contribution co-operatives make to a wider concept of income beyond the payslip. In worker co-operatives this includes the notion of co-operatives not just providing income through jobs, but providing *good* jobs which meet worker-member priorities in areas such as job satisfaction or job security. This concept can be extended to farmer co-operatives to understand the long-term relationship that they have with members. It would include supporting members to improve productivity over time, and working to raise, not just their current income, but also their *future* income.

In pursuing their social goals, co-operatives may also work to meet farmer priorities in other non-income areas or areas not directly related to the business of the co-operative. This may help to raise the overall well-being of their members, families and communities. These wider considerations, central to the co-operative identity and business approach, help to extend an understanding of co-operatives beyond the traditional economic models of production performance to embrace the multiple objectives of co-operatives and their many areas of activity. This allows us to investigate how co-operative governance affects co-operative performance (through both an efficiency and effectiveness analysis), and how that performance impacts poverty. I discuss below how all these areas and their influencing links can be brought together in a conceptual framework that I have called 'pathways from co-operative governance to poverty reduction'.

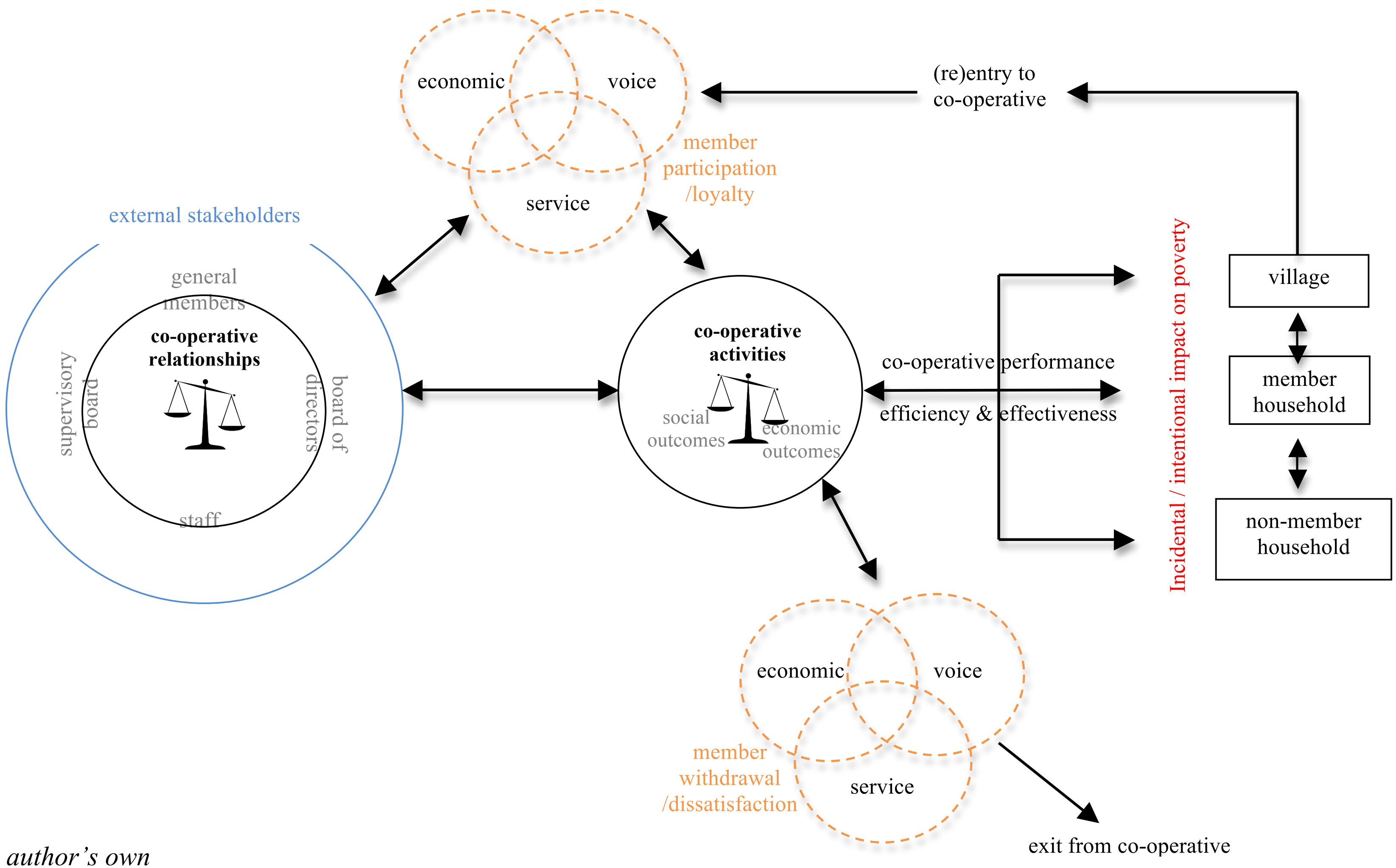
3.7 PATHWAYS FROM CO-OPERATIVE GOVERNANCE TO POVERTY REDUCTION

In the sections above I discussed three different areas of co-operative governance: I explored the internal and external actors in co-operative governance, and the importance of a balance in their relationships; I looked at member participation and withdrawal and how they can strengthen or weaken governance processes; I discussed co-operative activities, and the importance of the first two governance components in achieving a balance in economic and social outcomes in the activity areas. I introduced a number of

[9] Discussed by Terry Lewis (Principal at LIA Advisors in the US) at the ICA Global Research Conference in Cyprus, 13-15 June 2013

governance aspects throughout these discussions (such as the way elections occur in co-operatives) to illustrate how they can affect the different governance areas and alter the balance in the relationships and activities of co-operatives. This section now draws these different areas into pathways to show how they influence each other, and how they can combine to influence co-operative performance (from both an efficiency and effectiveness perspective) to impact poverty at the village and household levels (see Figure 3.4). In developing these pathways, I do not claim to capture all the links and influences between co-operative governance and poverty reduction, but make some progress towards understanding a complex reality.

Figure 3.4: Pathways from co-operative governance to poverty reduction



Source: author's own

The two concentric circles on the left of Figure 3.4 show the internal and external actors within co-operatives, and depict the balancing scale of their relationships. This allows for a balance between control and partnership in the relationships between members, the two boards (board of directors and supervisory board) and managers; between a representative and an expert body; and working with internal and external stakeholders. The latter would include the relationships that co-operatives have with local government structures, donors, financial institutions, private companies and the wider co-operative movement. The circle in the middle of Figure 3.4 depicts the activities in co-operative governance and their balance of economic and social outcomes. This includes activities linked to co-operatives' collective and pooling capacity, direct service provision and in networking and advocacy. The arrow between the two black circles shows how the relationships and the activities affect each other, with the balance in one area affecting the balance in the other.

The three orange circles at the top and bottom of Figure 3.4 show how, as the co-operative impacts its area of operation, it can draw in new members or returning members (who have been inactive for a period) increasing entry and participation in the co-operative's three economic, service and voice areas. An imbalance in the relationships and activities can lower the co-operative's overall performance, reducing member loyalty, leading to dissatisfaction and withdrawal from the three areas. The arrows from the orange circles to co-operative relationships and activities show how the balance in these areas affects the degree of member participation or withdrawal, and how this in turn can strengthen or weaken co-operative relationships and activities.

The benefits or disadvantages generated through these three components, including their links to each other and the dependencies between them (shown through the arrows in the pathways), can combine to influence overall co-operative performance (from both an efficiency and effectiveness perspective) and impact poverty, either incidentally or intentionally, at the village and household levels. This impact includes the extent to which the co-operative not just increases the income of members, but also how it does this over time, as well as raising the overall well-being of families and the wider community where it operates. This can help to reduce poverty either at the member or non-member household level, or at the wider village level. The arrows between these different impact levels (at the far right of Figure 3.4) and back to the governance processes, show how they can impact each other to further reduce poverty.

3.8 CONCLUSION

The way a co-operative is governed is not only important for its organisational identity, but can also affect its overall performance and the impact it can have on poverty. The challenges that co-operatives have faced over the years (including those linked to maintaining owner control, as well as wide and inclusive member participation, and recognising and following co-operative values and principles) have affected co-operative performance in many countries. I have developed the pathways in Figure 3.4 as a conceptual framework to improve understanding in some of these areas.

In the following chapter I discuss how the framework was developed through the abductive approach, reviewed and adapted following each stage of data collection. In Chapters 6, 7 and 8 I use the framework to analyse the empirical findings from the study, examining its usefulness in understanding links between co-operative governance and poverty reduction. In Chapter 6 I map the governance of the two case study co-operatives onto these pathways, exploring different components and the links between them. In Chapters 7 and 8 I examine how the mapped pathways affect the performance of the co-operatives in their different activity areas, and how they impact poverty at the village level as well as at both the member and non-member household levels.

CHAPTER 4: METHODOLOGY AND METHODS

4.1 INTRODUCTION

In the previous chapters I discussed the research questions and the conceptual framework (i.e. pathways from co-operative governance to poverty reduction), which guide this research. Here I discuss my approach to the research, and the different methods used to address those questions and apply the framework. This is an in depth qualitative study that looks at a specific sub-sector in Kenya – dairy farming, working with two primary co-operatives to understand their impact on poverty at the village and household levels. The majority of the research was carried out at the local level, exploring the views of both members and non-members of the co-operatives as well as of directors and staff, and of government officials and others working with the two case study co-operatives.

I begin in section 4.2 by discussing the approach taken to knowledge in the research. In 4.3 I present the research design, exploring my case study approach and other areas. I then go on to describe the sampling of research participants in 4.4 at the village and household levels, before discussing the methods used in the research in 4.5. In section 4.6 I explore the reliability and validity of the data, and in 4.7 I outline the approach taken to organising and analysing the data. In 4.8 I provide a summary, indicating what follows next.

4.2 APPROACH TO KNOWLEDGE

4.2.1 Philosophical approach

The research is informed by social constructivism: that the world is constructed by human beings as they interact and engage in interpretation. As it is not possible to know everything, there is never one complete truth (Marshall and Rossman, 2011), but rather multiple views of reality captured through subjective points of view. I explore the different opinions presented by research participants to understand how *they* perceive reality. In places I combine this with more ‘objective’ quantitative data, such as by asking farmers questions about the numbers of dairy cows owned and milk yields. However, I do this as a way to delve into people’s perceptions of whether their situation has improved or worsened, and to understand the processes of change from their perspective. In other areas a social constructivist approach is more obvious, such as in developing a definition of poverty for use within the research.

The subjectivist view of reality is also crucial to applying the conceptual framework. Objectivism would view culture within an organisation as something that it ‘has’, which can be manipulated and changed to suit different actors (Saunders et al., 2012). Subjectivism views this culture as something that the organisation ‘is’, which is created and re-created through complex social interactions and other factors to which individuals attach meaning (Saunders et al., 2012). It accepts that social interactions between actors are a continual process, and that it is necessary to study the details of a situation in order to understand what is occurring (Saunders et al., 2012). The subjectivist view allows the research to explore the balance in the relationships between the different internal and external actors in co-operatives, and focus on the factors that they consider as important.

The nature of the research questions and the research design means that findings within the research are associative. By developing and using the pathways from co-operative governance to poverty reduction, I am not trying to trace outputs to directly attributable inputs. Instead the pathways allow me to analyse how different components might combine to influence each other, and the different kinds of impacts they might have. This means that the research will be exploratory in nature, looking for linkages rather than providing clear causal relationships.

4.2.2 Research strategy

The research strategy provides a logic around *how* to answer the research question (Blaikie, 2007), with three main strategies evident: induction, deduction and abduction (Saunders et al., 2012). A deductive strategy begins with the development of a theory, which is then tested by collecting appropriate data (Saunders et al., 2012). An inductive approach works in the reverse order and begins with data collection and analysis (Blaikie, 2007). An abductive approach combines deduction and induction, moving back and forth from theory to data (Saunders et al., 2012). It can begin from the observation of a ‘surprising fact’ (Saunders et al., 2012:147) and then build up a theory of how this might have occurred. An abductive approach captures how social actors view and understand their world, and can be used to answer both ‘what’ and ‘why’ questions (Blaikie, 2010).

This research follows an abductive strategy, which begins with the ‘surprising fact’ that co-operatives reduce poverty. It embarks from this position to understand *why* this poverty reduction occurs, exploring the motives and intentions that direct people’s behaviour. A literature review was undertaken, along with four months of remote data collection from the UK in collaboration with partner organisations in Kenya. Through this process the conceptual framework began to be developed, drawing on an abductive approach that moved from theory to data. This was considered appropriate as there is significant existing literature on business management and governance from which to begin the research. However, there is less literature linking co-operative governance to poverty reduction. Thus the abductive approach helped to frame the management and governance components of the research, and slowly build up the links to co-operatives and poverty reduction. An abductive approach, which emphasises the social world and the perception of the actors within it, is also consistent with a social constructivist approach.

Phase one of data collection in Kenya was then undertaken, following which the conceptual framework was revised. These revisions altered the stakeholder focus, which initially emphasised the co-operative federating structure. After phase one, however, it became evident that other external stakeholders (such as government and development partners) were playing important roles in co-operatives, and the framework was revised to also explore these relationships. After phase two of data collection in Kenya, the framework was altered again. In depth discussions with co-operative members showed that they were not merely ‘active’ or ‘inactive’. The framework was revised to incorporate dynamic processes of entry to and exit from co-operatives, which better reflected participant views of how they interacted with the case study co-operatives.

4.3 RESEARCH DESIGN

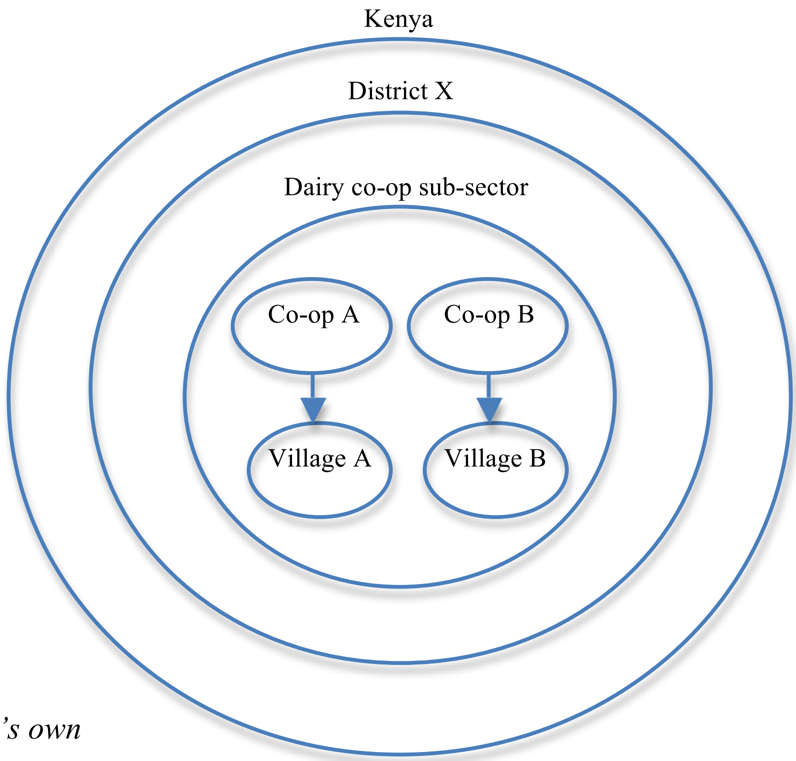
A qualitative research design was selected for this study, which is best able to make sense of a socially constructed world and the human, interpretative aspects of knowing about it (Ritchie and Lewis, 2003). Within the qualitative research design, a case study approach was adopted. I discuss this here, as well as the selection of the case study location from the national level to the individual co-operatives and villages. I then explore the different time horizons in the research, as well as the phased approach to data collection. I also discuss how the research was designed for wider use, as well as the use of a translator/research assistant within it, and explore some ethical issues.

4.3.1 Case study approach

A case study approach to the research was adopted, which can generate answers to 'how' and 'why' questions (Yin, 1994) and is compatible with the iterative theory building process (Eisenhardt, 1989) essential in an abductive research strategy. An advantage of the case study approach is its independence from prior literature or past empirical observation, which gives it potential to generate novel theories (Eisenhardt, 1989). It also allows exploration of many themes and subjects, but from a focussed group of people, organisations or contexts (Gray, 2004). This makes a case study approach particularly relevant in governance research, where it can help to uncover the relationship between a phenomenon and the context in which it is occurring, rather than just describing a particular situation (Gray, 2004).

The same case study can include more than one unit of analysis (Yin, 1994). For example, in organisational study "process units" might be included (such as meetings), which help to explain outcomes for individuals (who may be the primary unit of analysis). A tiered case study approach was adopted for this research, which allowed multiple units of analysis. This included Kenya as a case study country; within which was a case study district as the field site; a focus on dairy as the case study sector; two primary case study co-operatives; and two case study villages (see figure 4.1). The primary unit of analysis was the two villages, with a process unit of analysis included: the two case study co-operatives. The rationale behind the selection of the different case study tiers is discussed below.

Figure 4.1: Tiered case study approach



Source: Author's own

Country and district selection

Sub-Saharan Africa was selected for this research as it is lagging behind the furthest in achieving the Millennium Development Goals (MDGs). Within Sub-Saharan Africa, the East Africa region was selected as it is currently experiencing a revival and growth of the co-operative movement, allowing the research to better capture its contribution. A shortlist of five countries in the East Africa region was developed based on the presence of co-operative research partners that work with the UK Co-operative College (which is co-supervising this PhD), and might be willing to facilitate this research. A table was developed to compare characteristics between countries, and to select one with optimal characteristics (see Appendix 2). Kenya was selected from the shortlist as it had many of the optimal characteristics for the research. The unique characteristics, which led to the selection of Kenya were:

i) Presence of a four-tier co-operative federating structure. This allowed the research to explore the relationship and (dis)advantages of the co-operative hierarchy, particularly between primary societies and secondary co-operatives;
ii) Drivers for change were evident around the co-operative sector. This included new co-operative legislation, allowing the research to explore how such changes

might affect co-operative performance.

A number of different criteria were considered in further narrowing down the research location and identifying District X. This included the presence of partners as well as established primary and secondary co-operatives in field locations (see Appendix 3).

Selection of primary dairy farmer co-operatives and villages

Dairy farming as a sub-sector was chosen as it was more likely to include poorer farmers than (for example) coffee, which requires land ownership. It was also chosen as dairy farmer co-operatives (including those in District X) tended to have a larger female membership than other farmer co-operatives, allowing the option to explore gender dimensions where appropriate.

The two case study co-operatives themselves were selected to show extreme situations of governance and function as 'polar types' (Eisenhardt, 1989:537). Theoretical sampling in this way, which introduces variations within case studies as a research design (Yin, 1994), was crucial to addressing the research questions and exploring the scope of difference possible within governance, along with its impact. Eisenhardt (1989) describes two cases selected for a study: one clearly successful firm and one unsuccessful case, in order to build theories of success and failure (Eisenhardt, 1989). Co-operative A was chosen as it had indications of a stable and well-functioning governance structure. In contrast, Co-operative B was chosen because it had faced a number of governance challenges (see Chapter 6). They were selected from the same district to allow control for their external support structures: both were serviced by the same government offices (including the same District Co-operative Officer and Livestock Extension Officer), and received support from the same development partners.

The two case study co-operatives drew members from distinct parts of District X, and from a number of different villages. Two villages were selected for the study to allow exploration of the impact on poverty by the case study co-operatives: one where Co-operative A had a large number of members (Village A), and one where Co-operative B had a large number of members (Village B) (see Appendix 4). These villages were selected as they shared similarities in a number of different areas:

i. Similar percentage of co-operative members;
ii. Similar distance from their respective co-operative office;
iii. Similar distance from the main road;
iv. The elected representatives responsible for both Villages A and B had been from the case study villages since 2007 - this covered the five-year timeframe of the study (see section 4.3.2);
v. A limited number of development partners working there.

Although criterion iv was important in understanding how members and their elected representatives interacted with each other, it introduced a bias in the research. Due to the presence of elected board directors, the impact of the co-operatives in the two case study villages might be higher than in other villages where the co-operatives have members. This impact would, however, be consistent across both case study villages. With regards to criterion v, the limited number of development partners allowed easier isolation of the co-operatives' influence, but also had negative implications associated with it. In areas where other actors operate co-operatives might be less important, with a possibility that findings in the case study villages are exaggerated.

4.3.2 Time horizon

A cross-sectional time horizon was selected for this study, where data was collected at one point in time (Gray, 2004), as opposed to a longitudinal study where data might be collected over a longer period of time to track ongoing changes to a particular phenomenon. However, within this cross-sectional study up to three 'snapshots' (Gray, 2004:31; Saunders et al., 2012:190) were included, which allowed the study to capture data retrospectively at various points over a five-year period. Many of the participatory exercises asked for details on how things had changed from 2007, to 2009/10 and to 2012 (for example, changes to milk yields over these three 'snapshot' periods). The 2009/10 snapshot allowed the research to capture changes during the drought that occurred over this period, and to better understand the extent of recovery within households and villages.

The five-year timeframe was set to coincide with the governance challenges being faced by Co-operative B. It was also a period for which detailed records were more likely to exist in the case study co-operatives. As much of the research was based on recall data

(Holland, 2013), five years was also a length of time that people might remember. A danger of retrospective questioning in this way, however, is deterioration in the quality of data through problems of recall or post-event rationalisation (Ritchie and Lewis, 2003). This is a particular problem if trying to capture ‘exact’ numbers that will be added up or averaged, as this research did in some areas. In order to minimise this distortion different participatory methods were used (see section 4.5) to aid the extraction of data, and to help in triangulation.

4.3.3 Phased approach to data collection

The fieldwork was carried out over two phases: four weeks from July to August 2012, and four weeks throughout October 2012. The two-phased approach to data collection was crucial to the study design and was consistent with the abductive approach to the research, which allowed movement from theory to data. Phase one focussed on national level interviews and data collection at the village level. Phase two focussed on data collection at the household level (see Appendix 5). This approach to data collection was important for a number of reasons:

i) The village level participatory exercises in phase one allowed me to meet a wide range of people from the two case study villages, and to identify participant households for phase two.

ii) It allowed the time to reflect when back in the UK in order to design the methods for phase two with a real understanding of the two villages, and of many of the participants.

iii) Returning to the villages in phase two helped to show participants my commitment to the research and to Kenya. I found that this led to villagers taking me more seriously in phase two, and being more committed to participating and facilitating the research.

The two months of data collection in Kenya were deemed sufficient as much of the initial work for the empirical study, including planning and scoping, had been completed remotely in collaboration with We Effect[10]. This initial work also included selection of the case study co-operatives. We Effect secured consent from the two co-

[10] We Effect was one of the field partners in this project. It is the development arm of the Swedish Co-operative movement

operatives to participate in the research before start of phase one, and identified potential translators/research assistants as well as providing other logistics support. My familiarity with Kenya from previous work, and We Effect's continued facilitation of the research on the ground meant that, for the two months of fieldwork, I could remain focussed on collecting data.

4.3.4 Designing the research for wider use

In line with good practice, I was keen to design aspects into the research for benefit of field partners (We Effect and Co-operative University College of Kenya [CoCK][11]) and draw on my ten years experience as a development practitioner. My previous experience included working with donors, non-governmental organisations as well as with the co-operative movement in a number of different countries. During the four months of remote data collection in the UK, I worked with We Effect and CoCK in Kenya to understand their needs from the research. At the start of the fieldwork I also approached staff at the two case study co-operatives to gauge their areas of interests. Where specific requirements were expressed, I incorporated additional questions into research activities to explore them.

CoCK did not express any specific areas of interest, but were keen to use the research as an opportunity to expose their lecturers to PhD level studies, and to promote general research on co-operatives in Kenya. CoCK organised two workshops in its Nairobi campus (one in each phase of the fieldwork), with lecturers and members of the national co-operative movement (including We Effect Nairobi staff)[12]. The workshops allowed participants to engage with my research approach and discuss preliminary findings. We Effect was interested in using the research to understand why some co-operatives in the same area (and sometimes also in the same sub-sector) succeeded, whilst others failed[13]. We used the four months of remote data collection to sift through organisational data of different co-operatives, and to select the two case studies that would meet their

[11] CoCK was the second field partner on this project (along with We Effect). It is a higher education institution delivering both undergraduate and postgraduate courses. It also provides training to members and staff in the co-operative movement

[12] Email correspondence with Migwi Wanjohi (Lecturer and Head of Research at CoCK), 13th July 2012 and 2nd October 2012

[13] Conference call with Beatrice Okeyo (Project Manager at We Effect Nairobi), 4th April 2012, and on 13th July 2012

requirements as well as mine. I provided a report for them at the end of phase one, which contributed towards a wider formal review of their current programme, and considered future programming options.

Both the case study co-operatives expressed an interest in the research supporting an understanding of how to improve milk deposits by members, particularly during the dry season[14]. At the end of phase two I delivered presentations in this area to staff and board directors at the two co-operatives as well as We Effect regional staff. They were followed by a half-day discussion and planning session at each co-operative, focussing on practical areas to help resolve real organisational issues (Saunders et al., 2012).

4.3.5 Use of translator/research assistant

As I did not speak the local Kikamba language, We Effect staff in District X identified a number of local translators that I could work with in the case study villages. Following an interview and verbal translation test, I selected a male translator who was familiar with the locale where I wanted to work. Although I was not able to find any female translators to even interview, having a male translator/research assistant worked well. He was able to bond with male participants in a way that I could not[15], and secure their loyalty and participation within the research. From a security perspective, I also felt more confident with a male assistant as we sometimes had to trek for up to half an hour through uninhabited areas of the village to reach remote homesteads.

As ideas and concepts cannot always be easily translated into another language (Desai and Potter, 2006), I designed and ran two half-day training sessions with the translator/research assistant to minimise occasions where this occurred (one at the start of each fieldwork phase). In these sessions we discussed the different methods that would be used, and their objectives. These sessions were critical elements for successful data collection (Ritchie and Lewis, 2003), and helped to ensure that the translator/research assistant approached the research appropriately and understood the issues surrounding the discussions. They also allowed discussion of key words that

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[14] Interview with Manager of Co-operative A, 2nd August 2012; Interview with Manager of Co-operative B, 4th August 2012

[15] This bonding was particularly noticeable when informal conversations moved to the topic of drinking and second wives!

would be used throughout the fieldwork and exercises (e.g. ‘village’, ‘household’, ‘poverty’, ‘wealth’), agreeing the meaning of these within the research and the Kikamba translations. This process also helped me to learn a few key words in Kikamba, which I could use to enforce some basic monitoring on the accuracy of the translations. As I became more confident in the translator/research assistant, I gave him additional responsibilities during the fieldwork, and developed his role into that of a research assistant. Although we worked together at all times, towards the end of phase two, he led some of the participatory exercises.

4.3.6 Ethical considerations

A core ethical consideration was that of informed consent, which is the most ‘hotly debated’ ethical issue within social research (Bryman, 2004:511). An important aspect of informed consent is ensuring that research participants have access to full information about the research and its implications for them (Bryman, 2004). An information sheet about the research was emailed to national level participants prior to conducting interviews. A hard copy was also provided before the start of interviews to all national and district level participants, and written consent was secured (including from the two case study co-operatives). At the village and household levels, where some of the participants were illiterate or semi-literate, verbal information on the research was provided, with opportunities for questions. In these cases verbal informed consent was secured in the presence of the translator/research assistant.

Other important ethical considerations included recognising the work and family commitments of participants, and planning the research around participants’ schedules as much as possible. This often included scheduling exercises early in the morning before work on the farm began, or before church on Sundays. As the research was undertaken with both co-operative and non-co-operative members, it was also important to remain sensitive of any benefits or disadvantages found for either group.

The presentation of fieldwork findings also required ethical consideration. As the research focussed on governance issues, and specifically looked at two opposing case studies, I needed to ensure that the co-operatives and their members were not stigmatised by the research in any way. I also wanted to ensure that participants were able to speak openly about their impressions of the two co-operatives and in other areas.

A decision was therefore made to anonymise the location, as well as guaranteeing anonymity to the case study co-operatives and all participants at the district and local levels. A coding system was developed to uniquely identify these different categories and the people within them. In some cases pseudonyms have also been used.

4.3.7 Positionality

Within the relationship between the social researcher and the researched, O'Leary (2010) discusses the importance of building trust to ensure that respondents talk honestly and openly. She links this to power, and the need to minimise power differentials (either real or perceived) with regards to positionality in areas such as gender, age, ethnicity, socio-economic status/education, or place within a culture.

In the case study villages, my positionality was clearly affected by how I approached them, as researchers often require permission from local leaders to enter a community (Desai and Potter, 2006). On my first day in Village A, I was directed to the Elder before anybody would talk to me. In Village B, although I met the Elder informally, my requests for a formal introduction were brushed away. I soon realised that he was not well respected. However, without this hierarchical support and official 'approval' of the research in Village B, I found that I had to work harder than in Village A to bring participants on board.

In both villages I introduced myself as a student. The importance that villagers placed on educating their children allowed them to empathise with my goals and understand that, unlike other research projects that might help deliver development benefits (Desai and Potter, 2006), I would not be bringing any resources with me to their village. As part of my positionality I also considered clothing carefully which, as a female researcher, was particularly important in not being labelled negatively (Desai and Potter, 2006).

4.4 SAMPLING OF RESEARCH PARTICIPANTS

Careful sampling of participants, particularly at the village and household levels, was important to allow comparisons in many of the areas in which data was collected. I discuss here my approach to sampling at these levels, and the importance of local contacts in identifying appropriate research participants.

4.4.1 Sampling at the village level

The sample sizes for the empirical study were kept at a manageable level as suggested for qualitative studies, to ensure that they yield rich data (Ritchie and Lewis, 2003). A total of 14 group exercises (see section 4.5) were undertaken across both case study villages, with 97 participants altogether. This falls within the parameters recommended by Ritchie and Lewis (2003) within a single qualitative study: approximately 12 to 14 groups, with 90 to 100 participants. The guideline for group exercises ranges from between four and twelve participants per session (Bryman, 2004; Ritchie and Lewis, 2003; Saunders et al., 2012), with a small group size recommended for more complex topics (Saunders et al., 2012). I aimed to have approximately six participants per exercise, and I generally had between four and seven. Some of the group sizes were small due to my sampling criteria – I prioritised talking to the right people rather than meeting participant numbers.

Purposive sampling was undertaken at the village level to ensure that the people I interviewed were relevant to the research questions (Bryman, 2004). A key contact in each case study village (arranged through the two co-operatives)[16], helped to identify participants for the first group exercise[17]. This initial exercise drew a large bystander crowd, providing me with the opportunity to meet other villagers and identify two women co-operative members (my existing contacts were both male) who agreed to also help organise research activities[18]. I found that almost all homesteads had at least one mobile phone, and I was therefore able to maintain direct communication with my four contacts in the villages.

Specific sampling criteria were developed for each exercise (see Appendix 6), which included a combination of the following participant characteristics:

- Co-operative members (active and inactive – see box 4.1) and non-members
- Women and men

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[16] I paid these two key contacts a daily allowance recommended by the co-operative, which was usual practice for the area

[17] I had a list of all members in the village from the two co-operatives, and also used this as a sampling guide

[18] I did not pay these women as they were not regularly involved in organising research activities, providing only supplementary support when the main contact had difficulty in identifying or reaching particular women participants

- Age and/or life-cycle stages
- Had been 'adults'[19] for at least the last five years
- Dairy farmers and non-dairy farmers
- Location of home within the village
- Wealth category (where this was disclosed[20])
- Participation or non-participation in other exercises

I then applied stratified purposive sampling, which meant that rather than selecting participants with the same characteristics (homogenous sampling) for an exercise, I selected participants that displayed some variation but were still fairly homogenous (Ritchie and Lewis, 2003). This was done as consistently as possible across the two villages. It meant that, for the village mapping exercise for example, I selected participants living in different parts of the village or from different life cycle stages. This helped to reduce bias in the data, such as participants only developing a map with resources focussed on one part of the village or omitting resources such as schools and nurseries. However, for some exercises certain characteristics were constant across all participants (such as being actively engaged in dairy farming). Participants were usually only selected for a maximum of three village level exercises.

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[19] Age was not used to determine this as it seemed less important to the study population. Instead they talked of people becoming 'adults' when they got married or when they were able to maintain themselves (i.e. build their own dwelling within or outside the family compound, or contribute to the family food pot by working, farming their own land, or jointly farming on family plots)

[20] During the wealth ranking exercise in both villages, participants allocated wealth categories to members. However, the names of members were only disclosed in Village B. It was considered to be too sensitive an issue for disclosure in Village A

Box 4.1: Conceptualising member activity for sampling purposes

The two case study co-operatives' by-laws identified inactive members as those who had not delivered milk for at least a 12 month consecutive period. However, some members identified as inactive by the managers at the two co-operatives still attended member meetings or training sessions facilitated by them. This indicates that activity was only linked to member economic participation by the two co-operatives. Similarly, dormant members were identified as those that that had been economically inactive for at least two years. Although in this study I approach member activity and inactivity as a dynamic process of participation and withdrawal (in the three economic, service and voice areas), for sampling purposes I used the co-operatives' definition in this area, but then applied stratified purposive sampling to select 'inactive' members that showed varying degrees of participation in the other two service and voice areas.

A critique of using groups in qualitative research is the problem of group effects (Bryman, 2004), and dealing with reticent speakers or those who dominate. As I became more familiar with the villagers, and began to understand their relationships to each other, I was better able to plan group work and more effectively sample and facilitate them to improve group dynamics (Mayoux and Johnson, 2007). In section 4.5 I provide details on individual group exercises and their dynamics.

4.4.2 Sampling at the household level

I took a different approach to sampling at the household level, although this continued to be stratified purposive sampling. At the start of phase two fieldwork, I met with three key people in each village that I knew had a good understanding of the village and its activities[21]. I explained my sampling criteria for the participant households (this included some of the characteristics listed above), and then suggested names of members and non-members that I had met or was aware of from phase one[22]. We then discussed all possible participants and drew up a short list. I kept individual participant

[21] In Village A this included the Elder, the board director from the co-operative who resided in the village, and an active general member. In Village B this included two ex-directors of Co-operative B and one non-member

[22] Secondary data from the co-operative was also used to compile these suggested names, such as data on member activity levels (attendance at member meetings, co-operative training sessions, milk deposits etc.)

characteristics consistent across both villages where possible, and included those that allowed a stratified approach to the sampling.

For non-member households we agreed on who would be the most appropriate person to interview (this was based on my criteria such as gender and who looks after the cow, and their suggestions on availability and other practical issues such as health). The potential for selection bias through this process was minimised by my participant criteria list, which meant that suggestions were limited to the few people within the village that met this. During the meeting, the key people in the villages called potential participants on the phone to secure initial agreement to participate. Where this was given, contact details were shared with me.

A total of 28 households (14 in each village) participated in the research, which included 30 individual interviews. In each village, interviews were conducted with eight members (which included two people from a dual member household[23], with a total of four women members), and seven non-members (which included three women non-members). The household exercises were carried out on a separate day following the member and non-member interviews. Where possible these exercises were undertaken with two adults, usually the person interviewed and their spouse[24]. Ritchie and Lewis (2003) recommend undertaking less than 50 individual interviews, within a single qualitative research study, to ensure that the data collection and analysis remain manageable. Although the total number of individual interviews in this research exceeds that at 62, the eighteen national level interviews were only used to provide background information for the study and were not analysed in the same systematic way as the 44 district and local level interviews. This sample size allowed in-depth exploration of my research areas, but it also had some limitations. For example, the small numbers of participants in different categories (such as those that were actively engaged in dairy farming over the whole five year study period, or women dairy farmer co-operative

[23] A dual member household is where both the wife and husband are separate members of the case study co-operatives

[24] In eight out of the 28 households only one adult was available for the household exercises. These were either single adult-headed households, or other adults were away for the duration of the field research. In three of the remaining 20 households the exercises were carried out together with the daughter-in-law or mother-in-law of the person interviewed (the others being carried out with the spouse of the person interviewed)

members) limited the kinds of analysis and comparisons I could undertake.

4.5 RESEARCH METHODS

Multiple methods were used to collect data, and were important for the case study approach to the research (Saez, 2013; Saunders et al., 2012; Yin, 1994). This allowed for the development of converging lines of enquiry that follow a corroboratory mode and make a finding or conclusion more convincing (Yin, 1994). In 4.6.1 I discuss the importance of this in triangulating data, whilst I focus here on a discussion of each individual method, examining what they helped me to discover as well as what worked well and what did not. I begin by exploring my use of semi-structured interviews at the different levels (national, district and local), and then discuss each of the other methods at the local level. I also look at the importance of sequencing methods, and allowing them to flow into each other.

At the local level data were collected through semi-structured interviews, transect walks, as well as eight different participatory exercises at the village level, and five at the household level (Hannan, forthcoming). Appendix 7 outlines the purpose of each method in the research. A field diary was also kept throughout the two phases of data collection as a way of recording observations, as well as planning and reviewing day-to-day activities (Desai and Potter, 2006). It was also a useful way of overlapping data collection with initial analysis in the field (Eisenhardt, 1989), consistent with an abductive research strategy.

4.5.1 Semi-structured interviews

Interviews were carried out with different groups throughout the study area. The interview design combined structure with flexibility (Ritchie and Lewis, 2003), allowing for some open-ended questions to capture issues that may have been missed in the more structured interview guide. The majority of interviews at the national and district levels were recorded. To reduce intimidation and encourage open discussion, I did not record interviews or participatory exercises at the co-operative, village or household levels.

Interviews at the national and district levels

At the national level, six elite interviews were undertaken with policymakers and top management staff from central government ministries and apex co-operative structures (see Appendix 8). Elite interviewing provides a way of understanding 'what a set of people think' (Aberbach & Rockman, 2002:673), such as leaders within the co-operative movement. They were used to understand the vision for the national co-operative movement by people responsible for driving it forward. They also helped to explain developments at the national level and how they were expected to impact the local. The constraining factor of elite interviewing as a methodology is the difficulty 'to get in the door' (Goldstein, 2002:669) and secure interview time with the appropriate people. Both CoCK and We Effect had close working relationships with leaders in Kenya's co-operative movement, and set up many of these interviews for me. A further 12 semi-structured interviews were carried out at the national level with non-governmental organisations, research bodies and donors. These helped to contextualise development priorities at the national level, as well as the role of the co-operative movement and the dairy sub-sector within them.

At the district level I used the co-operative stakeholder mapping exercise (see below for details) to identify nine key informant interviews at this level (see Appendix 9), which included local government officials, other co-operatives and We Effect staff. These interviews explored the role of external actors in the governance of Co-operatives A and B, as well as other ways that they might interact and work with the case study co-operatives. The interviews also focussed on external stakeholder perceptions of the case study co-operatives' governance relationships and processes. These district level interviews were set up with the help of the managers at Co-operatives A and B, as well as We Effect regional staff.

Interviews at co-operative and household levels

Interviews at these levels were crucial to exploring the governance balance of the case study co-operatives. Although they could not indicate exact angles on the scale balancing relationships or social and economic goals (see figures 3.1 and 3.3), they helped to draw a detailed picture of different aspects that could affect the balance, and what this meant for the case study co-operatives and their stakeholders.

Six semi-structured interviews were carried out with staff and board directors at Co-operatives A and B. Repeat interviews were conducted with some of these interviewees (usually the manager and/or chairman of the board of directors) to elaborate on emerging areas of the research. My presence at the co-operative offices for the interviews and to collect documentary evidence (see section 4.5.6), sometimes for the whole day, also provided opportunities for informal conversations with other administrative staff and milk attendants[25]. These interviews and conversations explored the governance of the two co-operatives, delving into their internal and external relationships, as well as how their different areas of activities were managed.

Semi-structured interviews at the household level were particularly useful for probing member and non-member attitudes and opinions (Saunders et al., 2012), which were less of a focus for the participatory exercises. They also allowed exploration of individual motivations and decisions, along with their associated impacts and outcomes (Ritchie and Lewis, 2003). For example, the semi-structured interviews were important in understanding member and non-member participation in training sessions, and changed practices as a result of this. Members were also asked additional questions on areas including co-operative leadership and representation, providing insights into their perception of governance relationships and processes at the co-operatives (see Appendix 10).

4.5.2 Transect walk

A transect walk in each village, guided by a participant who had lived there for many years and knew it well, was completed before the start of data collection at the local level. In Village A, the Elder helped to identify the guide. In Village B, I asked the key contact to be the guide as he had lived in the village for the majority of his life and knew it well. I used this walk to understand the boundary of the villages, the main resources within it (e.g. water points, schools), and historical information about them (such as when they were first established, as well as future plans in these areas). It led to discussions with the guide and other villagers met during the walk, about who owned what portions of land, the different crops being farmed, and common farming techniques. As the first research activity in the villages, it allowed myself and the

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[25] Milk attendants were responsible for collecting and measuring member milk deposits

translator to better contextualise the discussions that ensued with villagers.

4.5.3 A participatory approach

Participatory approaches to research and development emerged from the shortcomings of top-down development (Cooke and Kothari, 2001), and tried to get closer to local knowledge (Kothari, 2001). It attempted to address problems associated with externally imposed research and development planning, by allowing the 'people' central to development to influence and control the process (Cooke and Kothari, 2001), with a promise of empowerment and transformative development for marginal people (Hickey and Mohan, 2004). Others have approached participation as a human right (Desai and Potter, 2006), where people have the right to influence the decisions affecting their lives.

In the 1990s voices of dissent criticising participatory development began to emerge. Central to the critique of this as an approach was that of power: its obsession with the 'local' having failed to engage with wider issues of power and politics, which questions participation as a process of empowerment (Hickey and Mohan, 2004). Understanding these power relations - between the local and wider levels, between the researcher/practitioner and the participants, and between the villagers themselves - is necessary in both effectively designing and interpreting participation (Mayoux and Johnson, 2007). Cooke and Kothari (2001) identify three sets of 'tyrannies' to participation:

i) Tyranny of decision-making and control: do participatory facilitators override existing legitimate decision-making processes?
ii) Tyranny of the group: do group dynamics lead to participatory decisions that reinforce the interests of the already powerful?
iii) Tyranny of method: have participatory methods driven out others that have advantages participation cannot provide?

This research has tried to address the power critique and 'tyrannies' of participation in a number of different ways. In an attempt to address 'tyranny of decision-making and control', my entry into the two villages was staged through the case study co-operatives and through key villagers (the Elder and key informants). In this way, I used existing legitimate structures and decision-making processes to help establish my research in the two villages. With regards to ‘tyranny of the group’, the sampling approach was designed to ensure that voices from specific groups of villagers were heard, and not just those of a few outspoken ones. I also adapted to group dynamics to encourage wider individual participation within the group (see discussion below on each individual method). With regards to ‘tyranny of method’, I used semi-structured interviews in addition to a range of participatory methods. Although the majority of the empirical study at the local level focussed on participatory exercises, I used a variety of visual material and data collection techniques to engage participants and stimulate conversation in different ways.

My reflection on positionality within the research was also used to acknowledge power inequalities between the researcher and those being researched (Mayoux and Johnson, 2007). My introduction to the villagers as a student (a role that they could all understand and empathise with), my use of a local translator/research assistant, my attention to clothing etc. (see section 4.2.3) were all used to help in this.

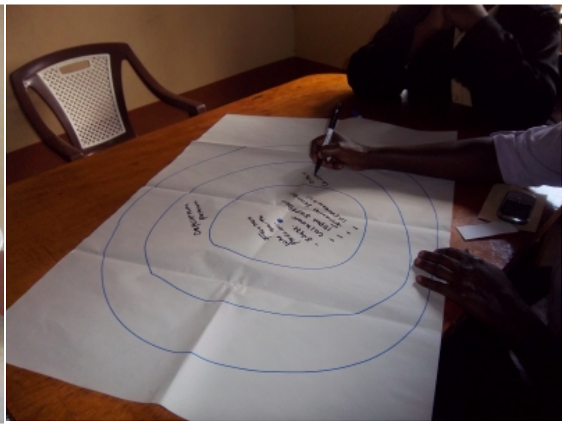
Participatory exercises at the co-operative level

Two participatory exercises were carried out in Co-operatives A and B, consisting of between three to six people in each. Participants included one or two staff members (the manager and/or the secretary) and two to four board directors. Both the exercises were carried out together in each co-operative, with the same participants. Similar to the interviews at the co-operative level, these exercises explored how different stakeholders (both internal and external) interacted with and influenced the case study co-operatives.

Stakeholder mapping

Participants were given a sheet of flipchart paper and pens, and asked to identify the different levels of stakeholders that they interacted with. I suggested that they start with a core circle of stakeholders closest to them. This exercise elaborated on the influence and interests of different stakeholders (VSO, undated), and identified the main external actors for the semi-structured interviews at the district level. Both staff and directors at the two co-operatives participated well in this exercise, either contributing to the development of the physical map or engaging in the verbal discussion.

Figures 4.2 (left) photos of stakeholder mapping exercise, and 4.3 (right) developing stakeholder map at Co-operative A[26]

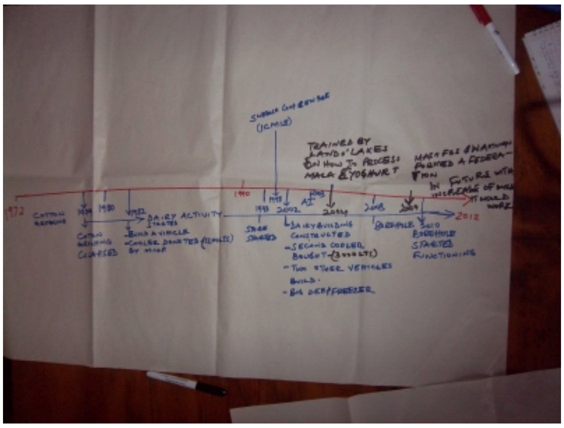
 

Co-operative timeline

Participants were given a sheet of flipchart paper with a line drawn horizontally from one end to the other. I gave out pens, and asked participants to identify the main developments in the co-operative since its establishment, and the impact of these on members and others. This exercise worked well in understanding the 'identity' of the co-operative (VSO, undated), and allowed a discussion of important historical markers and actors. Directors often had more knowledge in this area than staff (who had usually joined the co-operative at a later date), talking eloquently about the history of the co-operative, and their ambitions in different areas.

[26] Photo taken during fieldwork in Kenya by Rowshan Hannan, October 2012

Figures 4.4 (left) photos of co-operative timeline exercise, and 4.5 (right) completed timeline chart at Co-operative B[27]



Participatory exercises at the village and household levels

All exercises at these levels were designed to be accessible to illiterate or semi-literate people, with minimal writing used in exercise materials (often just dates or numbers). Where written words were used these were in Kikamba, with a pictorial representation next to them. Although many of the participatory exercises required participants to allocate seeds to different areas, the instructions clarified that they did not need to count them but could just allocate an amount that they thought was appropriate. Participatory exercises at both the village and household levels were designed to explore poverty, including whether, how and why it might have changed over the five year study period.

Village level exercises

It was first necessary to identify the boundaries of the villages to limit participation to these areas. In Village A this was agreed with the two key contacts in the village and the Elder. In Village B this was agreed with the two key contacts and a previous co-operative director. In both cases they suggested following the formal village boundaries outlined by local government.

Six different participatory exercises were carried out at the village level. I ran some of these exercises twice in each village (once with a group of women, and once with men), making a total of nine exercises conducted in each village. Typically the exercises took

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[27] Photo taken during fieldwork in Kenya by Rowshan Hannan, October 2012

between 40 minutes and one hour to complete, and were conducted outside in an appropriate homestead with easy access for the participants taking part. The exercises moved indoors only when it rained. As explained in section 4.4.1, I generally had between four and seven participants in each exercise, with individual participation usually limited to a maximum of three exercises. Although, for many of the exercises there were other people observing on the periphery, I ensured that the group sat apart from this crowd (often under the shade of a different tree). In Village A, 27 different participants were involved in these nine exercises, and in village B there were 31 different participants. As also explained in section 4.4.1 participants were selected according to criteria developed for each exercise, using a stratified purposive sampling approach.

i. Village mapping

Two mapping exercises were carried out in each village (one with a group of women, and one with men). I asked participants to draw their village in order to understand where they go to get important resources (VSO, undated). This led to discussions about who could access which resources and why others were not able to (e.g. the distance of free water points, such as dams and rivers, from some parts of the village meant that people had to buy water from private vendors whilst others did not). The women were generally slower in taking up the pen and mapping. But once they did, they were just as eager as the men, with lively discussions and disagreements taking place about what went where.

Figures 4.6 (left) photos of women's mapping exercise, and 4.7 (right) developing map in Village B[28]

ii. Wealth ranking

One wealth ranking exercise was carried out in each village with a mixed group of women and men. Participants identified different wealth categories in their village, and were then given 100 seeds representing all the people within the village. They allocated the seeds to the different wealth categories as they perceived the situation to be currently (in 2012), and another 100 seeds for five years previously (in 2007). Although this exercise ran smoothly in both villages, participants ranked according to *household* rather than *individual* wealth status. This meant that wealth categories of non-family members residing within the homestead (such as of labourers), as well as intra-household wealth differences, were not necessarily reflected. I realised that this was a sensitive distinction to capture in such a group, and did not re-clarify the instructions. Some of these issues are discussed further in Chapter 8. Participants also undertook similar wealth ranking of co-operative members in their village. In Village B, one or two participants discretely disclosed the names of the members allocated in each category, but in Village A they refused saying that it would not be respectful.

The men tended to dominate this exercise in both villages, doing almost all the ranking. I directed many of my questions at the women, and they contributed to the discussion rather than the physical ranking. The wealth ranking exercises were instrumental to developing a multidimensional understanding of poverty in the two villages, and helped

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[28] Photo taken during fieldwork in Kenya by Rowshan Hannan, August 2012

to identify eight ‘priority areas’ that were important for people’s well-being[29]. These priority areas were incorporated into some of the other participatory exercises, as discussed below.

Figures 4.8 (left) photos of wealth ranking exercise, and 4.9 (right) wealth ranking scores in Village A[30]

iii. Village timeline

A timeline was developed with a mixed group of women and men in each village, tracing milestones or key achievements for the village (VSO, undated) over the five year study period. Discussions focussed on why events occurred as they did, and what this meant for the village. Although I wanted participants to mark these events using a pen on flipchart paper, they seemed reluctant to do this. This was the only exercise where villagers were required to do some writing, and this aspect did not work. In the end, I did the writing for this exercise in both villages, while participants directed me. However, the discussions flowed well, with good participation of both women and men.

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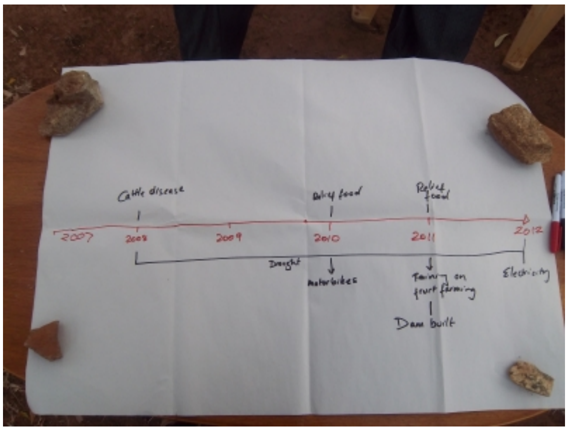
[29] These eight areas were: i) access to water; ii) food intake; iii) access to healthcare; iv) children successfully completing primary school; v) quality of homesteads; vi) access to land for livelihoods; vii) livestock ownership; and viii) access to knowledge and training on livelihoods (see section 7.3)

[30] Photo taken during fieldwork in Kenya by Rowshan Hannan, August 2012

Figures 4.10 (left) photos of village timeline exercise group[31], and 4.11 (right) completed village timeline chart in Village B[32]



iv. Village trendlines

Two trendlines exercises were carried out in each village (one with a group of women, and one with men). Each group was presented with an axis drawn on flipchart paper (the bottom axis representing years, and the side representing 'high' and 'low'). They were provided with a length of string and asked to arrange it on the paper to show trends in the eight priority areas (identified from previous village level exercises) over the five-year study period. A string was given rather than a pen to allow participants to change the shape of the trendline as discussions progressed, and to encourage collaboration within the group. Once a trendline was agreed I traced the outline with a pen. This was one of the exercises with wider participation from the group, with two or three people often working together to shape a trendline.

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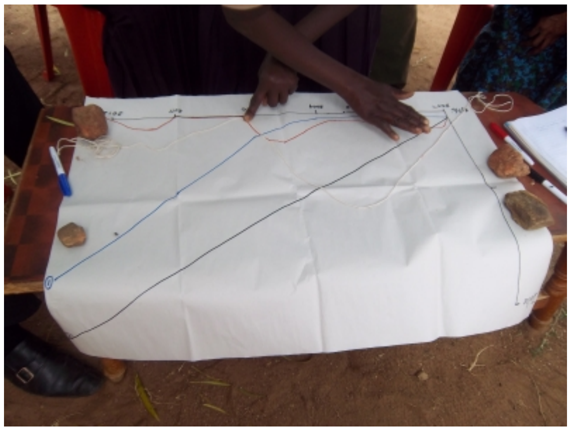
[31] Photo taken during fieldwork in Kenya by translator/research assistant, August 2012
[32] Photo taken during fieldwork in Kenya by Rowshan Hannan, August 2012

Figures 4.12 (left) photos of women's trendlines exercise, and 4.13 (right) trendlines chart being developed in Village A[33]

v. Village resource scoring

This was the only village level participatory exercise carried out in phase two, designed to fill gaps that emerged in the data and to further triangulate information at this level. It was a matrix scoring exercise, carried out with a mixed group of women and men in each village, to capture changes to resources within homesteads over the five year study period. The resource areas included:

i) Practice of rainwater harvesting
ii) Ownership of water tanks
iii) Ownership of fuel efficient stoves
iv) Ownership of animal fodder store
v) Women generating their own income

Participants were given one seed representing each homestead in the village[34], and asked to identify how many had each of the above resources or practices in 2007 and in 2012. This exercise was conducted first in Village A, where participants asked for clarification on the definition of some of the resources. These were agreed within the group, and the same definitions were given to participants in Village B. In designing this exercise I assumed that participants would estimate the allocation of seeds for each resource area. However, in Village A the group counted individual homesteads together

[33] Photo taken during fieldwork in Kenya by Rowshan Hannan, August 2012
[34] This was 53 in Village A, and 123 in Village B

and decided on the seed for each resource area. In Village B, they divided the village into sections and asked two or three participants to agree an allocation for their section. For some of the resource areas participants mentioned that they may be out by one or two seeds as they were not sure about certain homesteads.

The village resource scoring exercise also ranked changes to different livestock ownership (cows, goats, poultry and bulls) and fruit production in the villages. Participants were given 100 seeds, which represented all the dairy cows or fruits (for example) that were currently owned or produced in the village (in 2012), and asked to allocate seeds to these areas for 2007 and 2009/10 to show how ownership or production had changed over the years.

Figure 4.14: Photo of resource scoring exercise in Village B[35]

vi. Focus group discussions (FGDs)

Two focus group discussions were held in each village (one with a group of women, and one with men) with both co-operative member and non-member dairy farmers. In Village A it proved difficult to find a convenient time to bring the selected men together, so it was instead carried out as individual semi-structured interviews. In the other three FGDs, participants interacted well with each other, discussing and agreeing points amongst themselves (Saunders et al., 2012). The FGDs explored why some

[35] Photo taken during fieldwork in Kenya by Rowshan Hannan, October 2012

farmers became members and why others did not, discussing issues around entry to the co-operative and exit, as well as associated issues of member participation and withdrawal. FGDs are particularly useful in attitudinal research, allowing participants to hear different attitudes and better assert their own (Ritchie and Lewis, 2003).

Household level exercises

A total of five participatory exercises were carried out at the household level with the same member or non-member that had previously been interviewed, as well as one other adult within the household where available (usually the spouse). As discussed in section 4.4.2, in eight (out of the 28) participant households only one adult was available for these exercises. The five exercises were carried out together, taking place within participant homesteads and lasting for approximately 20 to 25 minutes each. Although the aim of these exercises were for participants to allocate scores in different areas, I also encouraged and focussed on the discussion. The rich detail that emerged as participants talked with me or between themselves to agree scores, helped me to understand household priorities and the regular trade offs being made. The five-year focus also illuminated on the transitional nature of their poverty (see section 2.4.1), and the factors that led to a fall or rise in this area.

i. Household matrix scoring on changes to income

Participant households were presented with a flipchart paper, which had a horizontal line from 2007 to 2009/10 and to 2012. They were given ten seeds representing all their income in 2007, and asked to allocate seeds for the other years. This led to discussions of why income had changed over the years, and how they had coped (particularly during the drought). This was the first participatory exercise conducted at the household level, allowing for a general discussion of events and changes, and set a good base for further detailed discussions through other exercises.

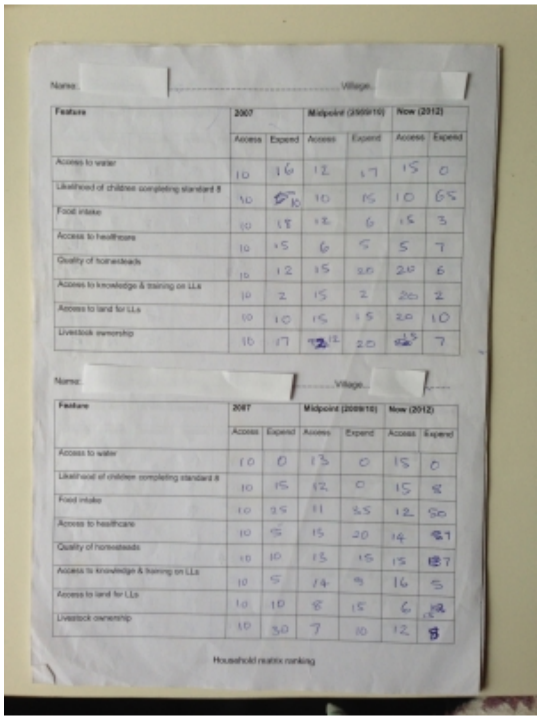
Figure 4.15: Photo of household exercise on changes to income with Participants A10 (left), A27 (middle) and translator/research assistant (right)[36]

ii. Household matrix scoring on access

The eight priority areas, identified from village level exercises, were presented in a matrix on flipchart paper with the different years (2007, 2009/10 and 2012). Participants were given ten seeds for each priority area in 2007, which represented all the access that their households had to that area for that year, and asked to allocate seeds comparing access in other years. This allowed a discussion of why access had changed, which often included considerations of affordability, and how they had coped with this change. Score sheets for each household were developed to record data from this exercise and from the one below on expenditure. This matrix ranking exercise, along with the one below, helped to examine the different choices made and the preferences shown by households (VSO, undated).

[36] Photo taken during fieldwork in Kenya by Rowshan Hannan, October 2012

Figures 4.16 (left) photos of household matrix scoring on access with Participants A19 (left) and A12 (right), and 4.17 (right) score sheet for household participatory exercises[37]



Name: .... Village: ....

Feature	2007		Midpoint (2009/10)		Now (2012)	
	Access	Expend	Access	Expend	Access	Expend
Access to water	10	16	12	17	15	0
Likelihood of children completing standard 8	10	10	10	15	10	65
Food intake	10	18	12	6	15	3
Access to healthcare	10	15	6	5	5	7
Quality of homesteads	10	12	15	20	20	6
Access to knowledge & training on LLs	10	2	15	2	20	2
Access to land for LLs	10	10	15	15	20	10
Livestock ownership	10	17	12	20	15	7

Name: .... Village: ....

Feature	2007		Midpoint (2009/10)		Now (2012)	
	Access	Expend	Access	Expend	Access	Expend
Access to water	10	0	13	0	15	0
Likelihood of children completing standard 8	10	15	12	0	15	8
Food intake	10	25	11	35	12	50
Access to healthcare	10	5	15	20	14	7
Quality of homesteads	10	10	13	15	15	7
Access to knowledge & training on LLs	10	5	14	9	16	5
Access to land for LLs	10	10	8	15	6	12
Livestock ownership	10	30	7	10	12	8

Household matrix ranking

iii. Household matrix scoring on expenditure

For this exercise, the same flipchart paper was used as in the exercise above on access. This time participant households were given 100 seeds, which represented all the money that they had now in 2012. They were asked to allocate these seeds against the eight areas for that year according to how they spend their household money. This exercise did not capture household expenditure outside of the priority areas. Income inevitably varied across the 28 participant households and, therefore, the seeds would have represented different amounts for them[38]. As participants knew that I was researching into dairy farming, 'livestock' was deliberately listed at the bottom of the matrix to minimise any tendency to focus expenditure in this area.

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[37] Photo taken during fieldwork in Kenya by Rowshan Hannan, October 2012
[38] One household in Village B had no cash income in 2007, and their matrix scoring therefore showed zero for that year across all eight areas. However, by 2009/10 they had started generating some income from farming and were able to allocate seeds for subsequent years

Figure 4.18 photo of household matrix scoring on expenditure with Participants B8 (front) and B41 (back)[39]

iv. Household decision-making scale

This exercise was designed to build on findings by Vicari (2011), who found linkages between participating in a democratic co-operative and household decision-making. Participants were presented with a flipchart paper, which had a line drawn horizontally, with points marked from one to ten. One represented one person making all the decisions within the household on their own all the time, and ten marked all the adults within the household participating equally in all decision-making. Meanings of various other points were discussed as required. Participants were asked how they made important decisions within their household, who participates, who does not, and why. At the end of the discussion they were asked to place a seed on the most appropriate score. This was then repeated for how they used to make decisions in 2007, to understand whether and why this process might have changed over the years. Although this exercise raised interesting discussions, I was not able to use the findings in the way that I had anticipated. District X is located in a semi-arid region experiencing high levels of male migration to towns, which skewed the discussions and scores, making it unreliable as an indicator of co-operative influence. However, I used discussions from this exercise to support and inform findings in other areas.

[39] Photo taken during fieldwork in Kenya by Rowshan Hannan, October 2012

Figure 4.19 photo of household decision-making exercise with Participants B32 (front) and B42 (back)[40]

v. Household exercise on milk yields

Participant households were presented with a flipchart paper, which had a horizontal line across it, marking 2007, 2009/10 and 2012. They were given ten seeds and told that this represented all the milk from all their cows in 2012, and were asked to allocate seeds for the other years. This exercise helped me to understand household milk production over the years, leading to discussions on how many 'seeds' of milk were being produced by each cow and reasons for any changes in productivity. Even in households where overall milk production decreased, it helped to identify whether this was due to a decreasing herd size or lower milk productivity per cow.

[40] Photo taken during fieldwork in Kenya by Rowshan Hannan, October 2012

Figure 4.20 photo of household exercise on milk yields with Participants B1 (left), B15 (back right) and translator/research assistant (front right)[41]

4.5.4 Observation or 'listening'

Observation is a useful method for investigating a process that involves several players (as in this research) and allows events or actions to be witnessed without any construction on the part of those involved (Ritchie and Lewis, 2003). Yin (2003) refers to a similar activity, which he calls 'listening'. This includes observing and sensing issues in your surroundings, and describes this as essential to conducting case study research.

In Co-operative B, one Special General Meeting (SGM) of members was observed, where I played the role of a 'complete observer' (Saunders et al., 2012:344). Although members were aware of my presence, I did not take part in the meeting. This helped me to develop an understanding of the prominent issues within Co-operative B, and how they were perceived at the collective farmer level. Although I was not able to observe any member meetings at Co-operative A, as these were not scheduled to take place in either phases of the fieldwork, repeat visits to the offices of both co-operatives provided opportunities to observe the normal working days and relations of different actors, such as members and staff interacting at the milk collection area. Observing and listening was also important when other evidence was being collected (Yin, 2003). For example,

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[41] Photo taken during fieldwork in Kenya by Rowshan Hannan, October 2012

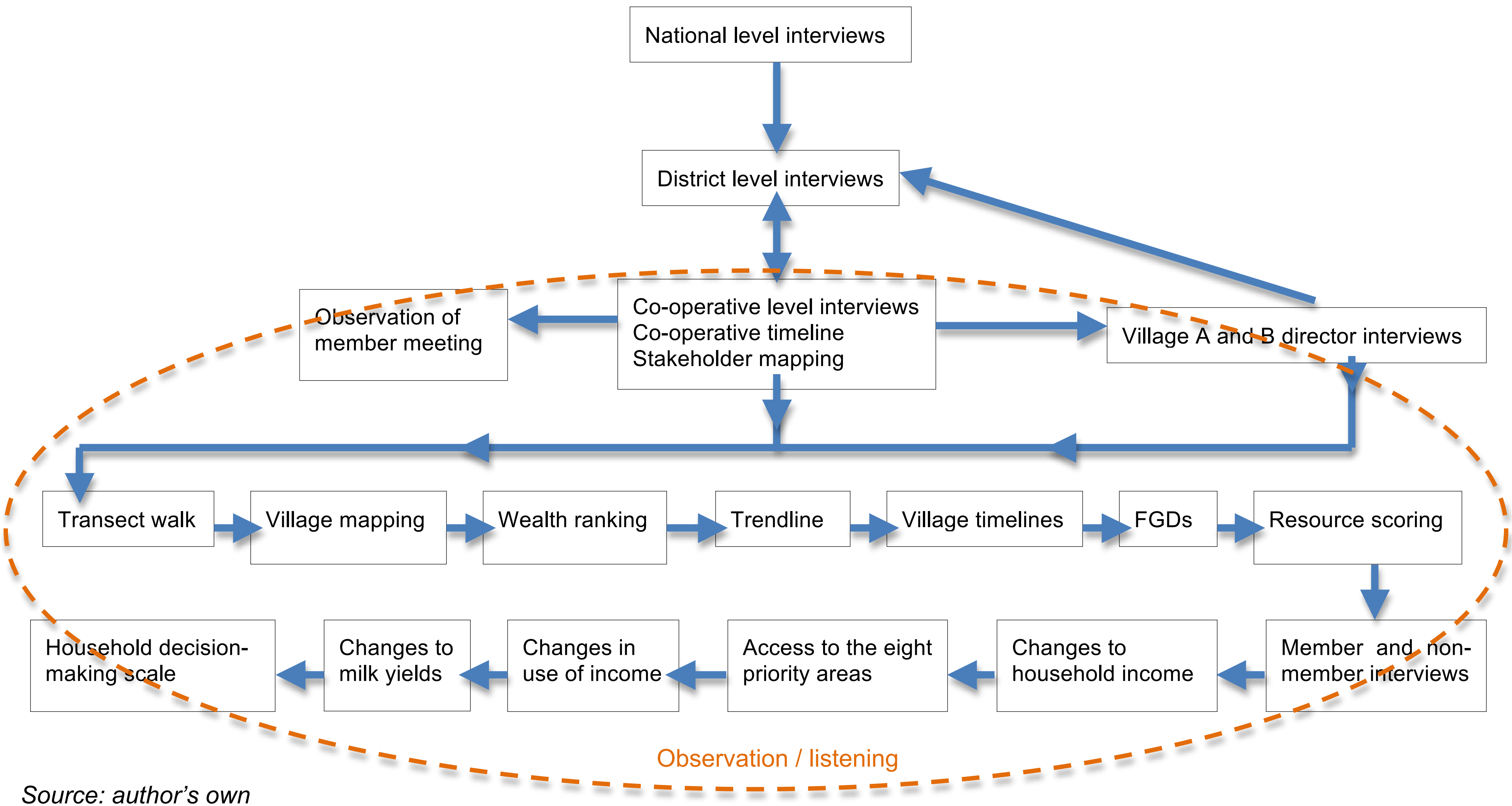
member and non-member interviews were designed to end on questions about resources within participant homesteads, often leading to an invitation to look around. In addition to the opportunities this provided for observing and listening, it also sparked informal discussions about life within the homestead.

4.5.5 Sequencing of methods

Sequencing of methods allows different issues to be addressed at different stages of the research process (Ritchie and Lewis, 2003). In this research, this was of particular importance at the village and household levels: as data emerged from each method, it was used to feed into and direct the next. For example the village mapping exercise helped to identify the different resources within the village; this then flowed to the wealth ranking exercise which helped to identify the different wealth categories and their access to those resources or priority areas for promoting well-being; this then flowed to the trendlines exercise which captured how access to those priority areas had changed over time in the village as a whole. Figure 4.21 shows this flow of data collection[42]. It is captured within an oval shape, which signals the importance of observation/listening across these methods, particularly for the participatory exercises.

[42] Although this sequence was followed wherever possible, in some cases it was used flexibly. For example, in Village B timetabling issues meant that some household interviews were carried out before the village resource scoring exercise

Figure 4.21: Flow of data collection methods



Source: author's own

4.5.6 Document collection

Another important component of the fieldwork was the collection and analysis of documentary evidence. This included strategy and policy documents at the national, regional and primary co-operative levels. It also included the collection of grey literature, and findings from organisational studies conducted at the local level. At the co-operative level I also gathered data on overall milk collection levels of the case study co-operatives, their total income, value of shares, minutes of meetings etc. I took digital photos of many of these documents, which I could access and analyse back in the UK. I also acquired permission from the two co-operatives to access their organisational databases remotely, which were hosted by We Effect and contained some of this data.

4.6 RELIABILITY AND VALIDITY OF THE DATA

Qualitative research has been critiqued for being too subjective (Bryman, 2004), with two main threats to the reliability of data: error and bias, on either the part of the researcher or of the participant (Saunders et al., 2012). This makes it important to incorporate appropriate checks to ensure the reliability and validity of the data. This was done in the research by triangulating data as well as building in opportunities for reflection and feedback, consistent with the abductive research strategy. In addition, the two phases of data collection contributed to improving the reliability and validity of the data, allowing me the time and space to adapt my approach and methods.

4.6.1 Triangulation of data

The importance of triangulation for improving the reliability and validity of data is discussed by a number of authors (Yin, 1994; Stake, 1995; Ritchie and Lewis, 2003; Gray, 2004). This includes either triangulation of research methods (i.e. different data sources) or person triangulation (i.e. of research participants), to understand whether what is being observed and reported carries the same meaning if found under different circumstances (Stake, 1995). However, Stake questions whether triangulation is possible when the researcher emerges from a constructivist paradigm where reality itself is believed to be constructed. Instead he suggests that triangulation is perhaps a search for additional interpretations rather than a confirmation of a single meaning (Stake, 1995). Throughout this research I approach triangulation in this way, exploring additional ways of looking at a situation that might help to explain the different views and attitudes expressed.

One of the main reasons for using multiple methods in this research was for triangulation of data, to ensure that it is telling you what you think it is telling you (Saunders et al., 2012) and to balance out potential weaknesses in any one data collection method (Gray, 2004). For example the Village trendlines exercise elaborated on the eight priority areas identified during the Wealth ranking exercise, and how they had developed in the villages over the years. In the area of multiple person sources, this included interviews with a range of different actors where some of the same issues were discussed. For example, co-operative managers, directors and members were all asked how training needs were identified to understand the different perspectives that might emerge from these different sources.

4.6.2 Reflection and feedback

An important way of reducing researcher bias in case study research is to start reporting preliminary findings, whilst still in the data collection phase, to one or two critical colleagues (Yin, 1994). This can provide alternative explanations for findings as well as suggestions for continued data collection. In section 4.3.4 I discussed how the research was designed to allow wider use by field partners. Aspects incorporated for this were also important in providing reflection and feedback with actors in Kenya at key stages of the empirical study. The submission of a written report to We Effect and CoCK at the end of phase 1 fieldwork, drew out their thoughts on the initial research process and emerging findings. The two workshops (one in each phase of the fieldwork) organised with CoCK staff, and with participation of others from the national co-operative movement, allowed opportunities for jointly interpreting preliminary research findings. Presentations and discussions with each of the two case study co-operatives and We Effect regional staff in phase 2 allowed direct feedback from local actors on my initial finding areas, with the possibility of correcting mistaken assumptions (Desai and Potter, 2006).

In addition, daily debriefs with the translator/research assistant ensured minimal data loss in translation, and the sharing of thoughts and emergent ideas (Eisenhardt, 1989). The daily field diary I kept (see section 4.5) also allowed personal reflection on the data collection process (Gray, 2004), and helped me to develop follow-up work to further strengthen the evidence base.

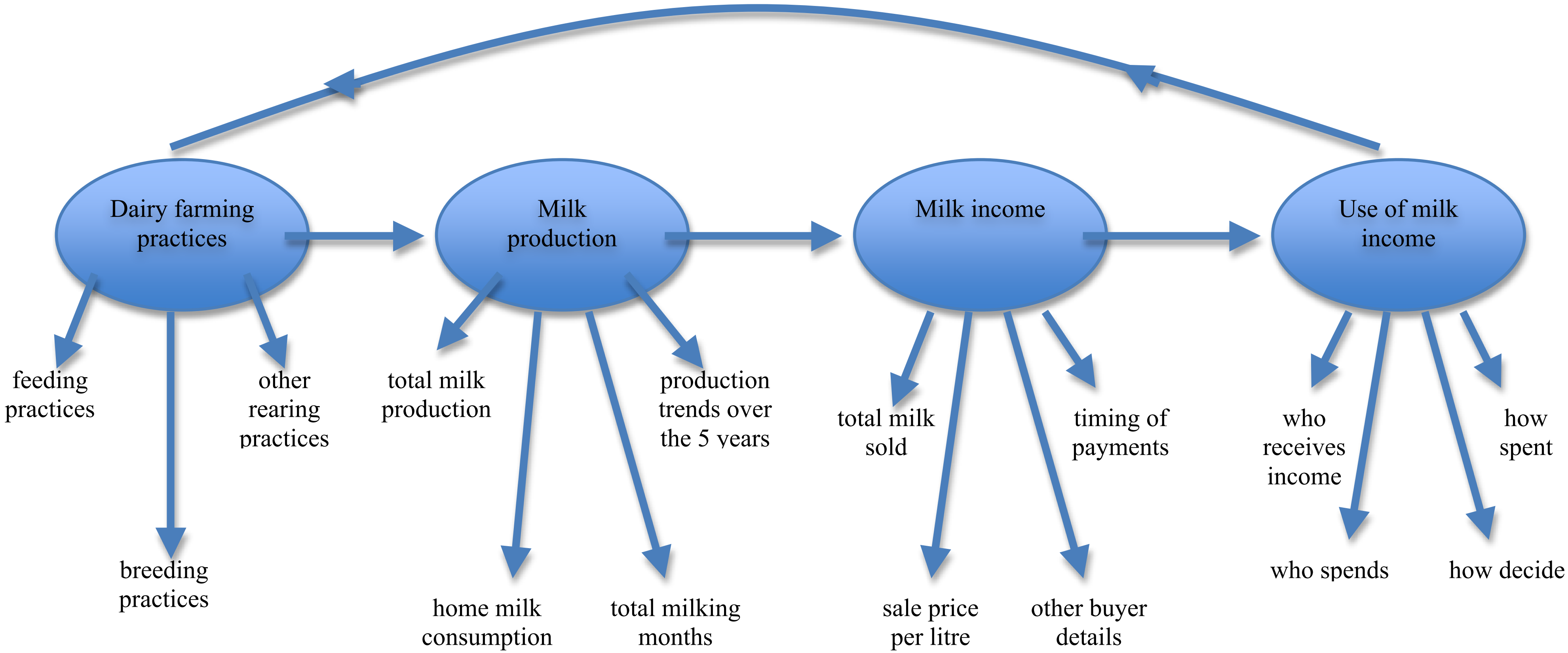
4.7 DATA ORGANISATION AND ANALYSIS

The primary data was organised to allow analysis of the many different themes that emerged from the empirical study. I discuss here my choice of software for data inputting, and how I organised the data thematically within this. I also discuss the importance of a comparative analysis within the study, and my analytical approach to participatory statistics generated through the exercises.

A number of different software packages were considered to organise the data including Nvivo and Microsoft OneNote. I wanted a package that would help retain the depth of the data, and opted for simple Excel spreadsheets with data organised across identified themes. Figure 4.3 provides the example of dairy farming as a thematic area. It shows how each of the four categories related to this theme (dairy farming practices, milk production, milk income and use of milk income), along with their units of data, were organised for analysis in the spreadsheet[43].

[43] Other thematic areas included farmer training (with categories in training sessions attended, what learnt, changes to a practice after training, and impact of any changes) and participation in member based organisations, including the co-operative (with categories in why became a member, participation in member meetings, positions of responsibility held, ownership of shares, and access and use of resources through membership)

Figure 4.22: Thematic data organisation – example of dairy farming



Source: author's own

Thematic organisation in this way also allowed consideration of a hierarchical approach to the data (Saunders et al., 2012), and how different themes might connect and influence each other. As I analysed the data and made more connections between the findings, I pulled out new themes, inputting or adapting them into the spreadsheets. Building in this flexibility was consistent with the abductive approach to the research, and allowed the development of analytical ideas and concepts that were rooted within the data (Ritchie and Lewis, 2003).

The empirical study generated significant data, all of which was not possible to systematically analyse and use within this research. I had to make important decisions prioritising what to analyse and why (Yin, 1994). The case study approach to the research was essential in providing a focus for this. As discussed in section 4.3.1, the two case study co-operatives were selected as 'polar types' allowing the research to be designed around a comparison of their governance relationships and processes. This allowed me to focus analysis on comparing impact between:

i) Villages A and B, to understand any differences as a result of the governance balance of Co-operatives A and B;
ii) Co-operative members and non-members, to explain whether there is an advantage to membership and whether the co-operatives provide wider benefits to the community;
iii) Different years over the five-year study period (2007, 2009/10 and 2012), to understand trends over these periods or changing impact, including through the 2009 drought.

Themes were then identified, which emerged as important across these comparatives, such as training and dairy farming practices. Areas that fell outside of these immediate priorities (such as much of the data generated through the household matrix scoring exercise on expenditure) were used to support findings in other areas (such as how household expenditure on livestock might improve member and non-member milk productivity) rather than analysed systematically. I also used the different case study tiers (the national, district and dairy co-operative sub-sectors - see figure 4.1) to provide a focussed contextual base for the comparative analysis. Although my sampling ensured that I interviewed an equal number of women and men co-operative members and non-members at the household level, I did not analyse the data generated here according to gender. As my sample sizes were kept small at this level, disaggregating by gender would have limited my comparative data further.

My social constructivist approach meant that I focussed on what people said, using quotes to portray the depth that emerged from their stories. Using quotes in this way shifts attention away from what actually happened to 'how do people make sense of what happened', allowing an emphasis on how people account for events rather than on the event itself (Bryman, 2004:412).

Many of the participatory exercises produced statistics, which can be a powerful way of generating numbers at the community level as well as wider (Barahona and Levy, 2007). Participatory statistics are becoming recognised as an important way of quantifying the qualitative (Holland, 2013). I use participatory statistics from the exercises as a way of identifying trends (Martin and Sherington, 1997; Holland, 2013) and, as my sample size is small, I then compared variance in individual cases through the discussion. For example, a statistical analysis of the household matrix scoring exercise showed little overall difference in income between member and non-member households in the two case study villages. However, an analysis of the discussion helped to identify the contribution of dairy farming to this income, showing differences between households and villages. This means that I do not always present statistics generated from the participatory exercises, but instead analyse and discuss how many participants say something, and how many references are made to a particular issue. This allows me to explore both the qualitative and quantitative data from the participatory exercises within the sample group, containing the numbers in their context.

4.8 SUMMARY

The methodology and methods applied to this research has not only influenced the nature of my data and how I have used it, but also what I have included and what I have not. The social constructivist approach meant that I focussed on understanding the different ways in which people perceived their world, rather than trying to arrive at a single fact. The abductive strategy allowed me to move back and forth from building my theory and conceptual framework, to data collection and analysis. It meant that I could explore both 'what' and 'why' questions, including the motives and intentions that direct people's behaviour. The case study approach was important in allowing the research to explore relationships within a focussed group of people and organisations. My positionality was key to ensuring that the research ran smoothly, without undermining local structures and securing participation of villagers. Designing the research to benefit field partners was also important, and included understanding their research needs, developing the research to allow exploration of them, and producing outputs that met partner needs.

Careful sampling of research participants was crucial to the success of the study, and to ensuring that data could be reliably compared. Essential to this was developing detailed participant criteria for each exercise at the village and household levels, and working with key informants in the case study villages to match participants to the criteria. Multiple methods were used to collect data, which included semi-structured interviews as well as participatory exercises at the local level. This included a total of 18 participatory exercises, with 58 different participants at the village level. A total of 28 households were also included in the research, with each participating in at least one semi-structured interview as well as five participatory exercises. Sequencing the methods, so that they fed into each other and directed the next stage of data collection, was important in allowing different issues to be addressed at different stages of the research process. The multiple methods and person sources used in the research helped to triangulate data, improving its reliability and validity. Allowing opportunities for reflection and feedback at the local level in Kenya, were also important in ensuring triangulation of data.

These approaches and strategies have inevitably guided the way I have organised and analysed my data. In particular my constructivist stance means that I focus on what people say, using their own words to tell their stories, and my case study approach provided a comparative analytical focus. In the following chapters, as I discuss my findings, more details emerge on my approaches, strategies and methods. I acknowledge these openly wherever possible, recognising that my position with regards to them are the foundations on which sit my findings.

CHAPTER 5

THE KENYAN CONTEXT: CO-OPERATIVES AND DAIRY FARMING

5.1 INTRODUCTION

Kenya is a large well-populated country in East Africa, with approximately 43 million people and estimated to reach 58 million in the next 20 years (Ministry of Livestock Development [MOLD], 2010:ix). It has a diverse linguistic and cultural heritage, with some 52 tribes and over 40 languages spoken (Musau, 2003:156). In modern day Kenya, co-operatives are found in almost all sectors of the economy and are recognised by the government as playing a major role in national development (Wanyama, 2009). Their contribution to Kenya's GDP is commonly cited as 45% (United Nation, 2009:5; DFID, 2009:3)[44], with as much as 63% of the population deriving their livelihoods from co-operatives (Wanyama, 2009:3).

In this chapter I discuss the historical factors influencing the emergence and development of co-operatives in Kenya, particularly in the co-operative dairy sector. This historical perspective is important as it continues to influence the way co-operatives operate today, as well as the way people view and work with them (Develtere et al., 2008; Johnson and Shaw, 2014). I also explore issues around poverty and Kenya's development agenda, identifying the broader issues facing the country and how the co-operative dairy sector might help to address them. In addition to secondary sources of data, the chapter draws on primary evidence from national and district level interviews in Kenya to understand the enabling environment for co-operative development.

I begin in section 5.2 by looking at how the co-operative movement has evolved, from Kenya's early history to its contemporary time, and what this means for the modern day co-operative form. In section 5.3 I discuss Kenya's plans for poverty reduction, and in 5.4 I look specifically at the development of its dairy industry to understand the role that it can play in addressing poverty. In 5.5 I discuss two important external stakeholders of

[44] The origin of this figure, however, remains circumspect

co-operatives that operate at the local level and might influence their governance – government bodies and development partners. In section 5.6 I focus on the study area within District X, providing a general introduction to its co-operative sector, to living conditions and to the state of dairy farming. Finally, in section 5.7 I conclude highlighting the main historical developments to the co-operative movement and dairy sub-sector in Kenya that will help guide discussions in the following chapters.

5.2 THE DEVELOPMENT OF THE KENYAN CO-OPERATIVE MOVEMENT

The co-operative movement has developed from its early history in Kenya, through independence from British rule and economic liberalisation to contemporary times. In this section I explore how this history has influenced the way the co-operative form has developed, and what this means for the emergence of a movement in Kenya and a tiered co-operative federating structure.

5.2.1 The early years of co-operative development

Kenya's first co-operative was established in 1908 by European settlers, providing them with agricultural support services (Kobia, 2011). Over the next few decades settler farmers introduced farm input supply co-operatives in selected sub-sectors, such as coffee and dairy. Co-operative unions were also established by settler farmers in the early to mid-1900s, and given privileged marketing status by the British colonial government. These included Kenya Co-operative Creameries (KCC), Kenya Farmers Association (KFA), Kenya Planters Co-operative Union (KPCU), and the Horticultural Co-operative Union (HCU) (Omore et al., 1999; Kobia, 2011). A two-tier co-operative structure thus emerged in Kenya, closely aligned to the government, and helping to organise export of produce to Europe by settler farmers.

However, it was not until 1945 that African Kenyans were permitted to participate in co-operatives (Kobia, 2011), although they were still not allowed to engage in commercial agricultural activities. In this year a small department of co-operative development was established in the colonial government to promote and supervise co-operatives. Between 1908 and the mid-1950s, approximately 200 co-operatives were operational. By independence in 1963, this had increased to 1,030 (Kobia, 2011:29).

5.2.2 Co-operatives in an independent Kenya

Following independence from British rule in 1963, the new government continued to use co-operatives as 'instruments' for economic development (see section 2.4.2), particularly in rural areas (Kobia, 2011). The small department of co-operative development became a fully-fledged Ministry of Co-operative Development. In 1966 the Co-operative Societies Act was passed by Parliament, which provided the first comprehensive legal framework for co-operatives in Kenya. The Act, along with the Co-operative Societies Rules of 1969, provided the Commissioner for Co-operative Development with overwhelming powers for the control of co-operatives (Kobia, 2011). This included the ability to replace elected leaders, appoint and dismiss staff, as well as countersign cheques and financial orders (similar to developments in other ex-British colonies, such as in Uganda and Tanzania). By maintaining strict oversight of the operations of co-operatives, governments could control export markets, beginning with the raw produce to sale and delivery of the final product to the end buyer (Develtere et al., 2008). In the first few years of independence, some 200 societies were registered every year in Kenya (Kobia, 2011:29-30). Over this period co-operatives handled 72% of coffee sales, 95% of cotton, 76% of dairy produce and 90% of pyrethrum (Wanyama, 2009:3).

The national apex body, Kenya National Federation of Cooperatives (KNFC), was formed in 1964. Its role was to be the mouthpiece of the national movement, and to represent it in key national and international bodies (Wanyama, 2009). Throughout the 1960s and 1970s, a number of sectoral National Co-operative Organisations (NACOs) were also established including the Co-operative Bank of Kenya, Co-operative Insurance Services (CIS), and Kenya Union of Savings and Credit Co-operatives (KUSCCO). The pre-independence unions (KCC, KFA, KPCU and HCU) also joined this tier of NACOs. The formation of district level co-operative unions was encouraged through government policy, to organise production within each district. Co-operative unions emerged in sub-sectors such as dairy, coffee and pyrethrum marketing (Kobia, 2011). A distinct four-tier co-operative structure thus emerged in Kenya with primary societies at the community level, district level unions, sectoral NACOs at the national level and KNFC as the apex body representing the movement at the top of the pyramid. Across other African countries co-operative movements also expanded under a similar structure over this post-independence period to facilitate supply to export markets (see section 2.2.2). Domestic industries were protected with trade restrictions in place to support economic development under this structure (Read and Parton, 2009).

By the 1980s criticisms emerged of the failure of economic development policies to deliver the expected growth throughout Africa (Read and Parton, 2009). In the early 1990s, with support from multilateral organisations such as the World Bank, Kenya began introducing Structural Adjustment Policies (Wanyama, 2009). In an effort to stimulate growth and development, it began to liberalise the economy, dismantling barriers to trade and shrinking the public sector. In 1997 it introduced new policy and legislation to specifically liberalise the co-operative sector. This related to both economic liberalisation with respect to the removal of monopoly marketing in key products (including dairy) as well as untying of its structures from government (see Box 5.1).

Box 5.1: Policy framework for liberalising the co-operative sector

In 1997 Sessional Paper Number 6 on "Cooperatives in a Liberalised Economic Environment" was issued, which provided the policy framework for co-operative development through the period of liberalisation. Under this framework, co-operative monopoly in the agricultural sector (which made them the sole marketers of some produce) was removed, requiring co-operatives to compete with emerging private companies in these areas. A move towards promoting a more autonomous and member controlled co-operative sector was also evident in the policy framework through its endorsement and incorporation of the seven co-operative principles agreed by the International Co-operative Alliance. The framework allowed the direct election of a board of directors by the membership. Co-operatives also no longer needed to seek approval from the Commissioner for Co-operative Development to invest, spend or borrow capital.

Based on Wanyama (2009) and Kobia (2011)

The 1997 co-operative liberalisation framework allowed co-operatives in Kenya to be member-led for the first time, with the opportunity to follow co-operative principles and values. However, the new framework was criticised for not elaborating on the critical role that the government should have played in supporting co-operatives through this transition (Develtere et al., 2008). As a result co-operatives went from one extreme of tight state control and oversight, to holding all the reigns – almost overnight. They were not prepared for this level of self-rule, with no effective member-led regulatory mechanism ready to replace the government oversight (Kobia, 2011).

Similar to many other developing countries (see section 2.3.2), this poor transition to self-rule of co-operatives in Kenya resulted in elected leaders and staff abusing the newly acquired freedom and power, leading to reports of corruption and mismanagement (Wanyama, 2009), and the subsequent collapse of many co-operatives throughout all sectors (Okeyo, 2010). As member savings were often accrued at the secondary co-operative level (including in agricultural co-operatives in different commodity sub-sectors), the ensuing corruption and mismanagement almost annihilated this level with their failure to often surrender members' deposits (Wanyama, 2009). This left people with a deep mistrust of co-operatives, particularly at the secondary level. In chapter 6, I return to many of these issues by exploring both the internal relationships in the case study co-operatives, and those with external government bodies and the secondary co-operative union in District X.

5.2.3 The contemporary co-operative movement

Similar to other parts of East Africa, the collapse of the co-operative sector post liberalisation has given way to a recent revival (Develtere et al., 2008; UK Co-operative College, 2010). Co-operatives in Kenya have not only survived their tumultuous history but have emerged thriving in number, membership and income. Although some have faded away, unable to change to new policy and economic environments, others have adapted and are recording better performance than they did in previous eras (Wanyama, 2009). New co-operatives are also emerging in sectors such as savings and credit (Wanyama, 2009).

In 2004 the co-operative legal framework, enshrined in the Co-operative Societies Act (see below), was reformed to address the criticisms that emerged from government handling of the co-operative sector through liberalisation. This re-introduced some state oversight of co-operatives, allowing (for example) the Commissioner for Co-operative Development to attend co-operative board meetings and general meetings, suspend board directors that had been charged in court for fraud or dishonesty, dissolve the board of directors in poorly performing co-operatives and allow members (in such cases) to elect an interim board (Kobia, 2011). Elected governments in Kenya have continued to support co-operative development through legislation to guide the growth of the movement.

The co-operative movement has grown in Kenya from an annual turnover of Kshs 14.9 billion in 2000, to Kshs 24.3 billion in 2007 (Wanyama, 2009:3). There are 11,635 co-operatives registered (Wanyama, 2009:18)[45], with a total membership of approximately 8.5 million people. These figures testify that one in five people are a member of a co-operative in Kenya (ICA, undated-b). When small children are taken out of this overall figure, then the proportion of co-operative members in Kenya is even higher. Approximately 63% of the country's population participates directly or indirectly in co-operative-based enterprises (Wanyama, 2009:3), with 80% of the population deriving their income either directly or indirectly through co-operative activities (Ministry of Co-operative Development and Marketing, cited in Wanyama, 2009:3). Co-operatives directly employ over 300,000 people, and indirectly generate employment for over 1.5m people (ICA, undated-b). These figures show the importance of the Kenyan co-operative movement to not just the national economy, but also to people's daily lives.

Kenya's largest co-operative sector is in financial services, where SACCOs (savings and credit co-operatives) account for 62% of the total turnover of all co-operatives (Develtere et al., 2008:97). The second largest co-operative sector is agriculture, which includes approximately a quarter of all registered co-operatives, with a total of 1.3 million members (Wanyama, 2009:18). In 2007, agricultural co-operatives recorded a combined turnover of USD 112 million (Ministry of Co-operative Development and Marketing, cited in Wanyama, 2009:3). However, in line with the decline of the agricultural sector itself in Kenya, agricultural co-operatives have seen their market share fall by over 40% in some sectors. For example, cotton co-operatives went from

[45] These figures do not distinguish between active and dormant or even deregistered co-operatives, with approximately 35% of registered co-operatives possibly dormant (Wanyama, 2009)

handling 95% of cotton sales post-independence, to a mere 2% by 2008. The two exceptions to this decline are dairy and coffee co-operatives, which have been able to maintain a consistent share of the market (Wanyama, 2009:3). In section 5.4 I discuss how co-operatives were able to do this in the dairy sub-sector.

A flattened co-operative federating structure?

Today, Kenya's four-tier co-operative structure is looking considerably flatter, with almost all of the country's 11,635 registered co-operatives being primary societies (Wanyama, 2009). Of these, only 99 are secondary co-operative unions (Wanyama, 2009:18), and only 35 are active in the agricultural sector (Kobia, 2011:57). Following the mismanagement and corruption scandals post-liberalisation, members have been reluctant to support the re-emergence of secondary co-operatives, or to strengthen the ones that survived with renewed support. Although Kenya has national co-operatives at the tertiary level and an apex co-operative body, these levels also remain weak (Wanyama, 2009).

This 'missing middle' (see section 2.2.2) and flattened federating structure not only limits development of networking structures that can help to lift members from subsistence level production and marketing systems to more complex ones with higher returns, but also limits engagement in advocacy. This can result in a movement that is largely weak and silent in national development policy debates (Wanyama, 2009). Wanyama specifically questions the commitment of agricultural co-operatives in this area, and asserts that they do not consider voice and representation a priority activity. In Chapter 6 I explore some of these issues through discussion of the case study co-operatives' relationship with other co-operatives, including the Co-operative Union in District X.

Legal and supportive structures for co-operatives

The current co-operative policy framework is enshrined in the Co-operative Societies (Amendment) Act of 2012. This Act continues to respect the seven co-operative principles, and maintains the limited but important role of government bodies and officers in the co-operative movement. However, at the time of fieldwork, the 2005 revisions to the Act provided the latest amended version. I therefore explore this earlier edition below to understand how it influences the way co-operatives are governed, providing some discussion of the extent to which the 2005 Act remains relevant in the 2012 amendments.

The Co-operative Societies Act stipulates rules on a number of different governance areas, including the election of members onto the board of directors as well as the supervisory board. Although the Act only allows board directors to be elected for no more than two consecutive terms (Co-operative Societies Act 2005), a legal notice was issued in 2008 deleting this requirement[46]. The 2012 revisions also do not mention any such requirement. This means that members can be elected onto boards for indefinite terms. The 2005 Act also allows board positions to be uncontested, meaning that if there were only one nominee for a post then that person would be elected automatically[47]. This means that there is no legal requirement (other than the new two-thirds gender policy – see box 5.2) barring co-operative boards from consisting of long-term leaders. In the following chapters I explore how these governance conditions influence the way the boards of the case study co-operatives operate, and the impact that this has on their performance.

Box 5.2: Two-thirds gender policy

In 2010 a new constitution was agreed in Kenya, which replaced the 1969 constitution enacted following independence. One of the most important ways in which the new Constitution affects co-operatives is in its requirement that no more than two-thirds of members for elective or appointive bodies be from the same gender, setting a precedence for a gender balance in co-operative boards. It would mean at least 15,000 women taking up positions in co-operative boards for the first time in Kenya. Although this research does not look specifically at how this policy will affect governance of the case study co-operatives, awareness of its imminent implementation is important in considering how co-operative governance might develop in the future.

Based on Constitution of Kenya (2010) and Rawlings and Shaw (2013)

[46] Interview with District X Co-operative Officer, 6th August 2012
[47] Interview with District X Co-operative Officer, 6th August 2012

Responsibility for oversight of the legal framework rests with District Co-operative Officers (DCOs) from the Ministry of Co-operative Development and Marketing. Although there are 294 DCO posts throughout the country, approximately one third remain unfilled[48]. This means that there is usually only one DCO covering a whole district, which can have over a hundred co-operative societies spanning hundreds of miles. DCOs also have limited access to private transport, making it difficult for them to reach remote rural areas. Despite the legislative framework in place, this suggests limited government capacity to oversee and support co-operative development at a local level.

5.3 POVERTY AND DEVELOPMENT: THE ROLE OF AGRICULTURE

Having traced the history of the co-operative movement in Kenya, I now turn to poverty in the country. I focus on the importance of agriculture in achieving growth and poverty reduction targets, to show how the research will contribute to a better understanding of the role co-operatives might play in this area. Kenya ranks 145 out of 185 in the Human Development Index (UNDP, 2013:143). Although poverty is declining, between 34 and 42% of Kenyans were estimated to still be poor in 2013, reducing from 49% in 2005 (World Bank, 2013:iv). Compared to other members of the East African Community, Kenya's gains against poverty have been smaller. Uganda, for example, reduced poverty from 39% to 25% between 2002 and 2009 (World Bank, 2013:38). Kenya is unlikely to achieve the first Millennium Development Goal of halving the proportion of people living in extreme poverty by 2015 (World Bank, 2013).

Vision 2030 (an economic blueprint to put Kenya on the same league as the Asian tigers by 2030) commits Kenya to a sustained average annual 10% growth target, with the agricultural sector important in achieving this. This is specifically to enable agriculture-led development to eliminate hunger, reduce poverty and food insecurity (MOLD, 2010). The World Bank identified five elements to a poverty reduction strategy in Kenya, which included improving productivity of smallholder farms, on which the majority of Kenya's poor depend for their livelihoods (World Bank, 2013).

[48] Interview with Senior Assistant Commissioner and Assistant Commissioner in Ministry of Co-operative Development and Marketing, Nairobi, 27th July 2012

In contemporary Kenya, 70% of the country's population lives in rural areas (MOLD, 2010:57) with agriculture as the main livelihood activity, employing 75% of the workforce. Agriculture continues to be organised mostly on a small scale, with land usually subdivided through the sons of the family, meaning that plot sizes are gradually decreasing. Although agriculture is the second largest contributor to GDP (after tourism), this contribution has been gradually declining from 30.3% in 1989 to 28.9% in 1988, to 26% in 2000 to 24% in 2010 (MOLD, 2010:6). To reverse this trend, Kenya's commitment to agriculture-led growth requires a move towards greater productivity, intensification and diversification of agricultural activities (MOLD, 2010). This research allows exploration of how co-operative dairy farming, and its complementarities with a mixed farming system (where dairy farmers are also engaged in crop farming), might improve agricultural productivity.

5.4 THE KENYAN CO-OPERATIVE DAIRY SECTOR

Understanding Kenya's rich history in dairy farming is important to the context of the case studies, particularly how the cultural heritage in this area was affected by British colonial rule and then by independence, developing into a contemporary dairy industry. I show that the way dairy farming has developed in Kenya has affected how it is now practiced. I also explore the main challenges facing the sub-sector, and how co-operatives might help to address them to improve the contribution of dairy farming to poverty reduction.

5.4.1 The development of dairy farming in Kenya

<u>The early years in dairy farming</u>

Cows are a part of Kenya's tradition; they were often seen as a sign of wealth, and given as dowry or 'bride price' when marriages were agreed between families. Cows were reared mostly for meat or to work on the farm, with some also milked for home consumption (Leksmono et al., 2006). In the 1900s, under British rule, European settlers introduced dairy cow breeds from their native countries and began crossbreeding initiatives to improve the milk yield of the local zebu cows. There were strict regulations on who could sell and own crossbreeds, which excluded their ownership amongst African Kenyans (Omore et al., 1999).

The European settlers continued to build up commercial dairy farms, and in 1925 they established Kenya Co-operative Creameries (KCC) to facilitate the production, processing and marketing of milk (Atiena and Kanyinga, 2008). The colonial government allowed KCC a monopoly in the formal sector for all domestic and export milk markets (MOLD, 2010; Omore et al., 1999).

By the 1950s, the colonial government began to push for greater farm productivity and commercialisation of dairy farming (Conelly, 1998), which included the establishment of more dairy farmer co-operatives (Omore et al., 1999). In 1958 the Kenya Dairy Industry Act was passed, and the Kenya Dairy Board was established to regulate what had been a largely unregulated sector (Omore et al., 1999). However, the Act protected the interests of the expanding settler dairy farmers rather than the smallholder (Leksmono et al., 2006). It was not until the 1960s that a new policy finally allowed African Kenyans to participate in commercial agriculture, and to engage in breed improvement programmes for the first time. However, strict rules (such as those linked to farm size or access to a clean water source) continued to rule out their participation in the majority of cases.

The dairy industry through independence and liberalisation

Following independence in 1963, many European settlers left Kenya, and their farms were subdivided and redistributed to African Kenyans. This marked an important shift in the Kenyan dairy industry: from one dominated by large-scale producers to one of smallholder farmers (Leksmono et al., 2006). The new independent government supported dairy farming under this emerging structure, and introduced a range of livestock services that were free or cheaply available to smallholder farmers to encourage their engagement in commercial dairy farming. This included artificial insemination (AI), livestock feeds and veterinary services (Leksmono et al., 2006). Over this early independence period, dairy farming increased. A study by the World Bank in 1986/7 (Walshe et al., 1991:3) found that by this time in Kenya, milk was an important income source to smallholder farms, contributing some 57% to net income. KCC, as a quasi-government body, continued to be a major player in the sub-sector, handling 95%

of formal milk intake in 1990 (MOLD, 2010:30).

The dairy industry in Kenya was liberalised in 1992 (ahead of the co-operative sector, which was liberalised in 1997), resulting in a number of changes that directly affected dairy farmers. The most important of these included the revoking of the monopoly held by KCC in milk marketing (Thorpe et al., 2000). This led to its eventual collapse in 1999, when its milk intake declined from a peak of 1.2 million litres per day in the early 1990s to 200,000 litres a day by 1999 (MOLD, 2010:30). The other important change as a result of liberalisation affecting the sub-sector was the abrupt withdrawal of government livestock services in an effort to stimulate private sector engagement in this area. This led to the collapse (in the immediate-term) of AI and clinical services, as well as disease control (MOLD, 2010).

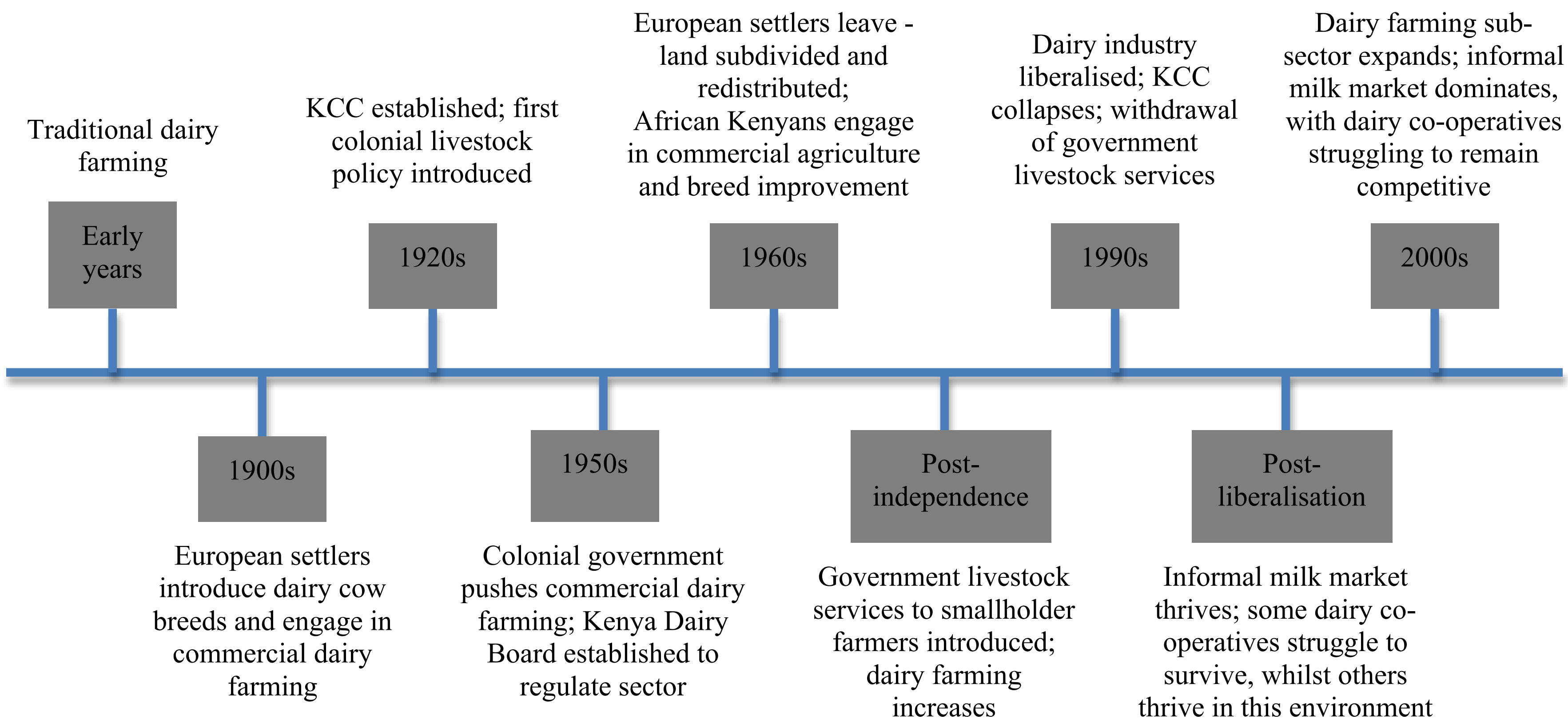
The new liberalised environment provided both challenges and opportunities for dairy farmer co-operatives, which no longer had a guaranteed market for their milk through KCC, but had the option to sell their produce to the best buyer. Liberalisation also meant greater uncertainties and risks from relying on private suppliers and traders, as well as increased competition from the latter in marketing their milk (Omore et al., 1999). A high demand for raw milk, particularly from urban areas, quickly led to the growth of these small private traders and an informal raw milk market. These traders were willing to deal directly with farmers and sell directly to consumers. This meant that they could pay a high price to the former and sell at a low price to the latter by cutting out the middle tier handlers and processors, which included co-operatives (Omore et al., 1999). The role of co-operatives within this emerging small-scale competitive dairy industry remained unclear.

In some of the remoter areas across Kenya (for example in Uasin Gishu, Nandi and Trans Nzoia), the withdrawal of KCC milk collection services led to the collapse of co-operatives who were unable to organise a cost-effective system to get this highly perishable produce to market (MOLD, 2010). However, other co-operatives (such as those in Githunguri and Limuru in central Kenya) were able to transform the new market rules into good practice, successfully competing and growing their operations (Kobia, 2011). New dairy farmer co-operatives also emerged onto this scene, particularly in Kenya’s productive highlands, to take advantage of the new market opportunities. Between 1994 and 2000, the number of dairy farmer co-operatives increased overall from 210 societies with 266,000 members to 337 societies with 344,000 members (MOLD, 2010:31). This overall increase in dairy co-operatives is counter to trends in the co-operative movement in other sectors over this period, as discussed in section 5.2.2. How did dairy co-operatives thrive in an environment where other co-operative sectors struggled?

Two inter-connecting factors were important to this trend with dairy co-operatives – increasing urbanisation, and increasing demand for milk. The high demand for milk, particularly near urban areas, meant that co-operatives (who no longer had to sell to KCC) could sell directly to consumers in the local raw milk market, where they fetched higher prices. A study by Owango et al. (1998) in Central Province found that dairy farmer co-operatives were able to increase the price paid to their members by up to 50%, with highest prices achieved closer to urban markets. This compared to a 25% decline in real milk price from 1971 to 1989 when they were selling exclusively to KCC (Owango et al., 1998:181). However, although consumers showed a preference for low cost raw milk, the lack of basic processing to improve milk safety raises health concerns (see section 5.4.2).

In a liberalised economy co-operatives were also found to have advantages over other actors in the milk market through their member-user status. Owango et al. (1998) found that between 1990 and 1995 service provision by primary dairy co-operatives increased to fill the gap in withdrawal of government services, particularly in the areas of veterinary and AI services. Co-operatives' producer client base, combined with their provision of many services against credit, allowed them to effectively compete with private input suppliers. Farmer members could buy inputs from the co-operative without the need for cash (unlike at private input stores), slowly repaying this credit with small deductions to their milk payments from the co-operative (Owango et al., 1998). With these advantages, the co-operative dairy sector emerged well out of liberalisation (see Figure 5.1).

Figure 5.1: Timeline of dairy farming in Kenya



Source: author's own

The contemporary dairy industry and its potential in reducing poverty

In modern day Kenya, dairy farming has continued to increase. Kenya now has the largest dairy sub-sector in East and Southern Africa. Its dairy industry is valued at USD 2 billion, contributing 6-8% to Kenya's GDP (Drenthen and Rij, 2011:3), and is the largest growth area in the agricultural sector. In 2002 it produced an annual 2.8 billion litres of milk, by 2006 this was 3.8 billion (MOLD, 2008:12), and by 2010 it had risen to 4.5 billion (Drenthen and Rij, 2011:3; MOLD, 2010:ix). Kenya's dairy market is growing at over 4% (Drenthen and Rij, 2011:3), driven by population growth, urbanisation and increased purchasing power. The increasing domestic demand, as well as potential export markets in neighbouring milk deficit countries - Tanzania, Rwanda, Burundi and Somalia (MOLD, 2010) - indicates further possible gains for the Kenyan dairy industry.

The important shifts in the dairy industry, which began with liberalisation, have continued into modern day Kenya. Milk marketed through formal outlets has continued to decrease from its 55% share in 1990 (MOLD, 2010:51) to 14% by 2010 (Kaitibie et al., 2010:1494). Dairy farming is still undertaken by smallholder farmers who contribute 70% to Kenya's milk production (Drenthen and Rij, 2011:3). Typically, they have less than two hectares of land, usually own one to three dairy cows, and sell only four to six litres of milk per day (Muriuki et al., 2001:3). Despite the low milk production per farm, an estimated 1.8 million smallholder households (or 25% of all households in Kenya) are engaged in dairy production (Muriuki et al., 2001:1), showing the importance of this activity, particularly to rural households. Dairy farming households were also found to retain approximately 35% of their production for home milk consumption (Drenthen and Rij, 2011:3), highlighting the importance to nutrition of small-scale production. The smallholder prevalence in this sub-sector and the increasing milk demand in the region, indicates a potential for dairy farming in Kenya to improve the living conditions of large numbers of the poor.

Indeed the 2010 Kenya National Dairy Master Plan[49] cites potential of the sub-sector to help Kenya achieve Millennium Development Goal one, reducing income poverty

[49] This was developed by the government to understand how the sub-sector could help achieve growth targets and overall national development goals

(MOLD, 2010). A government study in 2006 on peri-urban intensive smallholder milk producing farms in Nairobi, found that the monthly income from milk (calculated at an annual family earning of Ksh 171,150) provided a good return compared to alternative employment options for the head of the family, which may also not be readily available. Smallholder dairy households were also found to provide employment to some 350,000 full-time farm labourers (Leksmono et al., 2006:8), showing further potential in reducing poverty amongst some of the poorest in rural areas. Discussing dairy farming at the household level, however, hides gender disparities in both cattle ownership as well as in the benefits of dairy farming (see Box 5.3). Whilst this research does not specifically compare women and men's ownership and engagement in dairy farming, it includes their separate perspectives in many areas.

Box 5.3: Gender disparities in livestock ownership and rights

Gender dimensions are not only important in understanding who in the household owns livestock, but also in understanding who controls their sale or the sale of their produce, and who benefits from them. Women's greater access to livestock has been linked to their increased bargaining power and role in household decision-making, as well as household spending on children's education and health. An empirical study by the International Livestock Research Institute in East and Southern Africa found that in Kenya men own ten times more cattle than women, with the latter owning just 5.2% of the cattle*. However, due to the informal nature of livestock ownership (which does not require title deeds, for example) even where women do own cattle, they may not necessarily control them. The International Livestock Research Institute study found that in Kenya the majority of women who owned livestock did not feel that they were able to sell them without consulting their husbands. Whereas, over one-third of women stated that their husbands could sell even the large livestock that they owned without consulting them. The study also indicated a situation where the reverse might be true – where women might sell and retain benefits from the milk of animals that they do not own, highlighting the complex nature of livestock ownership and rights.
* The remainder was either owned by men, or owned jointly

Based on Njuki and Mburu (2013)

Within the formal milk market, dairy farmer co-operatives were identified to be the largest players (Thorpe et al., 2000), with a total of 253 co-operative societies in this sub-sector in Kenya[50]. Other formal private sector players do not buy directly from smallholder farmers, maintaining contracts with either large-scale dairy farmers or organisations such as dairy farmer co-operatives. This makes co-operatives the only formal sector player in Kenya's dairy industry that buys milk directly from smallholder farmers.

However, with the growing private informal dairy industry the majority of the dairy co-operatives that survived or emerged post-liberalisation, have been struggling to remain competitive. In recent years, they have seen an overall decline in their milk intake, with many subsequently collapsing from poor economies of scale, inadequate capital base, poor governance structures or management capacity (MOLD, 2010). Within the Dairy Master Plan, the Ministry of Livestock Development identified management and governance reforms within co-operatives, guided by the Co-operative Societies Act, as a priority area in their development. It argues that with such reforms in place, co-operatives would be able to develop partnerships with each other, and with private processors to improve economies of scale and add value to farmers' produce (MOLD, 2010). The focus on co-operative governance within this research provides an opportunity to look more closely at the kind of governance relationships and processes that might help co-operatives to play a stronger role in the dairy sub-sector.

5.4.2 Challenges to dairy farming

Despite the overall growth in the sub-sector, dairy farming in Kenya is facing a number of challenges. I discuss five areas here, which emerged from the literature, and explore the potential of dairy farmer co-operatives in addressing them.

i. Value addition and addressing milk safety concerns

There is limited capacity in Kenya to convert fresh milk into long lasting products (such as milk powders or UHT), with only 15% of marketed milk being processed (Kaitibie et

[50] Interview with Senior Assistant Commissioner and Assistant Commissioner, Ministry of Co-operative Development and Marketing, Nairobi, 27th July 2012

al., 2010). This means that excess supply during the rainy season can result in sharp drops to milk prices, reducing the benefits of this higher productivity for farmers. Three of the 253 dairy farmer co-operatives in Kenya are established major milk processors: Githunguri Dairy Farmers' Co-operative Society (the fifth largest dairy processor in Kenya), Limuru co-operative society, and Meru Central Dairy Co-operative Union[51] (one of the few dairy co-operative unions in the country[52]). This suggests that co-operatives are adding value to farmers' produce, although at a limited scale. As the only formal sector player in the industry that buys directly from smallholder farmers, this also suggests the potential of co-operatives to allow more of the value from processing to be retained by farmers.

Another challenge is around milk safety. Although the Kenya Dairy Board continues to regulate the dairy industry, its enforcement in the informal market is weak, with 80% of all milk reaching consumers without any form of quality check (MOLD, 2010:48). This informal market continues to be driven by price and availability, with little evidence to suggest that hygiene or quality standards feature strongly. Co-operatives, as formal sector players regulated by the Kenya Dairy Board, comply with health and safety requirements and are able to address milk safety concerns. Although this does not preclude the sale of raw milk, it means that dairy farmer co-operatives have basic quality checks in place.

ii. Access to appropriate inputs

In recent years, and since the withdrawal of government subsidised services post-liberalisation, the private farm inputs market has grown (Leksmono et al., 2006). However, over this period between 1992 and 2009, the price of veterinary and breeding services increased, and the quality of animal feeds is considered low with a largely unregulated manufacturing and sale of feeds (MOLD, 2010). The cost of purchasing the appropriate quantity of feeds to maintain optimal production throughout the year is often prohibitive for smallholder farmers, leading to a reduction of between 50-70% in milk production during the dry season compared to the rainy season (MOLD,

[51] Interview with Senior Assistant Commissioner and Assistant Commissioner, Ministry of Co-operative Development and Marketing, Nairobi, 27th July 2012

[52] Other dairy co-operative unions are in Nyeri, Muranga and Kiambu (MOLD, 2010)

2010:68)[53]. In section 5.4.1 I discussed how co-operatives have an advantage in this area from both their member-user status and provision of inputs against credit to members. This research considers the extent to which the case study co-operatives are able to use these advantages to support farmer access to appropriate inputs, and the impact that this has on milk productivity during both the dry and rainy seasons.

iii. Upgrading dairy cow breeds

Increases in Kenya's milk supply have largely been linked to a rise in the overall cattle population, placing excess pressure on animal feed resources (Bebe et al., 2003). Kenya currently has approximately 3.5 million dairy cows, which is more than the total combined stock in the other countries of East and Southern Africa (Leksmono et al., 2006:9). Of this, 1.5 million are pure/hybrids that provide on average 4.9 litres of milk a day per cow, compared to the 0.7 litres from a local zebu cattle (MOLD, 2010:74-75)[54]. Despite their smaller numbers, pure/hybrid cows provide 80% of the milk produced (Omore et al., 1999).

The potential of the dairy farming sub-sector is generally considered to be in increasing milk productivity per cow by improved feeding and healthcare as well as genetics (Bebe et al., 2003; Bebe et al., 2002; Ministry of Livestock Development, 2010; Muriuki, 2001; Nicholson et al, 2004). In this latter area, Nicholson et al. (2004:184) found that ownership of one 'upgraded' dairy cow in smallholder farms increased household income by 53% to 87%, as well as increasing milk consumption in households by one litre per week. They suggest closer examination of the factors limiting hybrid cow ownership amongst smallholder farmers, along with an investigation into mechanisms that can ease access in this area, such as credit schemes or smallholder co-operatives. This research explores these areas, and considers the extent to which the case study co-operatives have helped to upgrade and maintain dairy cow breeds in their areas of operation, and the impact of this on poverty.

[53] Milk production tends to decline from February through to May, and from July through to October
[54] This is an average per day productivity calculated for throughout the year. However, daily production during the rainy season would be considerably higher than during the dry season

iv. Access to credit

The limited access that smallholder dairy farmers have to credit, particularly in purchasing inputs, can constrain practices in areas such as breed improvement, where farmers might be unable to meet the higher nutritional demands of higher breed cows (Bebe et al., 2003). Although some financial institutions (such as the Co-operative Bank and the Kenya Commercial Bank) provide credit to dairy farmers, they have numerous requirements to reduce the high risks associated with the sub-sector. For example, to qualify for credit, farmers must be delivering milk to one of the large processors and have a Ministry endorsed project proposal (MOLD, 2010), which would disqualify most smallholder farmers. This research considers the different mechanisms in place in the case study co-operatives to meet the credit needs of dairy farmers, and the extent to which this is able to improve productivity and impact poverty.

v. A changing climate

Climate change is an important driver to changes in livestock production, particularly through the impact it can have on pasture growth and quality, as well as water availability and associated livestock diseases (Speranza, 2010). In 2005/6 livestock losses in Kenya as a result of drought were estimated at Kshs 23 billion, with the livelihood of 14,000 households affected (MOLD, 2010:43). An efficient dairy-farming system is important going into the future to reduce the poor's vulnerability to a changing climate. The research considers the extent to which the case study co-operatives were able to reduce the vulnerability of farmers through the 2009 drought experienced in large parts of Kenya.

5.5 EXTERNAL STAKEHOLDERS AT THE LOCAL LEVEL

This chapter has so far explored the overall context in Kenya with regards to the co-operative movement, poverty and development, and the dairy sub-sector. I focus now on the local context, identifying some of the actors working at this level with co-operatives, before looking specifically at the study location. In Chapter 3 I discussed the important role that external stakeholders can play in the governance of co-operatives. I referred, in particular, to the role of government officials and development partners. I look here at the structure and role of different government bodies at the local level in Kenya to understand the support (or otherwise) that they are able to provide to farmers and co-operative societies. This provides a background to discussions in Chapters 6 and 7, where I show how the case study co-operatives worked with different government bodies in their local area, and how this influenced their performance and impact on poverty. In this section I also look at development partners that support dairy farming in Kenya – specifically focusing on We Effect, which has been working with the case study co-operatives over the five year research period.

5.5.1 Local government structure and actors

Kenya's 2010 constitution committed it to a process of political and economic devolution over subsequent years (see Box 5.4). At the time of fieldwork in 2012, Kenya was still in transition to this new system, and it remained unclear what local government and its services would look like following full implementation. However, interviews with officials (at the national, district and local levels) helped to identify four government bodies working with farmers at the local level. This included extension officers from the Ministry of Agriculture and the Ministry of Livestock Development, District Co-operative Officers (DCOs) from the Ministry of Co-operative Development and Marketing, and Officers from Kenya Agricultural Research Institute (KARI).

Box 5.4: Local level changes from devolution in Kenya

Kenya's 2010 Constitution re-structures the country from its eight provinces and 70 districts into 47 counties, which came into effect after the 2013 elections when local representatives were elected into County Governments. County Governments are assigned responsibilities for administering local services in agriculture, animal control and welfare, trade development and regulation (including of co-operatives), healthcare, amongst other areas (Constitution of Kenya, 2010).

The Ministry of Co-operative Development and Marketing has only one Co-operative Officer in District X, who oversees 132 co-operative societies. His main responsibility is the enforcement of the Co-operative Societies Act and rules, as well as to promote new co-operatives. He does this by providing technical guidance and disseminating government policy, as well as training members, leaders and potential members in these areas[55]. However, with one Officer covering the whole district, his ability to engage across all these areas is inevitably limited. In Chapter 6 I look at the access that the case study co-operatives have to the DCO, and whether he plays a role in strengthening or weakening their governance systems.

Due to staff shortages at the local level an extension officer from the Ministry of Livestock Development or Ministry of Agriculture can be responsible for working with between 4,000 to 8,000 households in their area[56]. A recognition of this high workload has led to a change in the way local government services are delivered: 'Previously we used to go out and look for farmers. Now we're supposed to work on demand.'[57] This means that both the Ministry of Livestock Development and the Ministry of Agriculture are more likely to deliver services (such as training) to communities and farmers that demand them.

An official at the Ministry of Livestock Development at the district level explained the difficulty in meeting monthly targets in areas such as farm visits or farmer training: 'our staff ratio is small, our resources are not enough'[58]. However, by combining efforts with other organisations (such as NGOs) that 'may have resources, but may lack technical know-how'[59], they are able to improve their reach. A similar approach to working with other organisations was also described by the Ministry of Agriculture at the local level[60]. This indicates the important role that organisations can play in drawing local government services to communities. In Chapters 6 and 7 I discuss the extent to which the case study co-operatives were able to take advantage of both the demand driven nature of local government services, and the collaborative approach to working with organisations, to draw government services to their membership areas.

KARI, as a semi-autonomous government body undertaking research, engages with

[55] Interview with DCO of District X, 6th August 2012
[56] Interview with Agricultural Extension Officer for Location A, 18th October 2012; interview with Livestock Production Officer for Location A, 18th October 2012; interview with Livestock Production Officer for Location B, 2nd August 2012
[57] Interview with Agricultural Extension Officer for Location A, 18th October 2012
[58] Interview with District X Animal Production Officer, 2nd August 2012
[59] Interview with District X Animal Production Officer, 2nd August 2012
[60] Interview with Agricultural Extension Officer for Location A, 18th October 2012

farmers in a different way. It works with the Ministry of Agriculture to access communities and farmers to deliver training in its research areas, which includes dissemination of new seed varieties and other technology[61]. Although KARI did not work directly with the case study co-operatives, research participants mentioned its presence and important work in the case study area.

5.5.2 Co-operative development partners in dairy farming

A number of development partners have been engaged in the dairy sub-sector in Kenya over the years, but only a few have worked directly with dairy co-operatives[62]. In the study location, two development partners have played important roles in supporting and working with dairy farmer co-operatives: We Effect and Land O'Lakes[63]. However, We Effect is the only organisation that has been working with the case study co-operatives over the five-year study period, and I focus here on its work in Kenya and in the case study location.

In section 2.5.2, I identified two types of agencies that work with co-operatives: those that have themselves emerged from co-operative movements (usually in the north) to specifically foster co-operative development in the south; and those such as civil society players that might see co-operatives as 'instruments of development' (Münkner, 1999:1) to further their own organisational objectives in reducing poverty. We Effect was identified in the former category (Pollet and Develtere, 2005), and I look more closely here at the way it works in Kenya and in District X.

We Effect is owned and funded by the co-operative movement in Sweden, with additional funds from the Swedish government. It established its regional office in Nairobi in 1997, covering Kenya, Uganda, Tanzania and Rwanda. It works with member based organisations throughout Kenya, providing grants as well as supporting organisational development[64]. It has three main programmes in rural development, financial services and housing. We Effect has been working in District X since it

[61] Interview with Agricultural Extension Officer for Location A, 18th October 2012; interview with Agricultural Extension Officer for Location B, 23rd October 2012

[62] Interview with Annah Macharia, Programme Officer, Gatsby (a multi-donor programme in Kenya, which includes the dairy sub-sector), 30th October 2012

[63] Land O'Lakes is the development arm of a US-based dairy co-operative

[64] Interview with George Onyango, Deputy Regional Director, We Effect, 25th July 2012

opened its office in Kenya in 1997[65], to support organisational development of co-operatives (e.g. through computerisation to allow earlier payments to farmers) and capacity building of staff and co-operative leaders as well as of farmers to improve quantity and quality of produce. The Senior Project Officer in District X explains that this approach allows them to support both the co-operative as well as farmers, 'so they can move together'[66].

As a member of the co-operative movement itself, We Effect is committed to making 'the co-operative concept work'[67]. The Senior Project Officer talked of how the challenge was 'doing business as a private person or private company, but guided by the principles of co-operatives, the co-operative philosophy.' We Effect's recognition and commitment to addressing this challenge, which co-operatives face as enterprises in the private sector, distinguishes it from other development approaches that I discussed in section 2.4.2, where co-operatives might be seen more as instruments for development. The Senior Project Officer also referred to the other challenge identified in section 2.4.2, and the importance of not undermining co-operatives' long-term sustainable approach in communities. He discussed how before starting a new programming initiative with a co-operative: 'We're guided by whether it's sustainable – if not, we don't even start it'[68]. He refers here to sustainability in a business operational sense, clarifying this with the example of their work in the honey sub-sector with bee-keeping co-operatives in District X. We Effect has been linking bee-keeping co-operatives to private players that can provide support for training, processing and marketing of their produce. Through this approach: 'We know honey will run itself.'[69]

In Chapters 6 and 7 I look specifically at how We Effect works with the case study co-operatives, and the extent to which it either supports or undermines their governance and the way they operate.

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[65] Interview with George Onyango, Deputy Regional Director, We Effect, 25th July 2012
[66] Interview with Senior Project Officer, District X, We Effect, 7th August 2012
[67] Interview with Senior Project Officer, District X, We Effect, 7th August 2012
[68] Interview with Senior Project Officer, District X, We Effect, 7th August 2012
[69] Interview with Senior Project Officer, District X, We Effect, 7th August 2012

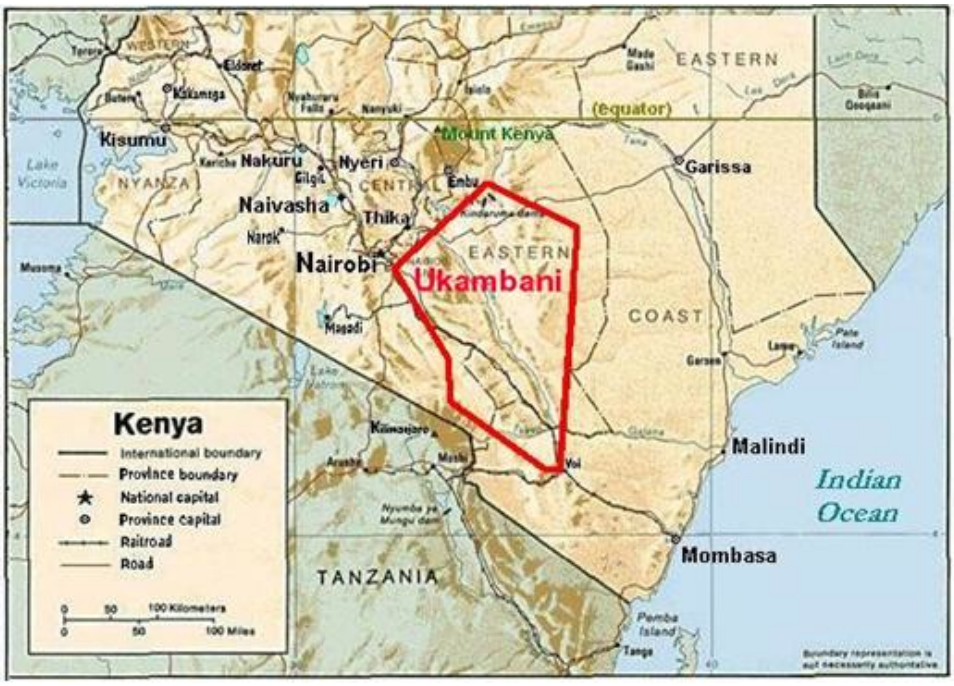
5.6 UKAMBANI - THE LAND OF THE AKAMBA PEOPLE

This research was undertaken in Ukambani, which is the name given to the area in Kenya where the Akamba tribe predominantly resides. In this section I present the background to the study location to understand the wider conditions and environment within which the case study co-operatives operate, and the research participants live. I analyse the co-operative sector, and the overall living conditions in District X, as well as the state of agriculture and dairy farming there.

Ukambani is not an officially recognised geographic area, but is in the semi-arid Eastern province - stretching east from Nairobi up to Embu in the north (see Figure 5.2). The study location within Ukambani has been anonymised to protect sensitive information that emerged. Instead of using actual location names, I refer to the study area as:

- District X: the district where the case study research took place;
- Divisions A and B, and Locations A and B: District X is divided into four Divisions, which are then sub-divided into Locations, of which A and B are where the corresponding case study co-operatives and villages are located;
- Towns A and B: the two towns nearest to the case study co-operatives and villages;
- Villages A and B: the two case study villages.

Figure 5.2: Map of Ukambani



Source: The World Federation (2010)

District X covers an area of over 1,000 km2, and has a population of just under 200,000 people or 30,000 households (Ministry of State for Planning, 2008:xix).

5.6.1 The co-operative sector in District X

District X has a total of 132 registered co-operatives, most of which are in the agricultural sector (Ministry of State for Planning, 2008:44). Despite the rise of SACCOs in Kenya, there is no SACCO in District X[70], making access to finances particularly difficult for small businesses and the poor. There are five active dairy co-operatives in the district: four in Division A where Co-operative A is located, and one in Division B where Co-operative B is located.

The district has one co-operative union, which was registered in 1972. Like other co-operative unions in Kenya, it faced difficulties following liberalisation in 1992 when members were no longer obliged to use the union's services. It collapsed in that year, and was only revived in 2007 with support from the government and bodies such as the

[70] Panel discussion during We Effect Regional Committee meeting, Senior Project Officer, District X, We Effect, 6th August 2012

Co-operative Alliance of Kenya and We Effect[71]. Although the Union began with marketing coffee, it now has 54 co-operative society members from a number of different sectors including handicraft, dairy, cotton, horticulture and multipurpose (District X Cooperative Union, 2010:2). These have approximately a combined 200,000 individual farmer members[72]. However, the Union's annual turnover has been decreasing since it was revived in 2007 (District X Cooperative Union, 2010:11). It has recently been trying to re-vamp itself, with a number of new initiatives. In coffee, it is working with members and We Effect to establish a coffee mill, as well as establishing farm inputs stores in coffee producing areas. In handicrafts it links women's groups to export markets, handling orders to the value of Ksh 10 million[73] annually. Work in both these areas show it either attempting to add value to members' produce, or to link members to markets that they would not have been able to access individually.

In Chapter 6, I discuss the relationship that the case study co-operatives have with District X Co-operative Union, exploring the extent to which it is able to provide a supportive federating structure for the co-operative dairy sector in the district, and impact performance of the case study co-operatives.

5.6.2 Living conditions in District X

Of the 30,000 households in District X, approximately 7,500 are considered to be farm families[74] with an average farm size of 2.5 acres (MOLD, 2012:3). Over 60% of the population in the district is below the poverty line (Ministry of State for Planning, 2008:34), compared to the national average of between 34% and 42% (World Bank, 2013:iv).

The majority of District X is considered to be semi-arid lands (Ministry of State for Planning, 2008), including Divisions A and B where the study took place. The district's low access to water makes dairy farming particularly challenging. Its main sources of water are three rivers, and a total of 215 small dams (MOLD, 2012:31). However, these

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[71] These bodies have been trying to strengthen the secondary co-operative tier in country, recognising the struggle faced by the few remaining secondary co-operative unions to carve a unique role for themselves
[72] Interview with Chief Executive Officer, District X Co-operative Union, 14th August 2012
[73] Approximately £68,000, as of 1st May 2014
[74] Families engaged in subsistence or semi-subsistence agriculture (source: interview with District Animal Production Officer, 2nd August 2012)

sources do not necessarily hold water from one rainy season to the next, with only one out of the three rivers being permanent. The district has 47 operational boreholes (MOLD, 2012:31), which are more reliable than the surface water sources. However, the low number of boreholes, compared against the figure of 30,000 households in the district, shows the low access to this water source. A piped water distribution system has been installed in parts of the district, but whole villages are left uncovered. During the dry season the water distribution system can also run dry.

The majority of farmers in the district are semi-subsistent, occasionally selling surplus during the rainy season (Ministry of State for Planning, 2008). The district receives regular food aid during the lean season (i.e. the period before harvest of the first crops, when household food stocks from the previous harvest might be depleted). Kenya's arid and semi-arid lands (ASALs) as a whole receives an estimated USD 40 to 65 million in food aid annually (MOLD, 2010:4). In 2009, District X was affected by drought (MOLD, 2012), as was much of the East Africa region, leading to an extended period of food aid.

Male migration to urban areas is an important feature in District X. Rural to urban migration in developing countries is often a calculated strategy employed by families (Kiriti-Ngangato, 2007) and, in the study district, has been linked to household responses to drought conditions (Greiner and Sakdapolrak, 2013). In the absence of men, women inevitably take responsibility for much of the agricultural work along with other household responsibilities. However, migration within the district tends to be a temporary option, with many men returning to rural homes, at least by retirement (Greiner and Sakdapolrak, 2013). Remittances from migration and other off-farm activities are an important source of household income in District X (Greiner and Sakdapolrak, 2013:530).

5.6.3 The state of dairy farming in the study area

Over 90% of households in District X are engaged in livestock rearing, with the dairy industry identified as the key source of livelihood for the district (Ministry of State for

Planning, 2008:12). However, District X is still considered a milk deficit area[75], suggesting low milk productivity within dairy farming households. Although 80% of Kenya's dairy cows can be found in the ASALs, the region produces merely 25% of the country's milk (MOLD, 2010:37). The 20% of its cattle population that is pure/hybrid provides approximately 75% of the 1.3 million litres of milk produced annually in the district (MOLD, 2012:20).

District X is generally considered to be dry and not well suited to dairy farming[76]. In its Dairy Master Plan, the Ministry of Livestock Development (2010) identified a number of specific challenges to dairy farming in the ASALs. This included i) water supply, quality and efficiency; ii) inadequate and expensive AI services; iii) high cost of feeds requiring a stronger focus on pasture establishment and fodder conservation (MOLD, 2012). However, in interviews with actors at the local level from government officers to co-operative leaders, there was excitement at the potential of dairy farming in the region. In Chapters 6, 7 and 8 I explore the extent to which the case study co-operatives were able to address some of the challenges to dairy farming discussed in this chapter in their operating areas.

5.7 CONCLUSION

The historical development of Kenya's co-operative movement has meant that, similar to other parts of Africa, many people originally joined co-operatives during the era of state control when they had little alternative means to market their produce. This means that in Kenya, as elsewhere throughout Africa, people did not chose the co-operative form over others for the values and principles it embodies. Despite this beginning and its tumultuous history in Kenya, the co-operative movement has not only survived, but is now thriving. However, dairy co-operatives, which had emerged relatively well out of economic liberalisation, are now struggling in an increasingly competitive industry. This chapter has identified a number of issues that are important points of departure for this study, and will guide discussions in the following chapters:

[75] Interview with George Onyango, Deputy Regional Director, We Effect, 25th July 2012; interview with Senior Project Officer, District X, We Effect, 7th August 2012

[76] Interview with Daniel Marube, Chief Executive Officer, Co-operative Alliance of Kenya, 24th July 2012

i. Kenya has high levels of poverty, particularly in rural areas. A focus on improving agricultural productivity could help it to meet poverty reduction targets;
ii. Dairy farming is widespread throughout Kenya and small-scale, showing its potential to reduce poverty, as well as provide nutritional benefits to large numbers of households;
iii. Dairy co-operatives are the largest formal sector actor in the industry, and as such could help to negotiate better conditions for farmers in the (formal and informal) milk market as this expands in Kenya and regionally.

The chapter has also identified a number of challenges to dairy farming in Kenya. This includes low value addition in the sub-sector, access to appropriate inputs and credit to improve milk productivity, as well as upgrading dairy cow breeds and reducing farmer vulnerability. In the following chapters I explore how the co-operative form might help to address some of these areas to improve the impact of dairy farming on poverty.

CHAPTER 6

GOVERNANCE OF CO-OPERATIVES A AND B: INFLUENCING PERFORMANCE

6.1 INTRODUCTION

In Chapter 3 I discussed the conceptual framework as a pathway, exploring how three different components of governance (co-operative relationships, member participation and withdrawal, co-operative activities) can influence the overall performance of co-operatives. The balance in relationships between co-operative members, the board of directors, staff and external stakeholders is key to unpacking how they impact the economic and social outcomes of co-operative activities, and how this can influence co-operative performance. I also discussed the extent to which member participation can influence, and be influenced by, these relationships and activities to affect co-operative performance. This performance can then have either a positive or negative impact on poverty at the village and household levels, which might be incidental or intentional on the part of the co-operative. I discussed how understanding co-operative performance through both effectiveness and efficiency analysis was essential to exploring this impact on poverty.

I now apply this framework to the case study co-operatives, and explore its usefulness in addressing secondary Research Question 1: How do the different components of co-operative governance influence performance? In this first (of three) findings chapters I explore the overall performance of Co-operatives A and B, drawing largely on data from interviews at the district, co-operative and member/non-member levels, as well as participatory exercises at the co-operative level. I focus on understanding people's perceptions and experiences of the two co-operatives in the three governance areas, mapping them onto the pathway (Figure 3.4). I compare the balance in the governance areas between the two case study co-operatives to understand whether and how this impacts their performance. Findings in this chapter are presented as 'suggestive', as it is only in the following two chapters that I explore the link between this balance and performance and poverty reduction in the two case study villages and member/non-member households. Although both the case study co-operatives are based in the same district their membership areas do not overlap, and they each draw members from a number of different villages in their surrounding area.

I begin in section 6.2 with a historical background to the case study co-operatives, exploring why and how their governance relationships and processes have evolved in the way that they did. In 6.3, I compare the balance in each of the three relationship areas between the case study co-operatives (control/partnership between members, the board and staff; a representative/expert governing body; working with internal/external stakeholders). In section 6.4, I identify four activity areas that Co-operatives A and B are engaged in (training, farm inputs and services, milk income and dividends, other capital support), and explore how the three different governance components have affected economic and social outcomes in these activity areas and overall performance. Finally, in section 6.5 I present some conclusions.

6.2 HISTORICAL INFLUENCES ON THE GOVERNANCE OF CO-OPERATIVES A AND B

The historical background of the case study co-operatives can help us to understand how they have developed over time, and contextualise the discussion that follows. I look at how the two co-operatives first emerged, and then explore recent events over the five-year study period (2007 to 2012) that have helped to shape their governance.

6.2.1 The origins and background

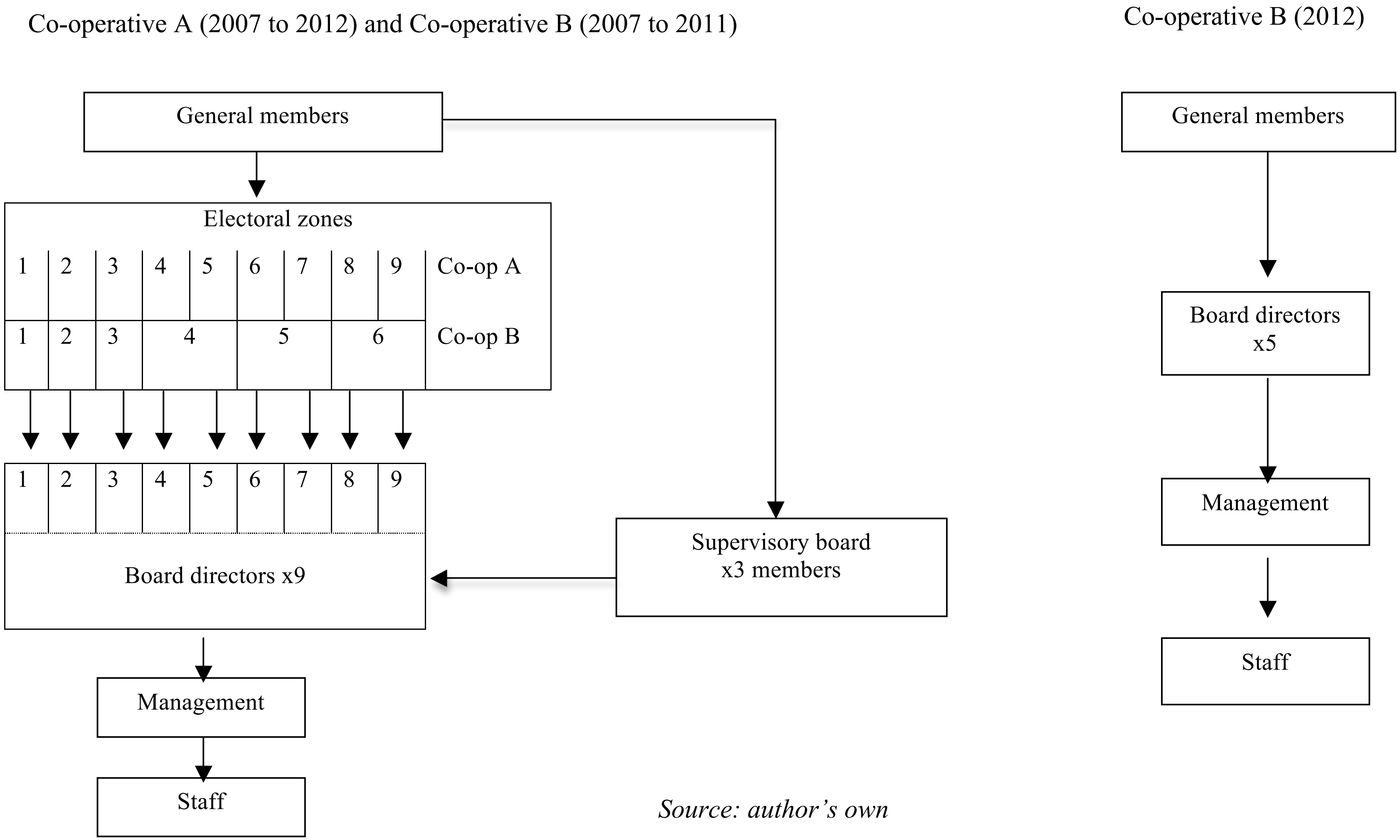
Both Co-operatives A and B were established in the 1970s, registered as multipurpose co-operative societies in a newly independent Kenya. They began in the cotton sector as part of the government ‘export nexus’ to Europe (see section 2.2.2), allowing alignment to public sector structures. This allowed them to sell the raw cotton plants of members to district level marketing co-operatives, which was directly overseen by the Ministry of Co-operative Development and Marketing. This meant that like many other co-operatives in Africa, Co-operatives A and B did not emerge from the grassroots, and members did not necessarily choose the co-operative form for the values and principles that it enshrined. The limited awareness of co-operative principles and values was evident when none of the 16 members interviewed during fieldwork, nor the two current directors for Villages A and B, were able to identify them. The manager at Co-operative A was the only staff member that showed awareness in this area.

In the 1980s the cotton sector in Kenya collapsed, with both co-operatives adapting by switching from cotton to milk marketing. The directors and managers at Co-operatives A and B explained that traditional links to dairy farming in the area made the change relatively smooth[77]. The primary role of the two co-operatives is to collect or 'bulk' the raw milk of their individual members, market the produce, and then pay members on a monthly basis according to their milk deposits. Co-operative A has a larger overall membership of approximately 2,000 members[78], compared to 580 in Co-operative B[79]. However, their active membership figures are closer – 214 in the former[80], and 137 in the latter[81]. They also have similar percentages of female membership, 33% in Co-operative A[82], and 45% in Co-operative B[83].

Figure 6.1 below depicts the organograms of the two co-operatives. In Co-operative A, each of the nine elected board directors (one female) represents one electoral zone. A three member supervisory board, directly elected by the membership, oversees the board of directors. In Co-operative B, a similar structure was in place prior to 2012, with three of the larger electoral zones represented by two directors. Each electoral zone covers a number of different villages in both co-operatives. In Co-operative B, however, after 2012 direct representation of electoral zones (as well as the supervisory board) was lost. Below I look more closely at the governance of Co-operatives A and B from 2007 to 2012, particularly exploring why Co-operative B's governance structure changed in 2012.

[77] Co-operative timeline exercise at Co-operatives A and B
[78] Interview with secretary of Co-operative A, 3rd October 2012
[79] Interview with manager of Co-operative B, 2nd October 2012
[80] Co-operative A database - Active Membership Annual Trend Report (accessed 1st August 2012)
[81] Written information provided to the research team by manager in Co-operative B, October 2012
[82] Co-operative A database - Active Membership Annual Trend Report (accessed 1st August 2012)
[83] Written information provided to the research team by manager in Co-operative B, October 2012

Figure 6.1: Organograms of case study co-operatives



Source: author's own

6.2.2 Governance of Co-operatives A and B from 2007 to 2012

Over the five year study period Co-operative A's membership area expanded slowly with a growing number of active members. It was considered to be financially solvent, meeting all costs from the income generated by the business[84]. It had an average milk intake of 1,700 litres a day. Neither internal nor external stakeholders that I spoke to mentioned any specific governance issues faced by Co-operative A over this time. Before 2008 Co-operative B was also considered to be financially solvent, had a growing active membership and a recorded milk intake of over 3,000 litres a day[85], greater than that of Co-operative A. In 2008 the Co-operative Bank agreed a loan of Ksh 5.5 million to Co-operative B, for the purchase of vehicles and 40 hybrid dairy cows for members. Since then the co-operative's performance began deteriorating, with milk intake as low as 400 litres a day in 2012 and a corresponding decline in active membership[86]. Over 2007 to 2012 its average milk intake dropped to almost one third lower than that of Co-operative A's at 1,200 litres a day. I wanted to understand what happened at Co-operative B from the perspective of members and so used the member interviews to unravel the story, as they saw it, over this five year period:

'The society acquired a loan from the Co-operative Bank. They [board of directors] bought fake types of breeds – the cows were also hit by a massive drought. Those people [the directors] were not interested in the well-being of the society. Some didn't even have dairy cows.' (Member Interview, Participant B4, 18th October 2012)

Participants reported that inactive and dormant members (or those purporting to be dormant members)[87] attended member meetings, and gradually voted in directors that were not believed to be representing the general interests of members. This situation can be analysed using stakeholder salience theory. The inactive/dormant members can be recognised as latent stakeholders of Co-operative B who, with the capital surge into the co-operative, reclaimed salience attributes (Mitchell et al., 1997) (including a legitimate relationship with the co-operative and the power to vote in member meetings) to assert

[84] Presentation delivered by We Effect Project Officer for District X, at We Effect Regional Committee Meeting, 6th August 2012
[85] Report delivered by chairman of the board of directors at Co-operative B, at We Effect Regional Committee meeting, 6th August 2012
[86] Report delivered by chairman of the board of directors at Co-operative B, at We Effect Regional Committee meeting, 6th August 2012
[87] In Box 4.1 I defined inactive members as those who had not delivered milk for a 12 month consecutive period, and dormant members as being economically inactive for at least two years

control over the co-operative. This raises the issue of how co-operative B was perceived in the communities where it operates, and the relationship it had with latent stakeholders. In contrast to this situation, Co-operative A did not take out any loans, or face similar governance issues.

Co-operative B members talked of ‘embezzlement and misappropriation of funds’[88] by the board, which occurred after the capital injection from the Co-operative Bank. A member who became inactive over this time explains how:

‘At the end of the month they [staff and directors] would delay our payment, even up until the next month.’ (Member interview, Participant B6, 17th October 2012)

The manager of Co-operative B explained how:

‘I was telling them [the board] you’re going wrong. I resigned....My deputy (who was a relative of one of the committee members[89]) became manager. They stole a lot of money.’ (Interview with manager of Co-operative B, 4th August 2012)

This indicates a break in the line of integrity from principal to performance, with agent interests (in this case of both the new manager and the board of directors) differing from those of members. I asked members what they did when this situation emerged:

‘Some members ran away – were depositing milk elsewhere. Others were very loyal and stayed. *Why did they stay?* We didn’t want to finish our own society, since it was ours. And then when we have milk tomorrow, we’ll have no place to deliver it.’ (Member interview, Participant B8, 10th October 2012)

This exodus from Co-operative B resulted in almost 60% of the membership becoming inactive over five years up to 2012[90], reducing its active membership from above Co-operative A’s to below. This sent a clear message to the leadership and to remaining members, which eventually helped to instigate change and begin improving the operations of the co-operative. The statement above by Participant B8 helps to explain this process of member participation and withdrawal. It suggests that some members remained loyal to the co-operative - the references to ‘our own society’ and ‘it was ours’

[88] Member interview, Participant B4, 18th October 2012
[89] Members and staff at primary co-operatives referred to the board of directors as ‘the committee’, and called the directors ‘committee members’
[90] Written information provided to the research team by manager in Co-operative B, October 2012

suggest commitment to Co-operative B through psychological ownership and a sense of possession of the co-operative. Those members that chose to stay described a process, which indicated their greater participation in 'voice'. They described how they went to the directors and staff: 'We advised them to call a meeting'[91], but:

'The committee was refusing to call a meeting. Then people went there and became harsh. Some people wanted to take the milk cans and sell them, so they called a meeting.' (Member interview, Participant B11, 6th October 2012)

This process shows the strengthening of member voice, which led to them trying to put in place appropriate controls to re-establish the line of integrity. Members' demand for a meeting was eventually agreed in May 2012. A group of approximately ten members visited the District Co-operative Officer (DCO) before this meeting:

'I told him [the DCO] that we didn't want this committee so it must be dissolved....and told him that at such and such a date we'll be having a meeting, so come.' (Member interview, Participant B4, 18th October 2012)

Despite District X only having one DCO, members' increased voice participation led to them directly approaching him and demanding his presence at the Special General Meeting (SGM), which was required to pass certain decisions, including the dissolution of the board (see section 5.2.3). Another member describes how: 'Before the meeting we knew we would dissolve the committee – every person was for dissolving it'[92]. Increased voice within the membership led to members working together to arrive at this agreement. I asked members to describe what happened at the meeting:

'We told the DCO to dissolve the committee – he did that without wastage of time or argument. Then we elected the caretaker committee [interim board].' (Member interview, Participant B4, 18th October 2012)

The supervisory board was also dissolved as it had 'kept quiet when the society's performance was deteriorating'[93]. Members asked the interim board to dismiss all the staff and reinstate the previous manager, which it did. I asked members what they thought of their co-operative now. The majority of members were positive, stating that

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[91] Member interview, Participant B11, 6th October 2012
[92] Member interview, Participant B11, 6th October 2012
[93] Interview with manager of Co-operative B, 4th August 2012

it was 'doing well'[94], or 'We are somewhere at least. We're being paid on the first of the month, and price per litre is good'[95]. This series of events show how both member dissatisfaction as well as loyalty eventually helped to improve the governance of Co-operative B.

Figure 6.1 above shows that throughout this time the governance structure of Co-operative A did not change, with a nine member board of directors continuing to be voted in directly by members. In Co-operative B the five member interim board, which was voted in by the whole membership, resulted in each director representing members across all electoral zones. It also lost the check and balance of the supervisory board. This structure in Co-operative B was initially considered to be temporary, with full elections for a board of directors and supervisory board expected soon. However, members recently voted for a change in the co-operative's by-laws, which continued with an electoral system where all nine directors of the full board would be voted in by the whole membership rather than representing an electoral zone[96]. Although this would provide a safeguard against a repeat of the governance incidences discussed above, it would also mean a loss of direct representation and accountability to electorates in the six zones. I explore this issue further throughout the findings chapters, and conclude in Chapter 9 on what the loss of direct representation might mean for Co-operative B's performance and impact on poverty.

The five year strategic plans (from 2010/11 to 2015/16) of both case study co-operatives show that they do not have any specific objectives in poverty reduction. Their vision and mission statements are similar, and focussed on improving the livelihood or quality of life of members and the community by being lead processors and marketers of dairy products. Their main objectives are on supporting farmers to improve milk supply through a range of services including education and training, veterinary and farm inputs, and credit facilities. This shows that neither Co-operative A nor B have any explicit intention to reduce poverty, either within the membership or wider.

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[94] Member interviews B8 (10th October 2012) and B2 (13th October 2012)
[95] Member interview, Participant B7, 6th October 2012
[96] Informal conversation with chairman of the board of directors of Co-operative B, 16th October 2012

6.3 BALANCING THE RELATIONSHIPS IN GOVERNANCE

In section 3.3, I discussed how the internal and external relationships in co-operatives could be balanced to improve overall co-operative performance. Here I compare each of the three relationship areas (i. control/partnership between members, the board and staff; ii. a representative/expert governing body; iii. working with internal/external stakeholders) in the two co-operatives, and explore the extent to which they are balanced.

6.3.1 Control/partnership between members, the board and staff

In section 3.3 I discussed how the balance between control and partnership in the internal governance relationships (between co-operative members, the two boards - both the board of directors and the supervisory board - and staff) could be affected by different co-operative governance aspects, such as participation in member meetings or the electoral process. I compare how these different aspects are managed in the case study co-operatives to affect the balance in this area, looking at both formal and informal ways of interaction between the internal actors.

<u>Exercising control/partnership through formal interactions</u>

Member meetings

The only formal forum for interaction between members, the two boards and staff were either Annual General Meetings (AGMs) or Special General Meetings (SGMs). The latter were convened to discuss pressing matters arising in-between scheduled AGMs. AGMs and SGMs were the only fora that allowed all members to participate in governance. However, to what extent were internal actors able to use it to achieve a balance between control and partnership in their relationships?

In Co-operative A, all seven AGMs and SGMs held from 2007 to 2012 achieved a quorum[97] – 25% of the active membership were in attendance[98], showing consistent member participation in the area of voice. However, in Co-operative B, more than half of the meetings held over this period lacked a quorum (15 out of 28 AGMs and SGMs

[97] Meeting attendance registers held at Co-operative A
[98] A quorum was defined as this by the Co-operative Officer for District X, in an interview on 6th August 2012

over this period), which meant that they could not take place and would have had to be re-scheduled for a later date[99]. During the stakeholder mapping exercise, staff and directors discussed this issue:

'That problem has been there. That happens when members have no confidence in the management…when we don't reach quorum, it's an indication that something is wrong.' (Stakeholder mapping exercise, chairman of the board of directors at Co-operative B)

This suggests that overall dissatisfaction with Co-operative B's leadership led to member withdrawal in the area of voice. However, the first meeting held since the appointment of the interim board reached a quorum, with an attendance level of 33%[100] showing a return of member loyalty in this area.

The two boards: the board of directors and the supervisory board

Both Co-operatives A and B had a supervisory board in place for most of the five year study period, which was responsible for monitoring the board of directors. As discussed in section 6.2 this board was dissolved in Co-operative B in May 2012 (along with the full board of directors), and no interim supervisory board was appointed.

In Co-operative A, a member explains the role of the current supervisory board:

'They attend to our problems. When there's a problem with our payments they assist us. *How?* They talk for us, and if there's anyone misbehaving they're kicked out so that prices can be implemented.' (Member interview, Participant A15, 15th October 2012)

Participant A15 explains the importance of the supervisory board in not just providing a voice for members, but also in leveraging member control over the internal relationships. The director for Village A describes the relationship between the supervisory board and the board of directors:

'Weak areas used to cause friction between us. If they [supervisory board members]

[99] Meeting attendance registers held at Co-operative B. Over the five year period, Co-operative B held four times the number of meetings as Co-operative A. The agendas and minutes of the meetings showed that SGMs were convened to deal with the use of the loan and other matters related to the debt of the co-operative. The higher number of meetings was also due to them being re-scheduled because of failure to reach a quorum
[100] Register of member attendance at SGM of Co-operative B, 8th August 2012

identified a problem they used to take the issue straight to the farmer rather than the committee....we used to regard them as our enemy.' (Member interview, Participant A1, 8th October 2012)

The director then explains how they met with the DCO, who discussed the roles of each body, and he then describes how the relationship changed:

'...we realised that they're a watchdog for the farmers. Realised that they are also friends and can be of help to us – they can identify a good way forward. The benefit goes to the farmer....we assist each other. Discuss things freely.' (Member interview, Participant A1, 8th October 2012)

The director describes an evolving relationship, which began with a focus on farmers trying to control the leadership through the supervisory board. With support from the DCO this relationship developed into more of a partnership, allowing a stewardship approach that helped the two boards to work together to strengthen the decision-making process and improve organisational performance.

During the SGM that I observed at Co-operative B[101], the lack of a voice from the supervisory board was evident. Members raised different issues sporadically throughout the meeting, with no coherent process for addressing their concerns. However, even before the dissolution of the supervisory board in Co-operative B, its relationship with the board of directors was identified as difficult. An inactive member describes the relationship she observed between them when she used to regularly attend meetings:

'The main problem is that the committees are ever fighting. They don't understand each other. There are two committees I think, and they don't understand each other. *How can this be improved?* The committees should sit down together and come to a conclusion on how society should be run.' (Member interview, Participant B1, 16th October 2012)

Participant B1 describes an antagonistic relationship between the board of directors and the former supervisory board. Her proposal for a way forward signals the need for greater partnership between the two bodies and a balance with a stewardship approach, which would allow the co-operative to be better run.

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[101] SGM held on 8th August 2012

Exercising control/partnership through informal interactions

The discussions above have shown that formal interactions did not always allow sufficient opportunity for control or partnership to be exercised in the two co-operatives, particularly in Co-operative B. There were also a number of informal ways in which internal actors interacted with each other; I explore these here to understand whether this provided more opportunity to balance control and partnership within their relationship.

In Co-operative A, board directors and staff acknowledged the important role of general members in the internal relationships. The director for Village A stated: 'We always apply a policy where the farmer is the boss.'[102] This statement not only highlights the importance of members in the internal relationships but also of ensuring member control through accountability by linking the word 'boss' to the farmer members. The director for Village A described the changing relationship between general members and staff:

'…we trained our farmers to not interfere with our staff. Before they would quarrel or tell staff, "I'll fire you". Staff used to work under fear. Even directors would attack staff.' (Member interview, Participant A1, 8th October 2012)

His description here suggests a relationship where members were trying to enforce controls on staff through threats of dismissal. He describes how training of farmers (which involved information on procedures to follow if they had complaints) led to 'Eighty percent of farmers recognise staff and that they do a good job.'[103] This evolving relationship suggests members and staff moving from control to more of a balance with partnership.

The quote above also suggests that board directors had an antagonistic relationship with staff. The use of the word 'attack' suggests a relationship based on enforcing control. The director also refers to how: 'Before we used to work as staff – so many petty things used to make us meet.'[104] He suggests here that the roles of directors and administrative staff were blurred, with minor or 'petty' issues requiring board attention rather than

[102] Member interview, Participant A1, 8th October 2012
[103] Member interview, Participant A1, 8th October 2012
[104] Member interview, Participant A1, 8th October 2012

being dealt with by administrative staff, causing a tension within this relationship. A new manager was recruited: ‘He has been very helpful to us as the management’[105]. The recruitment of a ‘helpful’ manager suggests a stewardship approach to management, which can be seen as balanced with a principal-agent control measure - the board recognised their role as beyond the ‘petty things’, suggesting that they focussed on a strategic decision-making role, separating this from the day-to-day decision-implementing role of the manager. This also elaborates on how a balance in control and partnership between the board and staff can help to ensure effective management. In Co-operative B, following the election of the interim board, members insisted on the re-appointment of the manager who had resigned under the previous board. Members’ direct involvement in a recruitment decision in this way shows them weighing in on the side of control in their relationship with the board, and suggests an imbalance in this relationship area.

In Co-operative A, issues of corruption and dishonesty amongst the staff were also raised by a number of different people, highlighting some imbalance in this relationship scale. Participant A10, an inactive member, explained that she stopped delivering milk to the co-operative because the milk attendant there would not accept it saying that it was ‘sub-standard’[106]. She went to the manager who responded immediately. A veterinarian treated the cow and she started re-delivering to the co-operative. However, her milk was returned again:

‘I was so heart broken, so tired. I would milk ten litres, it would be returned. In the evening the same thing. I just gave up.’ (Member interview, Participant A10, 4th October 2012)

She believed that the milk attendant was ‘biased’ against her. The initial situation led to her activating voice by approaching the manager, but when the situation remained unresolved, her dissatisfaction increased. She explains how this affected her loyalty:

‘They’ve done so bad to me and I feel hurt. I don’t have the intention to sell to them.’ (Member interview, Participant A10, 4th October 2012)

This statement suggests a lowering of her commitment to the co-operative through

[105] Member interview, Participant A1, 8th October 2012
[106] Member interview, Participant A10, 4th October 2012

organisational identification as she could no longer see the co-operative operating in her interests. Her commitment through organisation-based self-esteem can also be seen to have lowered with a belief that she no longer counted in the organisation, and that it would not provide the help that she needed through this trouble. This situation illustrates a failure to achieve an effective balance between control and partnership in the relationship between the staff and the member (Participant A10), resulting in a lowering of her loyalty to the co-operative, and her withdrawal from all three economic, service and voice areas[107].

6.3.2 A representative/expert governing body

Understanding the balance between representation and expertise requires a closer look at the nature of the governing body. I do this here by focussing on two areas: the directors themselves, as well as the electoral process.

<u>Qualities of a co-operative leader</u>

Qualities prioritised by members

During member interviews in Villages A and B, I asked participants what qualities they looked for in a board director/co-operative leader. In both Villages A and B, the two most frequently mentioned qualities were linked to expertise: someone who was educated or knowledgeable, and someone who was a good dairy farmer and understood this business. Members talked about the importance of 'a learned person who will know what people are talking about'[108], and that they should have an 'interest in dairy farming. Someone who knows how to carry out the business'[109]. Members in both villages also mentioned characteristics linked to representation: somebody that met with them, understood their needs and could take their issues to the co-operative[110]:

'If we say milk prices are low, we require someone who can take this to the society without fear, because when he fears all the badness is left with the farmer.' (Member interview, A4, 5th October 2012)

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[107] Member interview, Participant A10, 4th October 2012
[108] Member interview, Participant A4, 5th October 2012
[109] Member interview, Participant B4, 18th October 2012
[110] Member interview, Participants A1 (8th October 2012), A4 (5th October 2012), A12 (15th October 2012), A15 (15th October 2012), B6 (17th October 2012), B10 (10th October 2012), B2 (13th October 2012) and B8 (10th October 2012)

Many of these qualities resonate with those identified by Odeke (2011:219) in a 'good co-operative leader', and help to further illustrate their importance for members. The range of descriptors and frequencies in Table 6.1 show that overall in Villages A and B, the qualities mentioned by members represented an even balance between expert and representative characteristics.

Table 6.1: Qualities of a co-operative leader (number of times mentioned)

	Expert	**Representative**	**Personal**	**Total**
Co-op A	Educated/knowledgeable (4), a (good) dairy farmer (4), can debate (2), has vision/ideas (2)	Can take members' issues to the co-operative (3), attends member meetings (2), talks for members (1), ready to deliver services to members (1), meets with electorates (1)	Financially stable (3), not corrupt (2), religious (1), presentable/smart (1), mature person that others will listen to (1), does not discriminate against people (1), behaves well (1), socialises well (1), active (1)	
Total references	12	8	12	32
Co-op B	Educated (3), a dairy farmer (2), can market our milk (1), can speak to people (1), leadership skills (1), understands dairy farming business (1)	Can solve others' problems/help others (2), can gather and inform us (1), ensures we're paid (1), can take care of our interests (1)	Financially stable (4), not corrupt (3), relates well to people (2), not hot tempered (2), behaves well (2), has family (2), energetic/not old (1), responsible (1), loves others (1), can handle people (1), is nice (1), loves peace (1)	
Total references	9	5	21	35

In Co-operative B, however, members also frequently listed qualities that did not fall into either an expert or a representative category. These included personal qualities: 'Someone who's financially stable. Someone who'll not loot and make the co-operative collapse'[111]. Although members in Co-operative A also mentioned such personal qualities, they were more pronounced in discussions with members of Co-operative B, with more references made in this area. This emphasis on personal qualities is perhaps linked to co-operative history in Africa, and the widespread corruption and misappropriation of funds that occurred, particularly in the recent experience of Co-operative B. It also resonates with the notion of a 'co-operator' (Hartley, 2014), which is consistent with the democratic governance theory that emphasises moral ideals and behaviour in elected representatives, and is perceived to lay a path towards responsible governance. These personal qualities point clearly to the importance of financial stability, which was frequently mentioned, and a preference for leaders who were not poor: 'if you elect somebody who's poor, he'll start increasing with your money'[112]. This third category of personal qualities is important to understand along with the balance between expertise and representation, and is discussed further below on the electoral process.

Balancing leadership qualities: a local representative or an expert?

Over the 2007 to 2012 period there was one director representing Village A. He was a local businessman, who spoke English well, and was actively engaged in dairy farming. He was also generally available to members around the village and at the co-operative office. He was reported to hold meetings approximately twice a year with members in his electoral zone, and used these meetings to communicate key information from committee meetings[113]:

'...he communicates with us about what is going on at the society. *How?* He calls us and informs us of any changes, and on the other side - if we have any issues we come together and inform him.' (Member interview, Participant A12, 15th October 2012)

The director for Village A also interacted with inactive members and non-members. He paid particular attention to Participant A10 (the inactive member who withdrew from the co-operative after an unresolved dispute with the milk attendant), which was helping to reverse the damage caused to her relationship with Co-operative A. Throughout the

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[111] Member interview, Participant B8, 10th October 2012
[112] Member interview, Participant A7, 8th October 2012
[113] Member interview, Participants A1 (board director for Village A, 8th October 2012), A4 (5th October 2012), A5 (4th oct 2012) and A12 (15th October 2012)

member interview Participant A10 mentioned how the director informs her of meetings, or how ‘A1 [the director] sent somebody to inform me [about a training session]’[114]. These attentions from the director can be seen to help in the re-building of organisation-based self-esteem, which would allow Participant A10 to feel that, after all, she does count in the co-operative. Although she still sold her milk to private buyers, Participant A10 was re-entering the co-operative through voice (attendance at member meetings) and service areas (attendance at training sessions).

The director also talked about personally inviting non-member dairy farmers to separate farmer-to-farmer training that he organised in his electoral zone, with facilitators from government ministries. He explained that ‘This assists to get new members’[115]. These interactions suggest a balance between expertise and representation in the director, which allowed him to increase villagers’ commitment to the co-operative, especially in organisational identification and organisation-based self-esteem. It suggests that he recognised this as important to also build up in non-members to facilitate their entry. However, he was only found to provide this level of attention to non-members who owned (or were in the process of buying) hybrid dairy cows[116]. All four of the seven non-members who owned indigenous cows did not refer to the director as actively interacting with them or personally inviting them to training, whereas two out of the three who owned hybrid cows (or were in the process of buying one) were regularly invited[117]. This also suggests a possible barrier to entry into Co-operative A – ownership of hybrid dairy cows. I explore this barrier in more detail in section 8.6.

In Village B, there had been four different directors over the 2007 to 2012 period. The current director on the interim board was considered to be a successful dairy farmer, with good knowledge in this area[118]. He also worked full-time in a government office in Town B, and explained that he had not known he would be elected onto the board at Co-operative B, and initially refused the role:

‘…but they said you have to because it’s our society. I didn’t want to do it because I have a lot of things to do. ’ (Interview with board director from Village B, Participant

[114] Member interview, Participant A10, 4th October 2012
[115] Member interview, Participant A1, 8th October 2012
[116] Non-member interview, Participants A17 (8th October 2012) and A35 (5th October 2012)
[117] Non-member interviews in Village A, October 2012
[118] Member and non-member interviews in Village B, October 2012

B5, 12th October 2012)

The director reported being involved in long protracted meetings at the co-operative to identify a way forward for the society, and explained that he had to take time off work to do this. He was therefore not able to also commit to any regular interactions with the membership, especially as he was not in the village all day. He clarified his role, stating: 'At the moment I'm representing the whole society as part of the interim committee'[119], suggesting that his motivation to interact with the electorate was also reduced as there was no direct accountability. During my interview with the director, he showed good knowledge of Co-operative B and spoke eloquently about its objectives, expressing a strong commitment to it: 'I want to make the society good'[120]. However, unlike in Village A, he did not get involved in informing villagers about training, stating: 'There are people dealing with training – as committee members we can't do everything.'[121] When I asked members in Village B whether they had any interactions with the director, one Participant explained: 'He's a civil servant so he's usually busy, but we meet with him at the society when he comes'[122]. This suggests that the director in Village B was less able to balance his expertise with representation than the director in Village A.

I also interviewed two of the other three directors representing Village B over the five year study period[123], both of whom had resigned over this period for similar reasons[124]:

'I was elected into the committee that was rotten, during when there was poor management. When I discovered this, I resigned….Majority of committee members were corrupt. There were serious thieves.' (Member interview, Participant B4, 18th October 2012)

The high turnover of board directors for Village B (unlike in Village A where there had been one director throughout this period) suggests an unstable governing board, where opportunity for consistent and regular interactions with electorates would have been reduced. Unlike in Village A, the current director in Village B was also not interacting regularly with inactive members and non-members suggesting that he was not helping

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[119] Interview with board director from Village B, Participant B5, 12th October 2012
[120] Interview with board director from Village B, Participant B5, 12th October 2012
[121] Interview with board director from Village B, Participant B5, 12th October 2012
[122] Member interview, Participant B4, 18th October 2012
[123] The third director had been released from his role at Co-operative B under corruption allegations in 2012, and no longer had good relations with Co-operative B or its members
[124] Member interview, Participants B4 (18th October 2012) and B10 (10th October 2012)

to build loyalty between these groups and the co-operative to facilitate entry.

The electoral process: competitive or hereditary leadership?

The conditions under which elections take place might also alter the balance between expertise and representation of the board. In Co-operative A, competitive elections were usually held for each board position[125], with a larger number of directors being voted out of office (three since 2005), rather than resigning (two since 2005). Members talked of between two to four people competing for each director post[126]. In Co-operative B, a different situation was described. Members talked of how 'Most of the time there's only one person [standing for election] for your area'[127]. The DCO for District X confirmed this situation at the two co-operatives:

'In Co-operative A they've been changing [the directors], but Co-operative B they're not. This is not very healthy, it's good to have changes. But people don't want to change. People aren't interested in vying for posts.' (Interview with DCO of District X, 6th August 2013)[128]

The current director representing Village A had won three consecutive elections, having competed against at least one other nominated candidate. In Co-operative A, this electoral situation helps to balance the scale between a representative and an expert governing body – competition suggesting that leadership qualities would have been considered by members in the voting process. In Co-operative B the same director had been in place from 1973 to 2011, with a short break for three years over this period. The director that was elected in 2011, Participant B4, confirmed that he was elected without competition:

'Most of the committee that was there was getting old….People of electoral zone B[129] were asked to nominate their own. I didn't know they were going to nominate me. I was

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[125] Interview with manager for Co-operative A, 11th August 2013; interview with DCO for District X, 6th August 2013

[126] Member interviews, Participants A5 (4th October 2012), A15 (15th October 2012), A1 (8th oct 2012) and A12 (15th oct 2012)

[127] Member interview, Participant B11, 6th October 2012

[128] The four changes of directors in Village B over the five year study period would seem to contradict this situation. However, I have shown how this was linked to resignations rather than a competitive electoral process. I also discuss below how this high turnover of directors in Village B was limited to Co-operative B's recent history

[129] This is the anonymised name for the electoral zone covering Village B

nominated with another person called Margaret[130]. Both of us were elected.' (Member interview, Participant B4, 18th October 2012)

Electoral zone B had two directors representing it, both of whom were elected in 2011 without competition. Participant B4's statement suggests that members informally agreed between themselves who they would nominate and elect into the role, with others not putting themselves forward for nomination or election.

Another aspect of the electoral process emerged in both Villages A and B, which suggested that even where posts were being vied, hereditary leadership was considered important. Participant B10 had held the director role in Village B for almost all years since its establishment in the 1970s, resigning only when the management problems began. However, he took a three-year gap from 2001 to 2004 when his son, who is also the current director on the interim board, filled the post. Despite competitive elections, similar hereditary leadership was also found in Co-operative A - the father of the current director in Village A had been on the board for a number of years previous to him. The current director describes the situation when he was first elected:

'In 1999 there were elections. It was either me or my father for my area. He didn't stand up, and I was elected.' (Men's trendline exercise, Village A, Participant A1)

Although Participant A1 competed for the post against other candidates, his statement above suggests that his father's supporters transferred their vote to him, reducing the importance of competition as an aspect helping to balance expertise and representation. The director also talked about his son, explaining:

'When Joseph comes back [from college], he'll have dairy cows. I won't stand for election – will have to give young ones a chance.' (Member interview, Participant A1, 8th October 2012)

This statement highlights Participant A1's plans for a third generation of hereditary leadership for Village A. The third category of personal leadership qualities discussed above helps to explain why hereditary leadership was prominent in both Villages A and B. The two families, that the two directors from the two villages belonged to, were

[130] This is a pseudonym, as are all names used at the local level (see section 4.3.6 of Chapter 4 on ethical considerations)

considered wealthy[131]. This suggests that qualities such as 'financial stability', linked to a lower risk of looting, were important considerations in the democratic process. It also suggests that other characteristics linked to democratic values might have been considered, such as perhaps moral ideals and behaviour (see section 3.3.2), not just of individuals but also recognised through the families from which leaders emerge. This indicates the importance of including member priorities in this area of personal qualities, alongside expertise and representation, on the balancing scale for the governing board. However, the link between these personal qualities and hereditary leadership in both co-operatives raises issues concerning their future governance. Although the current leadership may be meeting member expectations, a continued focus on hereditary leadership risks a board that is less able to balance representation and expertise (as is beginning to emerge with the current director in Village B). A further concern of hereditary leadership is that it embeds gender bias, inevitably favouring male family members for such roles.

6.3.3 Working with internal/external stakeholders

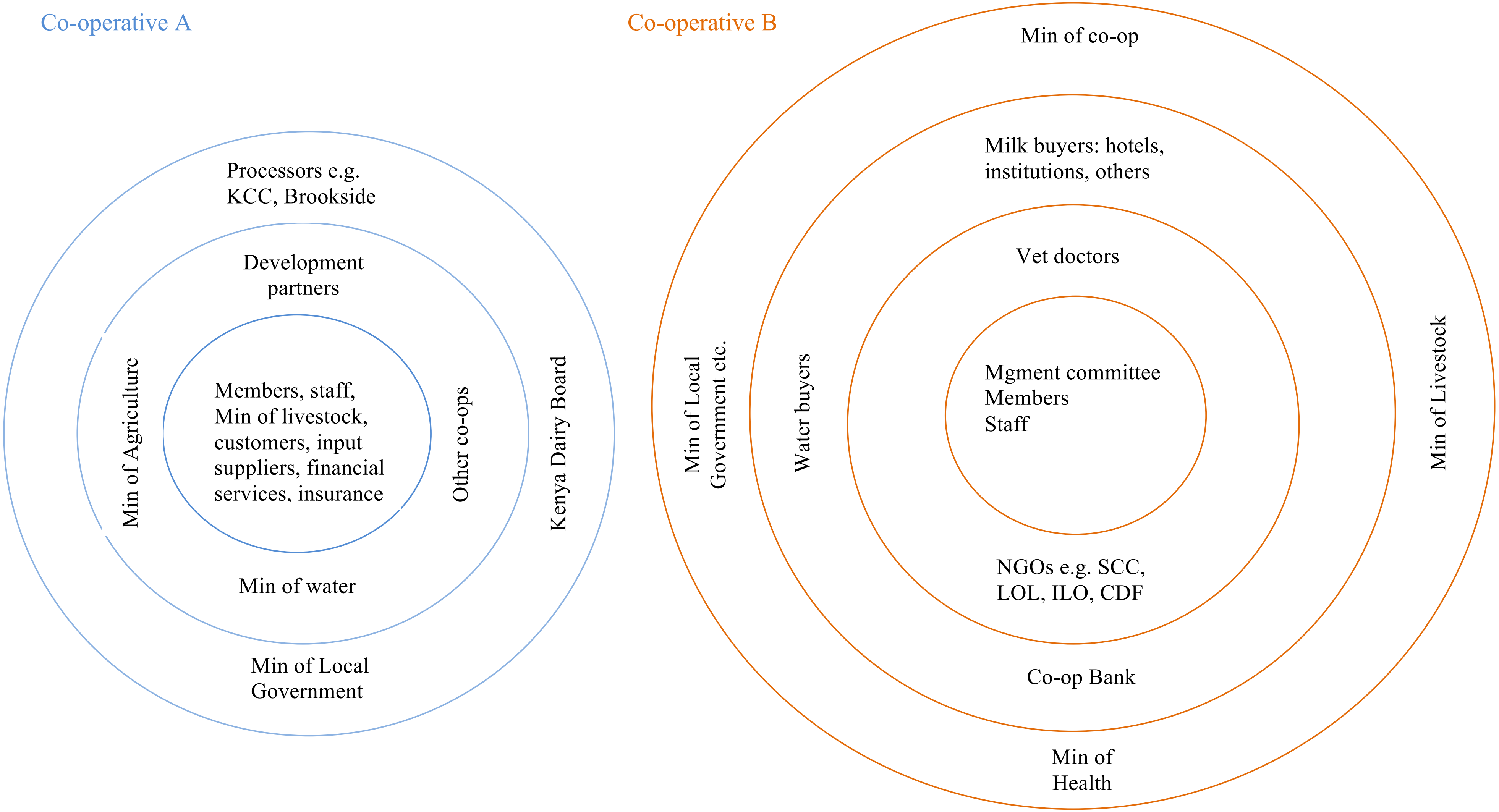
During the Stakeholder mapping and Co-operative timeline exercises in Co-operatives A and B, staff and directors identified their internal and external stakeholders and discussed the roles each played throughout the history of the two co-operatives. Since economic liberalisation, important developments were linked to external support, highlighting the importance of external stakeholders to both co-operatives. For example, in Co-operative B technical advice from Land O'Lakes, a US based co-operative, helped to establish mala (a fermented milk drink) and yoghurt processing for local markets in 2004[132]. In this section I also explore whether and how the case study co-operatives played a networking and advocacy role with their key stakeholders, helping to bring about wider changes that might benefit the dairy sub-sector regionally or nationally, or support the co-operative movement more broadly.

During the Stakeholder mapping exercise, staff and directors at Co-operative A identified three levels of stakeholders, and in Co-operative B four levels were identified

[131] During the Village wealth ranking exercise, the director in Village B was ranked in the highest wealth category. In Village A participants were reluctant to name families in each category, but the homestead of the director in Village A was observed to have many of the characteristics identified in the highest wealth category (e.g. children educated to higher level, vehicle ownership, large portions of land)
[132] Secretary of the board of directors at Co-operative B, Co-operative timeline exercise

(see Figure 6.2). In both co-operatives, the core level of stakeholders included members and staff. Across the different levels, both co-operatives identified a total of five external stakeholder groups: i) government ministries; ii) development partners; iii) other co-operatives; iv) private suppliers of veterinary and agricultural products and services; v) non-members, including buyers and customers of the co-operative's services. Below I compare how the two co-operatives balanced working with these external stakeholders and their main internal stakeholder members.

Figure 6.2: Reproductions of stakeholder maps



Leveraging government resources for member needs

In both Co-operatives A and B a number of different government ministries were identified in the stakeholder map. To what extent were the two co-operatives able to leverage support and resources from these ministries whilst maintaining member control?

In Co-operative A government ministries were listed in each of the three levels of the stakeholder map. The two closest ministries identified were the Ministry of Livestock Development (at the core level), and the Ministry of Agriculture (at the second level). These close working relationships were also confirmed by both the Livestock and Agricultural extension officers responsible for Location A, with comments including 'I work very much with them'[133], and 'They call us to train members.'[134] In Co-operative B, the government ministries were all located in the outer circle of the stakeholder map (at the fourth level), suggesting a greater distance than that identified in Co-operative A. However, despite the physical location on the map, the chairman of the board of directors refers to the relationship with the Ministry of Livestock Development: 'We are close to them. They guide us and teach us. They educate our members.'[135] He continues to describe this relationship: 'We invite them when we want farmers to be taught on certain aspect'[136]. Although other ministries were mentioned (such as the Ministry of Health as a regulatory body), the Ministry of Agriculture was not mentioned throughout the stakeholder mapping exercise at Co-operative B. It was also not mentioned in any of the interviews with staff or the director of Village B. Despite their offices being only a few hundred yards apart, the Agricultural Extension Officer for Location B (who had been in that position for two years) also confirmed that 'I hardly work with them'[137]. This meant that, unlike in Co-operative A, there was no collaboration between the staff or directors of Co-operative B and Agricultural Extension Officers for training or other purposes.

This situation with Agricultural Extension Officers helps to portray the interdependence of the governance relationships. In Co-operative A, the balance between two of the

[133] Interview with Livestock Extension Officer for Location A, 18th October 2012
[134] Interview with Agricultural Extension Officer for Location A, 18th October 2012
[135] Chairman of the board of directors at Co-operative B, Stakeholder mapping exercise
[136] Chairman of the board of directors at Co-operative B, Stakeholder mapping exercise
[137] Interview with Agricultural Extension Officer for Location B, 23rd October 2013

relationship areas - control and partnership as well as an expert and representative director - suggests that the regular interactions (both formal and informal) between members, staff and the director for Village A allowed the latter two to recognise the importance of working with agricultural as well as livestock extension officers. In Co-operative B, the imbalances in these two relationship areas suggests that this was not recognised, and no effort was made to build a relationship with agricultural extension officers.

The Ministry of Co-operative Development and Marketing was included in Co-operative B's stakeholder map, and the importance of this ministry was highlighted: 'They closely advise the society on how to run its affairs'[138]. Perhaps because of the governance issues at the co-operative, the ministry was found to regularly engage with Co-operative B:

'They come to almost all of our meetings. If there are elections of committee representatives, they supervise the elections. He [the DCO] guides us so we don't go out of procedure.' (Chairman of the board of directors at Co-operative B, Stakeholder mapping exercise)

This suggests that the Ministry of Co-operative Development and Marketing is a high salience stakeholder in Co-operative B, exhibiting all three stakeholder attributes of power, legitimacy and urgency. To what extent did this high salience result in control of Co-operative B by the DCO? The dissolution of the board of directors in May 2012 provides insights into this question, and the relationship between Co-operative B and this government ministry. In an interview with the DCO I asked him what he thought of the issues that had occurred in Co-operative B:

'I wanted them [members] to change the management committee a long time ago (when I came[139]), but they didn't want to. So I had to move at their pace.' (Interview with DCO of District B, 6th August 2012)

Despite the ministry's high salience, the DCO did not usurp member control by acting outside their decision-making processes, only dissolving the two boards when asked to do so by members. In Co-operative A, the Ministry of Co-operative Development and

[138] Chairman of the board of directors at Co-operative B, Stakeholder mapping exercise, 13th August 2012
[139] He became the DCO for District X in 2008

Marketing was not included in the stakeholder map, nor mentioned during the exercise. However, the manager confirmed that the DCO attended some of their meetings, showing that they had access to him. His omission from the stakeholder map may suggest that his services were not required in the same way as by Co-operative B. Nonetheless, his support for Co-operative A's governance processes can be seen through the role he played in helping the board of directors and the supervisory board to develop a better working partnership (see section 6.3.1).

The findings here suggest that both Co-operatives A and B were able to leverage support from government ministries to improve performance without compromising member control. However, only Co-operative A was also able to leverage important support from the Ministry of Agriculture – in section 6.4 below I discuss how this Ministry was identified as a key provider of training to farmers in the area. Neither the Stakeholder mapping exercises nor interviews with staff and managers at either co-operative raised the issue of advocacy with government ministries, suggesting that this was not an important area of engagement in their relationship.

<u>A donor dependent governance?</u>

During the Stakeholder mapping exercises in both Co-operatives A and B, development partners and NGOs were identified at the second level, showing their importance. This raises questions on whether the co-operatives were able to access donor funding whilst maintaining their democratic decision-making and governance processes, or whether they were 'don-operatives' (Develtere et al., 2008:20) with donor dependent relations (see section 2.5.2). Both co-operatives identified working with similar development partners in the locale: Land O'Lakes and We Effect. However, as only the latter was working with the two co-operatives over the five-year study period[140], I focus here on the relationship between We Effect and the two case study co-operatives.

We Effect has been working in District X since 1997, and with the two case study co-operatives for most of the time over this period. Its current programme with the two co-operatives is aimed at organisational development to increase milk production and

[140] Interview with manager of Co-operative A, 2nd August 2012; interview with manager and chairman of the board of directors at Co-operative B, 2nd October 2012; Stakeholder mapping exercise with Co-operatives A and B

improve the quality of milk products[141]. This support was provided mainly through member and staff capacity building and training. This suggests that both Co-operative A and B's main milk marketing business was not directly dependent on financial support from We Effect. This would have helped to lower We Effect's stakeholder salience in them, as well as suggesting that neither co-operative was a 'don-operative'.

However, We Effect's programming relationship with the two co-operatives differed. Its financial support for training was greater in Co-operative A than Co-operative B. Co-operative A developed its own annual budget, and We Effect Nairobi transferred funds directly to the co-operative against that budget. However, Co-operative B had not yet developed appropriate internal procedures to satisfy We Effect and allow it to directly fund it in this way. Instead Co-operative B submitted its annual budget for approval to the We Effect regional office before funds were released[142]. Thirty per cent of We Effect project funds were reserved for direct support, allocated to seven out of the 20 co-operatives that it supported in the region[143], indicating a higher level of financial support to this group. These findings suggest that We Effect had lower stakeholder salience in Co-operative A than Co-operative B. Although the former received a higher amount of funding from We Effect, the manner of this support suggests that it would not have possessed the stakeholder attribute of power or the potential to influence use of funds away from member control, as it might in Co-operative B.

As in discussions on government ministries, neither the Stakeholder mapping exercises nor interviews with staff and managers at either co-operative raised the issue of advocacy with donors. This suggests that this was not an important area of engagement in their relationship.

<u>Working with other co-operatives – a networking and advocacy approach?</u>

One of the criteria for selecting Kenya and the specific case study location for this research was the presence of a tiered co-operative federating structure – District X was one of the few districts in Kenya with a functioning secondary co-operative. This allowed exploration of whether Co-operatives A and B tapped into this federating structure to benefit members and support the wider co-operative movement in Kenya.

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[141] Interview with We Effect Project Co-ordinator for District X, 7th August 2012
[142] Interview with We Effect Project Officer for District X, 1st October 2012
[143] Interview with We Effect Project Officer for District X, 25th October 2012

The Stakeholder mapping exercise with both co-operatives, however, suggested little collaboration with other co-operatives. Co-operative A located ‘other co-operatives’, in the second of the three tiers in its map, but then did not mention them again in the ensuing discussion. Although this indicates awareness of other co-operatives, it also suggests that they did not play an important role in Co-operative A’s stakeholder relationships. In Co-operative B mention was only made of the Co-operative Bank (which was positioned on the third of its four tiers) and the loan taken out with them.

Both of the case study co-operatives used to be members of District X Co-operative Union when they were marketing cotton, but were no longer active members[144]: ‘Currently we don’t have much to do with them.’[145] The CEO of District X Co-operative Union insisted that both co-operatives were still members and that the Union provided general services for all co-operative sectors in the district. However, interviews with the managers at both case study co-operatives, as well as with the CEO of the Union indicated that it was engaged mostly in the coffee sector, with no specific organisational objectives outlined for dairy in its strategic planning documents.

This lack of a network approach in the dairy sub-sector in District X and in Co-operatives A and B was further evident in the failure to successfully launch a joint milk-marketing venture between the two case study co-operatives in collaboration with We Effect. This initiative was to allow the two co-operatives to ‘bulk’ their milk, transporting it together for joint marketing in a nearby town[146]. The financial and governance difficulties at Co-operative B had put the initiative on hold, leaving Co-operative B indebted to Co-operative A for a shared milk cooler. At the SGM that I observed for Co-operative B, a member questioned this approach:

‘Why should we be sharing a cooler with Co-operative A? Why can’t everyone have their own milk coolers?’ (SGM of Co-operative B, Participant B47)

This question was left unanswered, with the meeting failing to clarify the importance of co-operative to co-operative collaboration or a network approach. The manager at Co-

[144] Interview with manager of Co-operative A, 2nd August 2012; Interview with manager of Co-operative B, 4th August 2012
[145] Interview with manager of Co-operative A, 2nd August 2012
[146] Interview with manager of Co-operative A, 2nd August 2012

operative B also referred to the milk marketing venture as an 'initiative by SCC'[147] rather than taking ownership of it. Although it was not referred to in this way by staff or directors at Co-operative A, these findings suggest that We Effect had played an important role in pushing this initiative forward, at least with Co-operative B. During the We Effect Regional Co-ordinating Meeting, the Programme Co-ordinator tried to address this lack of a co-operative network approach in the region. He identifies the Co-operative Bank loan at Co-operative B as having been badly managed by both parties:

'Something needs to be done in County X[148]. When one of you suffer then you all need to come together….Today it is Co-operative B, tomorrow it's another. How do we position District X Union as a lobbying body? Who'll be talking to the Governor? Will you be going individually or together? How do you support one another?' (We Effect Regional Co-ordinating meeting, Programme Co-ordinator for District X, 6th August 2012)

This marked an attempt to rouse a networking and advocacy approach through the co-operative federating structure in District X. It led to directors of Co-operative B and the CEO of District X Co-operative Union having a joint meeting shortly afterwards with the manager of the Co-operative Bank to renegotiate the terms of Co-operative B's bank loan[149]. This approach yielded some valuable initial results – repayments were frozen whilst negotiations continued, allowing Co-operative B to repay money owed to members as well as increase the buying price of milk to them[150]. This suggests that a network approach might be possible in District X. However, this approach appears to have been pushed by We Effect rather than emerging from within the individual co-operatives themselves, with a risk that without ownership of this initiative (particularly from within the co-operative membership) it may fizzle out.

Promoting member interests with private companies

In Co-operative A the manager and the director for Village A talked about the relationship between the co-operative and private farm input suppliers of veterinary and agricultural products. These suppliers were involved in the co-operative in two ways: by

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[147] Interview with manager of Co-operative B, 4th August 2012

[148] The Programme Co-ordinator refers to the new administrative structures, with District X becoming a part of County X and having its own County governor

[149] Interview with CEO of District X Co-operative Union, 14th August 2012

[150] Informal conversation with chairman of the board of directors at Co-operative B, 2nd October 2012

selling inputs to the co-operative store, and providing training to members. The director stated: 'they [suppliers] approach us, and we say that we won't take it [inputs] at that price'[151]. This suggests that private suppliers had low stakeholder salience in Co-operative A, not able to claim either power, legitimacy or urgency attributes - thus helping to balance Co-operative A's resource dependency in this area. In the area of training, the manager reported working with private suppliers to deliver approximately 12 training sessions a year to farmers free of charge[152]. This suggests Co-operative A was also able to balance working with this external stakeholder group to draw in training for members. In Co-operative B, as the farm inputs store had closed in 2011, they currently had no dealings with private suppliers either for the provision of inputs for members or for training[153].

An inclusive or exclusive relationship with non-members?

A balance between working with members and non-members is important for two reasons. Non-members are potential new members who, by entering the co-operative, can continue to strengthen its performance. Non-members are also customers of the co-operatives' privately available services[154] and can help to improve economies of scale, particularly in the supply of farm inputs. A balance in this area is also important in ensuring that a two-tiered society is not created, where members are pitched against non-members.

In section 6.3.2, I compared the relationships between the directors of Villages A and B with non-members, showing how the director of Village A was better at inviting and interacting with some non-members than his counterpart in Village B. I discuss this relationship with non-members more in section 6.4, in light of the co-operatives' service delivery areas such as training and the farm inputs store.

6.3.4 Overview of governance relationships at Co-operatives A and B

The formal mechanisms for members to engage with the co-operative leadership was found to be limited in both primary societies. In Co-operative A and Village A, informal

[151] Member interview, Participant A1, 8th October 2012
[152] Interview with manager of Co-operative A, 3rd October 2012
[153] Interview with manager and chairman of the board of directors at Co-operative B, 2nd October 2012
[154] Such as the farm inputs store and artificial insemination at Co-operative A, or as individual buyers of milk sold at its milk bars in both Co-operatives A and B

interactions between the staff, directors and members went some way towards achieving a better balance between control and partnership in this area. In Co-operative B and Village B the limited opportunities for informal interactions meant that there was a less effective way of taking on board member priorities and needs, indicating an imbalance in control and partnership between the internal actors.

In the balancing scale between expertise and representation of board directors, consideration of personal qualities that reduced the risk of corruption in the co-operative's leadership was identified as an important third area in understanding this relationship. In Village A, the director was able to balance expertise and representation in many areas, as well as meet some of the personal qualities that members mentioned as important in a co-operative leader. This allowed him to play a key role in building loyalty between the co-operative and members, improving participation and re-entry in some areas. However, he was only able to do this with some non-members at the exclusion of others who did not own hybrid dairy cows. In Village B, the current director was able to balance expertise with personal qualities, but was unable to also balance effective representation for a number of reasons. This meant very little direct interaction between him and villagers (e.g. through meetings or training sessions organised separately by him with members).

The case study co-operatives' relationships with external stakeholders allowed them to enhance benefits to members in a number of different activity areas. Co-operative A was better able than Co-operative B to leverage support and resources from this group without compromising member control, particularly in securing farmer training from government ministries, We Effect and private suppliers. Neither Co-operatives A nor B were found to engage in any significant way on networking and advocacy with external stakeholders or within the co-operative movement. Nor was there any evidence of the leadership or membership perceiving themselves as part of a wider federating structure and movement with a role to play in this area.

6.4 BALANCING GOVERNANCE FOR CO-OPERATIVE PERFORMANCE IN THE ACTIVITY AREAS

So far in this chapter, I have discussed the balance in Co-operative A and B's governance relationships with internal and external stakeholders. I now turn to their activity areas, discussing how these relationships, as well as member participation/withdrawal, have influenced the co-operatives' performance in their main activity areas. In section 3.5 I discussed three general activity areas that primary farmer co-operatives might be engaged in (use of collective and pooling capacity, direct service provision, networking and advocacy). Here I discuss four specific activity areas identified in Co-operatives A and B: i) training; ii) farm inputs and services; iii) milk income and dividends; iv) other capital support. These four areas incorporate aspects from the first two general areas (use of collective and pooling capacity, and direct service provision). The third general area of networking and advocacy was discussed in section 6.3 on the relationship between internal and external stakeholders.

6.4.1 Farmer training

Identification and facilitation of farmer training

All three of the relationship areas discussed above were found to be important in identifying and facilitating training. In Co-operative A, the balance in the governance relationships in control and partnership (between members, the two boards and staff) allowed it to use a number of different mechanisms to communicate and interact with farmers to identify training needs. The manager talked about a 'consultation process with farmers', and referred to five different methods within this process: i) talking to members to identify needs; ii) identifying production trends; iii) analysing data from member surveys carried out by We Effect; iv) during AGMs 'tried to understand the problems that members face'; v) from board members 'who are the elected representatives from the grassroots'[155]. This shows the manager recognising members as a high salience stakeholder and working in partnership with them to understand and respond to their needs. It resulted in Co-operative A taking a holistic approach to training, facilitating sessions on dairy farming as well as in other areas such as agricultural farming, fuel efficient stoves and fruit farming. This suggests a balance between economic outcomes (with the focus on dairy farming) and social outcomes (with a focus on other areas that promoted the general well-being of families).

In Co-operative B, there was little evidence of wider member consultations taking place over the five-year study period. In response to the question on how they identified

[155] Interview with manager of Co-operative A, 3rd October 2012

member training needs, the chairman of the board of directors described knowing what training would be needed by members for that season, and then working with training providers and We Effect to deliver the training: ‘We’re also dairy farmers, it’s not difficult for us to know what they need’[156]. This suggests that the chairman did not recognise ‘power’ as a member salience attribute – in this case, members’ power to influence the organisation in the area of training. This resulted in the co-operative largely facilitating training on dairy farming in Village B (meeting economic outcomes), with little evidence of it succeeding or attempting to gather farmers for training in other areas that would have shown it balancing social outcomes.

In Village A, the balance in the governance relationships between an expert and a representative director (who also incorporated personal qualities prioritised by members) also facilitated identification of member training needs. The director talked of how he used the meetings, which he organised in his electoral zone, for this purpose and then arranged separate farmer-to-farmer training sessions for his area: ‘Most of the time I let the community identify what kind of training they want’[157]. He explains: ‘We don’t just tackle dairy farming alone, also agricultural training’[158], showing his attempt at balancing social outcomes in this activity. In Village B, the imbalance between an expert and representative director meant that he was not regularly interacting with his members to understand their training needs, or organising separate training sessions in his electoral zone.

In Co-operative A, a balance in working with internal and external stakeholders allowed it to not just attract different training providers to the area but to also ensure that it, and not just the providers, identified the training needs. This was confirmed by extension officers from both the Ministry of Livestock Development, and the Ministry of Agriculture, who talked about how: ‘There are times when the society calls me to train farmers on something specifically’[159]. With private farm input suppliers the manager explained how they do not just accept the training that the suppliers are offering, but consider what is needed through directors who ‘represent their members’ and ‘the person at the [co-operative’s farm inputs] store knows the complaints and needs of

[156] Interview with manager and chairman of the board of directors at Co-operative B, 2nd October 2012
[157] Member interview, Participant A1 (board director for Village A), 8th October 2012
[158] Member interview, Participant A1 (board director for Village A), 8th October 2012
[159] Interview with Livestock Extension Officer for Location A, 18th October 2012

members.'[160] Out of a total of eight such training sessions, which had taken place in 2012, four had been initiated by the co-operative and four by suppliers[161]. This suggests that the co-operative is considering and securing training from private input suppliers along member priorities.

Co-operative A successfully mobilised 14 Village Savings and Loans Associations (VSLAs) within a year (from 2011 to 2012), in collaboration with We Effect (see section 6.4.4)[162]. These groups consisted of an average of 22 members, mostly women from member households (including in Village A) and were used to deliver savings and loans services as well as training on building and using jiko stoves[163]. The rapid establishment of these groups suggests the existence of member loyalty to the co-operative, through organisational identification with its goals and values in this area. It also shows a balance in working with internal and external stakeholders to deliver training in areas with social outcomes. Although We Effect had tried to launch a similar initiative in Co-operative B's membership area (including in Village B), the co-operative had been unable to gather sufficient support from member households to form VSLAs[164]. This suggests member dissatisfaction with the co-operative from reduced commitment through organisational identification. It indicates a failure by members to perceive the co-operative as operating in their interests, resulting in an unwillingness to participate in this service area.

Participation in farmer training

Do members and non-members equally participate in training sessions facilitated through Co-operatives A and B? Equal participation would indicate a balance in economic and social outcomes in this area, where the co-operatives are considering training as not just a way of achieving economic outcomes, but also recognising their role in promoting well-being in the wider membership area. It would also suggest that the co-operatives are working to draw in new members, further strengthening their operations.

[160] Interview with manager of Co-operative A, 3rd October 2012
[161] Interview with manager of Co-operative A, 3rd October 2012
[162] Interview with secretary of Co-operative A (who is also the Community Own Resource Person responsible for mobilising VSLAs), 3rd October 2012
[163] A fuel efficient wood-burning stove made from locally available material, using simple construction techniques
[164] Interview with We Effect Project Officer in District X, 1st October 2012

Although the majority of training sessions facilitated through both Co-operatives A and B were open to non-members, only approximately 20-25% of attendees were from this group (this included training sessions organised by the director in Village A)[165]. In section 6.3.2 I discussed how, although the director in Village A invited non-members to training sessions, this was limited to non-members with hybrid cows. This suggests that other non-member dairy farmers might not have even been aware of training sessions facilitated by the co-operative. In Village B, the director's lack of interaction with villagers would have meant that non-members were not directly invited to the training. This suggests an imbalance in the directors working with their internal members and external non-members, resulting in neither Co-operative A nor B performing well in reaching the latter with training.

6.4.2 Farm inputs and veterinary services

Farm inputs store

The majority of participants in Village A confirmed that they regularly use the farm inputs store at Co-operative A, and that prices there were competitive[166]. Members that owned shares in this income generating activity (see Box 6.1) received regular and higher payments than from any other income generating activity across the two co-operatives. This suggests that the farm inputs store at Co-operative A was able to achieve economic outcomes for both the co-operative and for members.

[165] Interview with We Effect Project Officer in District X, 1st October 2012; Member interview, Participants A1 (board director of Village A) (8th October 2012), B10 (10th October 2012) and B11 (6th October 2012)

[166] Member and non-member interviews in Village A, October 2012

Box 6.1: Co-operative A and B's hybrid co-operative model

Both Co-operative A and B are hybrid co-operatives (see section 2.3.2). On joining them members are required to buy compulsory shares in the main dairy business. The hybrid model means that members are also given the option to buy up to a certain number of non-compulsory shares in other areas of the co-operatives' business that might generate an income. In Co-operative A non-compulsory shares were issued in two different areas: the farm inputs store and in land rental activities (income in this area was generated from properties that the co-operative owned and rented out). Co-operative B only issued non-compulsory shares in land rental activities. Any surplus from these activities was distributed as annual dividends to shareholders, rather than to all members. The hybrid model allows co-operatives to raise capital from within their membership for investment or other purposes. Co-operative A and B's hybrid structure does not allow investments from non-members, nor does it alter the one-member one-vote system.

A non-member describes the service he receives at the farm inputs store at Co-operative A, which suggests that it was also able to balance social outcomes:

'I go there because they always advise me. They tell me what portions of feed I should give my cattle, also the type of feed. The minute you go to the store they ask you many questions - is it a bull, a heifer, size of cow, is it local or hybrid? These are the questions they ask you before they sell you feed for your cow – so you get the right type of powder [supplementary feed].' (Non-member interview, Participant A33, 8th October 2012)

Participant A33 describes a personal advisory service that was available to him at the store, even as a non-member, to ensure that he bought appropriate feeds for his dairy cows. Another non-member referred to the type of products he was able to access from the store:

'They select the right seeds for the farmers. Location A is amongst the dry areas, so they choose the better seeds that are drought resistant and mature in two months, and bring them down to farmers.' (Non-member interview, Participant A17, 8th October 2012)

These statements suggest a balance in control and partnership between Co-operative A store staff and members (in this case, also non-member customers). This allowed Co-operative A to balance social outcomes through the way that it advised farmers at the store and in bringing appropriate inputs to the general area, which included agricultural inputs. Co-operative A also provided credit to active members against purchases at the store, which was deducted from their milk payments at the end of the month. Although the provision of credit at the store could be seen to deliver economic outcomes around improving milk production as well as store revenue, the way credit was delivered suggests that wider considerations were also taken into account. A member describes a flexible credit mechanism where 'your bill at the store might be carried forward to the next month'[167] if you are not able to pay it. The manager at Co-operative A talked confidently about finding payment solutions through communication, when members found it difficult to repay:

'We follow-up, write letters, call them to the office. We make arrangement on how to pay by other means, such as payment by cash....can also agree to use their dividends or bonuses.' (Interview with Manager of Co-operative A, 3rd October 2012)

The statements by Participant A1 and the manager show how the balance between control and partnership in the relationships between members and the manager helped in the delivery of this flexible credit service at the store, helping to ease member access to essential farm inputs.

Co-operative B had a farm inputs store, which was operational from 2007 to 2011 and allowed member purchases against credit throughout this period. However, in contrast to the situation described above in Co-operative A, the store closed shortly after members began defaulting on credit repayments, and the co-operative could no longer pay suppliers[168]. This suggests that Co-operative B was not able to maintain a balance in control and partnership between members and staff, leaving it unable to secure continued member loyalty in this service area. However, even before its closure a member describes problems with accessing inputs during the 2009 drought:

'The store was operational, but they couldn't get enough hay from the Rift Valley for all

[167] Member interview, Participant A1, 8th October 2012
[168] Discussion with board directors and staff at Co-operative A following presentation of preliminary research findings, 25th October 2012

the members. I was only able to get some of the hay that I needed from the store.' (Member interview, Participant B4, 18th October 2012)

This suggests an imbalance also in working with internal and external stakeholders, resulting in Co-operative B unable to maintain a continuous supply of inputs for farmers. In contrast to this, all 13 of the 15 participants in Village A who regularly used the store at Co-operative A could not recall a time when it did not have all the inputs they required within the 2007 to 2012 study period, including through the 2009 drought[169]: 'very rare that the society store does not have what you need.'[170]

Veterinary services

Co-operative A directly provided an artificial insemination (AI) service to dairy farmers, which was available on credit to members throughout the 2007 to 2012 period:

'When you need a doctor for AI and you don't have the money, you can get it from the society and pay at the end of the month.' (Member interview, Participant A4)

Members also talked about being able to access a veterinary doctor for other services, in a similar way through the co-operative on credit[171]. This meant that these important services were free at the point of access for members of Co-operative A. It suggests that the balance between working with internal and external stakeholders in Co-operative A, allowed staff and directors to recognise the importance of meeting member needs in these areas, and ensured that they worked with external providers to secure a reliable service. The availability of this service on credit also shows Co-operative A balancing economic and social outcomes. Although this service would have helped to improve member economic participation in the co-operative, it also shows Co-operative A recognising member access constraints and easing this by reducing the need for cash (social outcomes). Co-operative B used to provide an AI service, which ceased in 2009:

'AI collapsed during the management problems. We couldn't afford to maintain the insemination project – you have to buy the semen, as well as the liquid nitrogen, and pay a salary to the inseminator.' (Co-operative B Timeline exercise, chairman of the board of directors)

[169] Member and non-member interviews in Village A, October 2012
[170] Non-member interview, Participant A17, 8th October 2012
[171] Member interview, Participant A10, 4th October 2012

Although indications of financial mismanagement emerge from this statement, it also suggests a failure to maintain a line of integrity from the principal to performance. It shows the co-operative unable to prioritise member needs in this area by ensuring a continued service delivery. Unlike Co-operative A, Co-operative B also did not have any links with veterinarians or provide this service on credit to members.

6.4.3 Milk income and dividends

Milk income

In section 6.2.2 I discussed how Co-operative A was financially solvent, able to meet all its costs from the income it generates. Co-operative B, since acquiring the loan from the Co-operative Bank, has been unable to meet all its financial commitments. However, since the recent freeze on loan repayments (see section 6.3.3) it has once again been operating as a viable business. Despite this, neither co-operative was able to consistently deliver economic outcomes in their milk marketing business. For only four out of the nine months from January to September 2012 (which captures both the dry and rainy seasons), Co-operative A was able to pay the same or more for raw milk from farmers than its main competitors[172]. In Co-operative B, this was for only one out of the nine months in 2012[173]. Members in both Villages A and B talked of how ‘milk prices are low’[174] at the co-operative. This finding contradicts discussions in the literature, which show farmer co-operatives to play an important role in increasing prices paid to farmers in local markets (Gouet and Paasen, 2012; US OCDC, 2007). However, despite the lower prices, I have shown how members continued to deliver milk to the case study co-operatives, particularly to Co-operative A. I return to this issue in Chapter 8, exploring the basis of this loyalty in the case study villages and member households.

Co-operative A’s better performance in milk prices may be due to greater member loyalty in the area of economic participation leading to better pooling capacity and economies of scale. The balance in its governance relationships is also likely to have played an important role in management and strategic decision-making on milk marketing. The Co-operative Timeline exercise with the manager and directors of Co-operative A showed that the co-operative had been slowly expanding its operations with

[172] Interview with manager of Co-operative A, 3rd October 2012
[173] Interview with manager and chairman of the board of directors at Co-operative B, 2nd October 2012
[174] Member interview, Participant A4, 5th October 2012

the increasing national demand in milk. It now had three milk collection centres and supplied raw milk to two neighbouring markets. In contrast to this, the Timeline exercise in Co-operative B showed a contracting milk business. With the start of its management problems in 2008, Co-operative B closed down the two milk bars[175] it had in neighbouring towns, and had still not been able to re-enter these markets[176].

Although neither co-operative was able to always pay a better price to farmers than private milk buyers, there was nonetheless some evidence of them both helping to 'regulate' milk price on the market (see section 3.5.2), with private buyers reported to have changed payment rates in line with the co-operative[177]. The chairman of the board of directors at Co-operative B explains:

'Last month they [private milk buyers] followed us and paid Ksh 35. Don't know if they'll follow us now. If they do, we'll go up.' (Interview with manager and chairman of the board of directors at Co-operative B, 2nd October 2012)

The chairman describes a situation where Co-operative B is slowly increasing the buying price of raw milk in the area. A similar situation was found with Co-operative A. However, this finding does not necessarily show that price changes were linked to social outcomes such as correcting a market imperfection (Gouet and Paasen, 2012), with the co-operatives aiming to raise the overall buying price for farmers. Instead, this statement suggests that price changes were linked to a competitive advantage, which implies that market changes might also result sometimes in lower prices to farmers.

So far I have shown that both co-operatives were only able to deliver limited economic outcomes in their main milk business, with Co-operative A performing only slightly better than Co-operative B for the price paid per litre of milk. An area where both Co-operatives A and B were able to balance social outcomes was in reducing barriers to market entry. Members in both Villages A and B talked confidently of delivering as little as one litre of milk to their co-operative (particularly during the dry season when production was low)[178], knowing that even such small quantities would be accepted. Co-operative A was also able to reduce barriers to a flooded milk market. The director

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175 Milk bars sell different types of milk drinks directly to consumers
176 Co-operative B Timeline exercise, chairman of the board of directors
177 Interview with manager of Co-operative A, 3rd October 2012; interview with manager and chairman of the board of directors at Co-operative B, 2nd October 2012
178 Member interviews in Village A and B, October 2012

for Village A explains:

'During the rainy season milk floods everywhere. That's when everyone sees the benefit of joining the society. During the rainy season you get reduced payment rate, but you can deliver all your milk - we'll take to processors (KCC or Brookside) if we need to.' (Member interview, Participant A1, 8th October 2012)

For a highly perishable produce such as milk, being able to deliver all their milk throughout the year is an important issue for farmers. A member explains how Co-operative A has helped him with this: 'When I was producing 24 litres - no one [else] could buy all that milk here.'[179] When private buyers stopped buying milk from farmers, Co-operative A maintained its position of always accepting milk from members. The balance in all three co-operative relationship areas (control and partnership between members, the board and staff; an expert and representative governing board; working with external and internal stakeholders) can be seen to have allowed staff and directors to understand the importance of this for members, and pursue a working relationship with external milk processors to whom they could deliver member produce throughout these periods when local markets were saturated. As Co-operative B experienced low milk deposits from members (even during the rainy season), it was not possible to understand whether it would maintain a similar policy if it reached full absorption capacity.

These findings suggest that neither Co-operatives A nor B were able to balance economic outcomes well in their milk marketing business (although Co-operative A was able to do this slightly better than Co-operative B). However, they were both able to balance social outcomes by reducing barriers to market entry, with Co-operative A also helping to reduce barriers to a flooded market.

Dividends from shares

As discussed in Box 6.1, Co-operative A issued non-compulsory shares to members for the farm inputs store and in land rental activities. Since 2009[180] a member in Co-operative A owning the maximum number of shares in the farm inputs store received

[179] Member interview, Participant A7, 8th October 2012
[180] Reliable share value data was not available at either co-operative prior to this year

approximately Ksh 1,750[181] in annual dividends. The land rental activities generated less income – since 2009 a fully paid shareholder in this activity received between Ksh 400 to Ksh 500[182] per year. All members in Village A who owned non-compulsory shares in either of these two income generating areas reported that they had 'been getting this [dividends] regularly'[183], including over the five year study period from 2007 to 2012. The successful management of income generating activities at the co-operative would imply a degree of balance in all three relationship areas of co-operative governance. With regards to the farm inputs store, strong member (and non-member) participation in this service area would also have helped to improve the income generated by this activity.

Co-operative B only issued non-compulsory shares for land rental activities. Since 2009 a member owning the maximum number of shares in this activity received between Ksh 700 to Ksh 1,000[184]. Although this was higher than from Co-operative A's land rental activities, dividends were not received consistently by members over the five year study period. Some members in Village B reported that they got dividends 'every year'[185], whilst others said that they had not received anything for a number of years and then 'The new committee gave when they came in'[186], or that 'The last time that I got it was in 2010'[187]. Inconsistency in dividend payments suggests an imbalance in control and partnership between members, the board of directors and staff. The former group were not able to enforce effective controls, incentives or monitoring mechanisms on the latter two groups to ensure that they acted in their best interests. It also suggests an imbalance between an expert and a representative board, with democratic governance unable to hold directors accountable to the electorate in this area. However, with the election of the interim board this control and accountability seems to have been restored to a certain extent.

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[181] Approximately £13.00, as at November 2012
[182] Approximately £3.50, as at November 2012
[183] Member interview, Participant A5, 4th October 2012
[184] Approximately £5.00 to £7.00, as at November 2012
[185] Member interview, Participants B11 (6th October 2012) and B7 (6th October 2012)
[186] Member interview, Participant B8, 10th October 2012
[187] Member interview, Participant B10, 10th October 2012

6.4.4 Other capital support

Village Savings and Loans Association

Earlier I discussed the establishment of VSLAs, which were used by We Effect to deliver training. The groups also saved together and provided loans to their members from the saved communal pot. The rapid establishment of these groups by Co-operative A shows it prioritising an area (savings and loans) not directly linked to its main business, and balancing social outcomes by doing so. However, the VSLAs in Village A consisted of women from member households only, and were being extended to include the husbands of the original members. In response to a question on why non-co-operative member households were not invited to join, the Community Own Resource Person[188] for Village A explains: 'They can run away with our money!'[189]. This suggests that something existed between member households, which was not necessarily there between member and non-member households. I discuss this finding further in Chapter 9, linking it to the possible existence of social capital in Village A. Organisational identification with the co-operative's goals and values in establishing the VSLAs, and the loyalty this created to the co-operative, may have helped in binding members together in the groups. The exclusion of non-members, however, meant that VSLAs could not be used to 'graduate' to co-operative membership, which may have helped to increase entry to the co-operative and further strengthen its governance.

As discussed in section 6.4.1, Co-operative B had been unable to establish any VSLAs in its membership area, which meant that it could not deliver savings and loans services or training to women through them. However, since the establishment of the interim committee, agreements have been reached in a number of villages to form VSLAs (including in Village B)[190]. This situation suggests that member dissatisfaction with the co-operative (from reduced commitment through organisational identification) initially resulted in an unwillingness to participate in this service area.

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[188] The Community Own Resource Person is responsible for mobilising and registering VSLAs
[189] Interview with Secretary of Co-operative A (who is also the Community Own Resource Person), 3rd October 2012
[190] Interview with Community Own Resource Person in Co-operative B, 6th October 2012

Capital advances and hardship funds

Co-operative A provided interest-free advances to members, which could be requested up to 15 days ahead of payday. The advance limit was calculated against milk deposit levels to ensure affordability, and was deducted from members' milk payment at the end of the month. The main use of advances by members was to pay school fees[191], showing a focus on social outcomes by the co-operative through this service provision. The manner of its administration also shows Co-operative A balancing social outcomes, as a member explains:

'I might have wanted to clear it in two or three months, but the [milk] production might be low – forced to extend repayment period....*Are you able to extend?* Yes, I can arrange with the manager.' (Member interview, Participant A1, 8th October 2012)

This statement shows that the manager was approachable to members to renegotiate advance terms. It also points to how balancing control and partnership in the relationship between members and the manager allowed for a flexible service delivery that responded to member needs in this area. Co-operative B also provided advances to active members against similar conditions as Co-operative A, showing a focus on social outcomes as well. However, advances were not consistently available to members over 2011 and 2012:

'In 2011 – in almost all of that year - there were problems, up until early 2012. There were no advances.' (Member interview, Participant B4, 18th October 2012)

Although advances had re-started in May 2012[192], a member explains:

'They are discouraging advances until the society establishes itself. *Since when have they been discouraging this?* Many years back. The society can give advances now, but very little. If you have a serious problem like sickness or school fees, you're given.' (Member interview, Participant B10, 10th October 2012)

This statement suggests that advances would not always be available if members requested them. However, another member confirmed her belief in funds being made

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191 Interview with manager of Co-operative A, 3rd October 2012; member interviews, Participants A1 (8th October 2012) and A12 (15th October 2012)
192 Interview with manager and chairman of the board of directors at Co-operative B, 2nd October 2012

available for urgent needs:

'If today I fell ill, I could go to the society - and believe me, they'd give me money to go to hospital.' (Member interview, Participant B2, 13th October 2012)

These statements show that although Co-operative B was not able to consistently achieve social outcomes in this area, some balance in its internal relationships allowed it to understand when it was important to make advances available. Members were confident that they could rely on the co-operative in such times of need.

In Village A members also talked about another direct credit service from the co-operative:

'If you're not well you can take emergency money, or if a cow is sick..... *How much are you allowed to take out?* It will depend on need. Then you'll discuss how they'll deduct it – whether monthly and what amount. *Is this emergency money separate from advances?* Yes. Your cow could get sick, and maybe you already have advance - you're also allowed to take emergency money. *Do they give you this money straight away?* Yes, funds are usually available.' (Member interview, Participant A15, 15th October 2012)

The ready availability of emergency funds at Co-operative A for different kinds of hardships (including personal ones) and the flexibility in agreeing the amount, when and how this is repaid, suggests an unbroken line of integrity from principal to performance in this area and a balancing of social outcomes by Co-operative A.

6.4.5 Overview of co-operative performance in the activity areas

Performance of Co-operatives A and B in the four activity areas (i. training; ii. farm inputs and services; iii. milk income and dividends; iv. other capital support) varied over the five year study period. In the first area of farmer training, a balance in all three relationship areas in Co-operative A (control and partnership between members, the board and staff; an expert and representative governing board; working with external and internal stakeholders) allowed a number of formal and informal interactions (between members, the board of directors and staff) to identify member training needs. This resulted in training being delivered in different areas, reflecting a balance between economic and social outcomes. Co-operative B was not able to balance the relationship areas in the same way as Co-operative A resulting in a focus on training in dairy farming, and achieving mainly economic outcomes in this area. However, neither co-operative performed well in reaching non-members with training.

In the second activity area of farm inputs and services, a balance in control and partnership between Co-operative A's manager, the store staff and members (as well as non-member customers) allowed it to deliver a valuable advisory service to farmers, ensure a supply of appropriate inputs including veterinary services, and maintain a flexible member credit mechanism. The manner in which these services were delivered also suggests a balance in economic and social outcomes in this activity area. In Co-operative B, an imbalance in working with internal and external stakeholders suggests a link to the eventual collapse of both the farm inputs store and of AI services. Furthermore, a lowering of member loyalty to the co-operative might have played an important part in member payment defaults on credit taken out at the farm inputs store, precipitating its collapse.

In the third area of milk income and dividends, both co-operatives were only able to deliver limited economic outcomes with Co-operative A only paying slightly better milk prices to members. Although both co-operatives were able to help raise the overall buying price of milk in their operating areas, this was linked to a competitive advantage in the market rather than social goals around improving the power of farmers. This suggests that market changes might also result in the co-operative helping to lower milk prices in the area. However, both co-operatives were able to balance social outcomes by reducing barriers to market entry, particularly during the dry season when the co-operatives would accept as little as one litre of milk a day from members. In Co-operative A the balance in working with internal and external stakeholders also allowed it to reduce barriers to a flooded milk market when during the rainy seasons members could confidently deliver all their milk. In Co-operative A, the balance in all three relationship areas also allowed it to more successfully manage its income generating activities, resulting in higher and more regular dividends to members than in Co-operative B.

In the fourth activity area of other capital support, organisational commitment of members to Co-operative A's goals and values in establishing VSLAs seems to have led to their rapid formation in Village A. In contrast to this, member dissatisfaction with

Co-operative B seems to have held back the formation of these groups in its operating area. This meant that Co-operative A was better able than Co-operative B to balance social outcomes by prioritising a service area unrelated to the main business of the co-operative. A balance in the internal governance relationships (between members, board directors and staff) of both co-operatives allowed then to recognise the importance of providing capital advances to active members, which supported social outcomes as it was often used to pay school fees. However, in Co-operative B this was not available regularly, and was only provided for the most urgent needs.

The findings here suggest that in some areas Co-operatives A and B performed almost equally, particularly as neither reached as many non-members with services, paying a low price to members for milk deposits, but also equally helping to reduce barriers to entry in the milk market by accepting low milk deposits from members. However, in other areas, Co-operative A performed better than Co-operative B, including in the way training was identified and facilitated to meet member needs, in the performance of its farm inputs store and other veterinary services such as AI, and in providing a cash income to members from dividends as well as through advances.

6.5 CONCLUSION

Throughout this chapter I explored secondary research question 1 on how the different components of co-operative governance influence performance. I mapped Co-operatives A and B onto the pathway from co-operative governance to poverty reduction (Figure 3.4), exploring their internal and external relationships, as well as member participation and withdrawal. I showed how the balance in these governance components influenced the co-operatives' performance and compared them against each of the four specific activity areas.

Although both Co-operatives A and B began as part of the government export nexus in a post-colonial Kenya, they have now developed governance structures that show some autonomy from government. In Co-operative A, a balance in governance relationships between co-operative members, the board of directors, staff and external stakeholders has allowed it to balance economic and social outcomes better than Co-operative B. This has meant understanding member needs and meeting them in the way it has managed and delivered many of its four main activity areas (i. training; ii. farm inputs and services; iii. milk income and dividends; iv. other capital support). In contrast to this, Co-operative B has faced a number of governance challenges in recent years that have affected the balance in both its internal and external relationships, lowering its performance in many of the four activity areas in comparison to Co-operative A.

In both co-operatives, member loyalty emerged as an important issue. If done effectively, through a balance in control/partnership within these relationships and between an expert/representative director, it has the potential to strengthen co-operative governance, securing new member entry and increasing member participation in the three economic, service and voice areas. The findings showed that Co-operative A was able to develop member loyalty more consistently than Co-operative B in many of its service areas. However, neither co-operative was able to reach as many non-members, excluding them from services (such as VSLAs), or not benefitting them as much as members (such as in training sessions).

The qualities that members prioritised in their leaders expanded understanding of a representative/expert governing body to include personal qualities essential to the identity of a 'co-operator'. However, in securing these personal qualities, hereditary leadership was favoured in both co-operatives. This raises concerns for the future governance of the case study co-operatives, with negative implications also for women's leadership.

The following two chapters focus on the final part of the pathway from co-operative governance to poverty reduction. They explore the extent to which the three governance components (co-operative relationships, member participation/withdrawal, co-operative activities) have influenced the performance of the two co-operatives in the four activity areas, specifically in the case study villages and member/non-member households, to impact poverty.

CHAPTER 7

CO-OPERATIVE GOVERNANCE AND PERFORMANCE: IMPACTING POVERTY THROUGH THE EIGHT PRIORITY AREAS

7.1 INTRODUCTION

The discussion so far has helped to unpack the governance relationships in Co-operatives A and B, and how these - along with member participation/withdrawal - influence the ways in which activities are carried out at the case study co-operatives. I explored how these different governance components influence the balance in economic and social outcomes of the four main activity areas that the two co-operatives engage in (i. training; ii. farm inputs and services; iii. milk income and dividends; iv. other capital support), and affect their overall performance. What does all this mean for Villages A and B?

In this chapter I address secondary research question 2, exploring in what ways co-operative performance impacts poverty in the case study villages and member/non-member households. I compare access to eight priority areas (identified by participants as important to their well-being during village level participatory exercises) in the case study villages, as well as between member and non-member households. I show how the co-operative activity area of training as well as a cash income (including milk income from the co-operative) was pivotal in accessing many of these areas. I also discuss how the other two co-operative activity areas of farm inputs and services and other capital support, combined with training to improve impact in some of the priority areas, particularly in Village A. Evidence for this chapter is drawn largely from member/non-member interviews, and participatory exercises at the village and household levels.

I begin in section 7.2 by introducing the case study villages and developing a local understanding of poverty, as well as identifying the eight priority areas. In section 7.3 I compare each of the priority areas across the two villages and member/non-member households. In 7.4 I conclude on the important role that training has played, particularly in Village A and in member households.

7.2 INTRODUCTION TO VILLAGES A AND B

Here I describe Villages A and B, examining how they are organised at the local level. I also explore perceptions on the extent of poverty and wealth in the two villages.

7.2.1 Organisation of villages and local actors

Village A has 123 homesteads (a total population of 984, if eight people per homestead is calculated[193]), and Village B has 53 homesteads (a population of 424)[194]. Both villages have a leader or 'Elder' who is elected by the people in their village, and reports to the Sub-chief at the Location level, who reports to the Chief at the Division level. This administrative structure down to the village is used for various reasons, including for public announcements (such as of open training sessions hosted by the government). This administrative structure also means that there is a clear physical boundary to each village, with the Elder responsible for the people within her/his area. However, this study will not use official maps to delineate the exact boundary, but will instead focus on local people's perceptions of this by using the village maps drawn by participants in each village (see section 4.5.3). Within this research it was also important to have a clear definition of household that could be shared with participants (see Box 7.1).

[193] This is the calculation used by the Ministry of Livestock Development in District X. Source: Interview with District X Animal Production Officer, 2nd August 2012

[194] As up-to-date population figures were not available for the two case study villages, I commissioned this work separately. In Village A the Elder organised for a local person to physically count the number of homesteads, and in Village B this was organised by the key informant

Box 7.1: Defining a household

In the case study villages participants talked of 'dwellings', commonly occupied by a nuclear family (usually the husband, wife and children), as well as 'homesteads'. Each homestead usually had a number of dwellings, consisting of members from the same extended family. This might include parents of the husband, his brothers along with their nuclear families, and any unmarried sisters. As land is often given to sons on their marriage (see section 7.3), separate livelihood activities were often associated with each dwelling. This study considered a household as those family members who lived together in a dwelling, i.e. a single building within which a family lives in the wider homestead. However, where livelihood activities were carried out jointly (e.g. on shared family plots) with others in the homestead, and where food was cooked together in one kitchen, this wider unit was considered as the household. This is consistent with the definition of a household used by local government in the study area*.

* Interview with Livestock Extension Officer (responsible for Location A), 2nd August 2012

Other than local government and the case study co-operatives, the only formal institutions with a presence in the case study villages were churches and primary schools. This resonates with findings by Develtere et al. (2008) where primary co-operatives were often the only institutional presence in communities, highlighting the important role that they can play at this level. Throughout the fieldwork a number of local civil society organisations were also mentioned, which had worked on small-scale initiatives in the case study villages (such as faith based groups mobilising savings and credit schemes). There were no NGOs directly working in the villages, only We Effect working indirectly through Co-operatives A and B.

7.2.2 A local understanding of poverty

It was important for the research to develop an understanding of poverty that was relevant to research participants themselves, and was consistent with an approach that recognised the world as socially constructed (see section 4.2.1). I discuss here how I used the different participatory exercises at the village level to explore concepts of poverty and wealth, to arrive at an understanding that reflected participants' perception of life in the villages.

Wealth categories in Villages A and B

The village mapping exercises allowed the first exploration of poverty and wealth issues with participants. The physical location of resources within the villages and in their surrounding areas provided a starting point for discussions about resource priorities and the factors that affected people's access. These issues were then discussed in more detail during wealth ranking exercises, as participants identified and described different wealth categories in their village. They talked about how people lived in each category, their hopes and aspirations, and what could knock them back. In Village A, four wealth categories were identified: rich, well-to-do, medium and poor. In Village B, three categories were identified: rich, medium and poor. Much of the discussion in both villages focussed on the poor category, where participants became most animated and engaged. Table 7.1 below brings together the descriptions for each category mentioned across the two villages.

Table 7.1: Definitions of wealth categories

Category	Description
Rich	They can educate their children to a high level; they have large portions of land; they have enough food to eat, and also have food stocks (i.e. stores of food for future consumption); they have vehicles for transport; they have the means to take their family to hospital; they keep hybrid dairy cows; they lend money to others to pay for school fees (no interest charged); the *poor* are dependent on them.
Well-to-do	They have a regular income although at times this income may fail to materialise; they can mostly function (i.e. have the means to access necessary resources) although at times they have difficulties in accessing some facilities; they also try to help the *poor*; they can educate their children to the end of secondary school, but not to university; they can take family members to hospital; they have enough food to eat and can buy drinking water; they lack clothing as most of the money is spent on food and school fees.
Medium	Income is irregular ('you get today, but you don't tomorrow'), with a constant risk that you will fall into the lowest category; children are only educated to primary school level; low food consumption; small portions of land ownership; can own one or two cows but often lack pasture; sometimes sell cattle due to lack of animal feed; at times they work for the rich as labourers.
Poor	Low food consumption (they may only have one meal a day with insufficient food even in that one meal), low nutritional value of food with malnutrition common including kwashiorkor; children fall sick from time to time; drinking water is a big problem as they cannot afford to buy it – use dam water or are given water by their neighbours; children do not always complete primary education as they are often sent home from school (e.g. parents fail to pay extra school costs, lack of uniform, fail to buy pencils, books, writing material); most will have no land or only a small portion (up to one acre); they may have one goat and some chickens, but most will have no livestock at all; dependent on the wealthier categories for employment (often work on the farms of the *rich*) and are also dependent on others for clothing; they are mostly confined to their home (lack know-how to do things, do not participate in agricultural training, are not members of any self-help groups); homesteads are of low quality, which can be damaged from the rain and are made with bricks that have not been baked or plastered with cement; their children are also likely to remain poor.

7.2.3 Wealth ranking of villagers

The wealth ranking exercises showed significant differences between Villages A and B. In Village A, 70% of villagers were identified to be in the poor category in 2007. This reduced to 39% by 2012. In Village B a reverse trend was found, with 10% considered to be in the poor category in 2007 and increasing sharply to 60% in 2012. In Village A, a greater level of equality was also found with 25% in the highest wealth category, 36% in the two middle categories and 38% in the lowest (see Figures 7.1 and 7.2).

Figure 7.1: Wealth ranking results in Village A

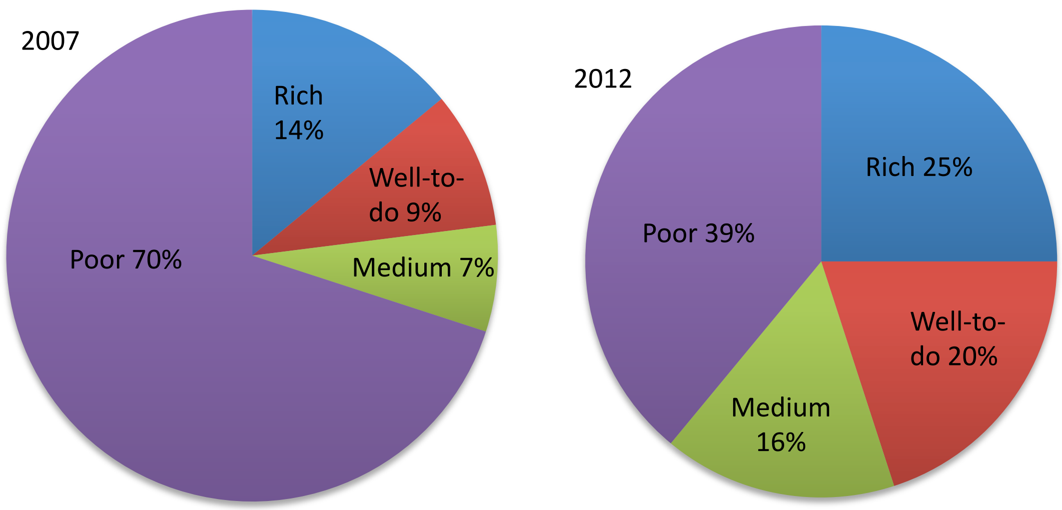
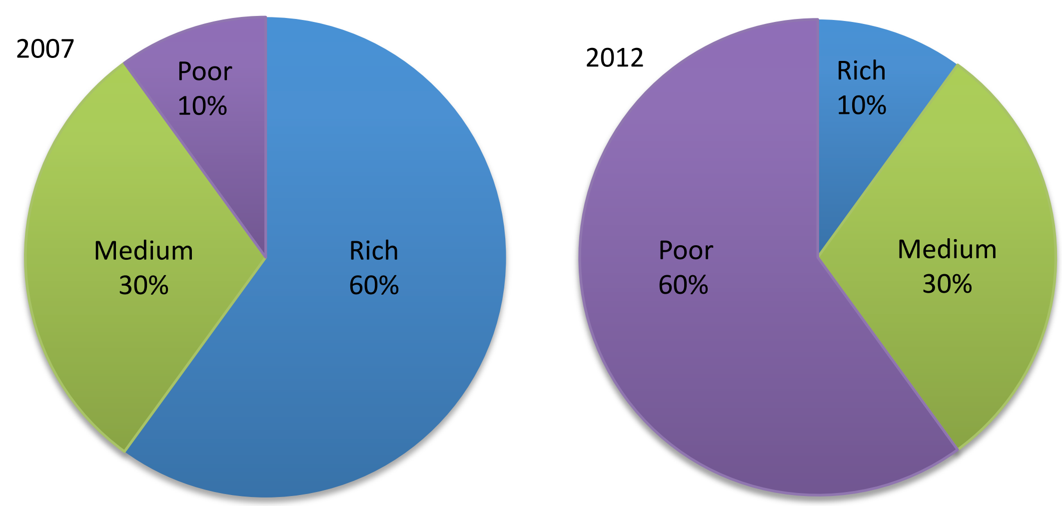


Figure 7.2: Wealth ranking results in Village B



Although these figures show considerable differences between the two villages over the five year period, it should be noted that they reflect participants' *perception* of the situation. This was largely referred to as before and after the 2009 drought. In Village A participants talked about how the situation had 'improved since 2009'[195], which led to positive perceptions of the current situation and dramatic percentage changes. Whereas in Village B they talked of how they had still not recovered: 'drought happened. Things changed'[196], leading to negative perceptions and a belief that they were much worse off. In Village A, they provided two main reasons why poverty had reduced over the five years:

'People have been trained – agricultural training, dairy farming, fruit farming also gone up. Technology has advanced through seminars [training] – methods of farming have changed.' (Wealth ranking exercise, Participant A15)

Participant A15 links training to changed farming practices, which contributed to improving people's overall conditions in the village. The second reason given for this improvement in wealth categories was: 'There is more water now'[197]. Participants talked of more water in dams and taps (due to higher rainfall), and also 'we have tanks to store water'[198].

Participants in Village B outlined two similar reasons as those in Village A for the wealth changes, but with a reverse impact: the drought in 2009, and 'training dropped'[199]. Participants talked about how 'there was no water'[200], and 'if you planted anything, it dried up'[201], as well as 'most of the cows died'[202]. They also talked about how training had tapered off during the drought, and that the government had not 're-started [it] to what it was before'[203]. They mentioned how any training now had to be organised by themselves, with 'all expense paid by the farmer'[204] – everything from transport to food for the government trainer as well as for themselves.

[195] Wealth ranking exercise in Village A, Participant A15
[196] Wealth ranking exercise in Village B, Participant B10
[197] Wealth ranking exercise in Village A, Participant A8
[198] Wealth ranking exercise in Village A, Participant A15
[199] Wealth ranking exercise in Village B, Participant B10
[200] Wealth ranking exercise in Village B, Participant B3
[201] Wealth ranking exercise in Village B, Participant B11
[202] Wealth ranking exercise in Village B, Participant B10
[203] Wealth ranking exercise in Village B, Participant B10
[204] Wealth ranking exercise in Village B, Participant B10

As a semi-arid region dependent on rain-fed subsistence agriculture, this direct link between access to water and poverty seems obvious. The mention of training as the other aspect influencing poverty confirms the findings outlined in Chapter 6, and the importance placed on this area by many of the participants. I return to these issues throughout this chapter and the next, discussing how the case study co-operatives affected them to impact poverty in the two villages and case study households.

7.2.4 Wealth ranking of co-operative members

Participants also separately ranked the wealth categories of co-operative members. In Village A, they identified 12 active members in 2007 and also in 2012. In Village B, they identified 40 active members in 2007, which had reduced to 20 by 2012. In Village A, the ranking for members identified a similar trend to that at the overall village level, with a greater percentage moving into the three higher wealth categories. In Village B, the ranking of members showed no change over the five year period, with the same percentage still allocated to the same groups in 2007 and in 2012. This meant that, although member conditions did not improve over the five-year period, they also did not decline as occurred generally throughout the rest of Village B (see Table 7.2).

Table 7.2: Wealth ranking of co-operative member households

	Year	**Rich**	**Well-to-do**	**Medium**	**Poor**	**Total**
Village A	2007	2	2	2	6	12
	2012	5	4	2	1	12
Village B	2007	10	N/A	10	20	40
	2012	5	N/A	5	10	20

In Village A participants identified similar reasons, as at the general village level, for the improvement in members' situation: 'Climate is more conducive'[205]. They also emphasised how: 'Members have moved from a poor position because of training'[206], and that how after training:

[205] Wealth ranking exercise in Village A, Participant A3
[206] Wealth ranking exercise in Village A, Participant A5

'We have planted feed – helps sustain cattle. We preserve fodder for future use, so we can use as feed in times of drought.' (Wealth ranking exercise in Village A, Participant A5)

They outlined how, following all this, members 'have more milk per cow'[207]. In Village B, however, participants talked of how over the five year study period: 'The situation of members not changed much'[208]:

'Lack of pasture, drought. And small land portions.….Price of animal feeds has gone up.' (Wealth ranking exercise in Village B, Participant B10)

Participant B10 directly associates land size and the rising price of animal feeds to an inability to improve living conditions. Whereas participants in Village A referred instead to changing land use (by planting animal feeds themselves) following training, and linked this to improved living conditions. Throughout this chapter and the next I explore these issues in more detail, analysing the extent to which Co-operative A played a part in member and non-member transition to higher wealth categories, and Co-operative B's role in stabilising member wealth categories.

7.3 PRIORITY AREAS FOR REDUCING POVERTY

From discussions during the participatory exercises at the village level, priority areas emerged that were important for improving people's living conditions. Understanding these priorities were important in allowing the research to explore how the case study co-operatives impacted areas that were important to research participants themselves. In this section I compare the case study villages against each of the eight areas identified, examining any direct and indirect links to the two case study co-operatives and their governance. Training was found to impact many of the priority areas, and I discuss this connection where relevant. I also show how a cash income (a possible indirect impact from the co-operatives) might help to increase villagers' access to many of the priority areas.

I used discussions from the two village mapping exercises and one wealth ranking exercise in each village to pull out priority areas that were important for improving

[207] Wealth ranking exercise in Village A, Participant A3
[208] Wealth ranking exercise in Village B, Participant B3

people's living conditions. Eight key areas emerged: i) access to water; ii) food intake; iii) access to healthcare; iv) children successfully completing education; v) quality of homesteads; vi) access to land for livelihoods; vii) livestock ownership; viii) access to knowledge and training. These areas were not ranked in any order, but can instead be combined with other areas to describe living conditions within the villages. During the Trendlines exercises, with a group of approximately six women and a separate group of approximately six men in each village, participants were presented with these eight areas. They were asked if they reflected their priorities and whether there were other areas that they wanted to add (some of the participants had been involved in previous exercises where these areas emerged). We unpacked the eight areas together, and participants asked for some of these to be adapted or expanded to include wider concepts. The meanings of the eight priority areas were agreed separately with each group across the two villages. These meanings have been brought together in the descriptions below in Table 7.3.

Table 7.3: Description of identified priority areas

Priority area	**Description**
Access to water	Access to potable water, as well as water for domestic use, for livestock and for agricultural land. This included access to natural water resources (e.g. rivers, dams, rainwater) as well as purchased water. In the latter area 'access' included affordability issues.
Food intake	Access to food for human consumption and is linked to need – whether people have access to the type and amount of food they need to maintain a healthy lifestyle, as opposed to the overall quantity of food being consumed (which might vary according to the number of people living within a household).
Access to healthcare	Access to health professionals, medical facilities as well as access to drugs. This included affordability, as well as their availability in the locale, and ease of access.
Children successfully completing education	The priority was children completing primary education. However, there was an emphasis on children generally meeting their educational aspirations, even if these were beyond primary schooling.
Quality of homesteads	Resources within the home compound, which included everything from the presence of fruit trees to rainwater harvesting, as well as the extent and quality of house structures.
Access to land for livelihoods	Access to land for agricultural farming or livestock rearing. This included land that was owned or rented, as well as shared family plots.
Livestock ownership	All types of productive livestock. Across the two villages these were listed as cows, poultry, goats, sheep and rabbits.
Access to knowledge and training	Adult access to training and other knowledge acquisition to improve livelihoods or general living conditions. This focused on organised training sessions rather than situated learning experiences (cf. Hartley, 2012), and included everything from agriculture based training to building fuel-efficient stoves. It captured activities such as half-day farmer-to-farmer training sessions organised by villagers themselves to training carried out over a number of days by government or private training providers.

Although many of these eight priority areas represent material aspects of poverty (see section 2.3.1) there are elements within them that refer to other dimensions. This included references by some participants to aspects of political participation, such as in negotiating with government bodies for communal water resources in the village, which emerged under access to water. Discussions on healthcare also revealed government policy to be an important driver in changes to this priority area (for example government funding priorities and incentives for health professionals could alter health service delivery). Some of these aspects are explored further in the section below.

Table 7.4 summarises the main findings in these eight priority areas, gathered from Trendlines exercises at village level, and Household matrix scoring on access. The former exercises, in some cases, revealed contradictory evidence between the actual trendlines developed and the group discussions. For example, the women's trendline for Village A showed access to food fluctuating over the five year period, with increases linked to 'good' rains. Although the perception of a good harvest corresponded to a rise in the trendline, the discussion revealed that in some of these years food consumption remained low due to food spoilage during storage from pest infestations in the local area.

Table 7.4 draws attention to the importance of training and a cash income from the case study co-operatives in improving or reducing access in the eight priority areas. I explore these in the discussion below, briefly comparing between the case study villages as well as between member and non-member households in each of the priority areas. Differences at the village and household levels emerged in livestock ownership and in training, which I also explore below, providing a more detailed discussion in the latter area.

Table 7.4: Comparison of access in the eight priority areas

Priority area	**Village A**		**Village B**	
	Situation over 2007 to 2012	*Reference to Co-operative A*	*Situation over 2007 to 2012*	*Reference to Co-operative B*
Access to water	Overall improvement linked to greater availability from rivers, dams and water distribution system	Training facilitated through co-operative in water storage and catchment	Overall improvement linked to greater availability from rivers, dams and borehole in Town B	Borehole installed by co-operative in Town B
Food intake	Improvement since the drought in 2009, with an ability to buy different varieties of food especially amongst member households	Indirect link through cash to co-operative member households	Improvement since the drought in 2009, with an ability to buy different varieties of food especially amongst member households	Indirect link through cash to co-operative member households
Access to healthcare	More health clinics opening and access to health professionals improving, but cost of medication increasing	Indirect link through cash to co-operative member households	More health clinics opening and access to health professionals improving, but cost of medication increasing	Indirect link through cash to co-operative member households
Children successfully completing education	Improving access to education, particularly for member households	Direct links to milk income from co-operative	Improving access to education, particularly for member households	Direct links to milk income from co-operative

Access to land for livelihoods	Very little change	None	Very little change	None
Livestock ownership	Recovery of livestock ownership in 2012 to beyond pre-drought levels	Training facilitated through co-operative	Recent recovery in livestock ownership – mixture of findings showing some have recovered to beyond pre-drought levels, whilst others have not	None
Quality of homestead	General improvement	Indirect link through cash to co-operative member households	General improvement	Indirect link through cash to co-operative member households
Access to knowledge and training	Overall improvement, particularly for member households	Training facilitated through co-operative	Mixture of findings - access consistently low for some groups, but increasing for others (especially in recent years)	Training facilitated through co-operative

7.3.1 Access to water

The Trendlines exercises, carried out in each village with two groups (one with women and one with men), showed that in both villages over the five year period there were upward trends (see Appendix 11 for reproductions of these) in access to water particularly since the end of the last drought in 2009. However, in Village A there was a sharper increase in this access than in Village B. Discussions at the household level supported similar findings, suggesting an overall improvement in access to water across member and non-member households in both villages. In Village A, this was largely related to availability of tapped water. Improvements in water access were also linked indirectly to Co-operative A through training in water storage and purchase of storage equipment. In Village B, improvements were linked to the building of a public dam in the village. They were also linked directly to Co-operative B through a borehole, which it built in Town B.

Although basic rainwater harvesting practices have existed in both villages for decades[209], in Village A the use of large water storage equipment (such as tanks or pots) had increased more recently (see Figure 7.3).

Figure 7.3: Photo of water tank linked to roof guttering[210]

[209] Member and non-member interviews in Villages A and B, October 2012; Village A Resource scoring exercise, Participant A20 and A28; Village B Resource scoring exercise, Participant B22
[210] Photo taken during fieldwork in Kenya by Rowshan Hannan, October 2012

During the Village resource scoring exercise, carried out with approximately six women and men in each village, participants were asked to allocate seeds against the number of homesteads that had tanks or large pots for water storage[211]. This exercise gathered participatory statistics that could be used alongside the discussions to better understand impact in this area. In Village A, homesteads that had at least one large water storage equipment increased from 47% in 2007 to 60% in 2012. In Village B this increased only slightly from a low of 8% in 2007 to 13% in 2012 (see table 7.5). A participant in Village A explains the increase:

'We've been trained on how to store water. *Who trained you?* People from the Ministry of Agriculture.' (Village A Timeline exercise, Participant A5)

Although Co-operative A did not work with the Ministry of Agriculture to design and deliver this training in Village A, participants talked of the other important role it played in bringing this about - training providers 'sent messages through the co-operative'[212] to gather people in the village for training. This meant that the Ministry of Agriculture could enter Village A and find groups ready to be trained, with minimal mobilisation effort required. Although the training did not also supply water storage equipment, participants talked about how as a result of the training: 'people bought tanks to harvest water and some other pots for water harvesting.'[213] Others talked of how they did not have tanks, but bought large plastic drums[214]. At the household level, a member made direct links between training in water storage and catchment (facilitated through Co-operative A), to improved water access. This had led to Participant A5 building a small dam on her land that: 'helped so much'[215].

The findings here suggest that improved access to water in Village A is linked to Co-operative A's better performance in the activity area of identifying and facilitating farmer training (in this case with the Ministry of Agriculture) than Co-operative B. It also raises the importance of a cash income to support the impact of training in this area through purchases of water storage equipment.

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[211] This exercise was carried out in Village A first, where members agreed definitions for tanks and large pots for water storage. The same definitions were then given to participants in Village B for the same exercise

[212] Village Timeline exercise, Participant A5

[213] Village A Timeline exercise, Participant A20

[214] Village A Timeline exercise, Participant A24

[215] Village A Timeline exercise, Participant A5

Table 7.5: Village scores on resources within the homestead

Village A				
Resource	*Year*	*Homesteads (total 53)*	*% of all homesteads*	*% in/decrease in total homesteads since 2007*
At least one water tank	2007	25	47%	13%
	2012	32	60%	
Fuel efficient stove	2007	8	15%	23%
	2012	20	38%	
Women generating their own income	2007	13	25%	51%
	2012	40	75%	
Village B				
Resource	*Year*	*Homesteads (total 123)*	*% of all homesteads*	*% in/decrease in total homesteads since 2007*
At least one tank	2007	10	8%	6%
	2012	16	13%	
Fuel efficient stove	2007	0	0	3%
	2012	3	2.4%	
Women generating their own income	2007	9	7%	10%
	2012	19	15%	

Co-operative B secured funding from a local government development project to drill a borehole on land attached to its office premises[216]. Although the funding had been secured many years earlier, the borehole only became operational in 2010. The water is used to regularly clean the co-operative's milk handling areas to meet health and safety standards. It is also sold to the public, and is one of the cheapest sources of water on the

[216] Co-operative B Timeline exercise, chairman of the board of directors

local market[217]. In response to a question on how the co-operative had impacted their village, members and non-members mentioned the borehole[218]: 'They [Co-operative B] have installed water for the people'[219] and 'One thing they've done is bring water closer to the people'[220]. The chairman of the board of directors at Co-operative B talked of how private water kiosks were buying water from their borehole and then selling it on at marked up prices. However, he insisted that they would maintain low prices[221]. This suggests some balance in working with internal and external stakeholders in Co-operative B, which allowed it to secure this resource. It also shows it balancing economic and social outcomes by not just using this resource to improve its milk business, but in also making water more generally available in the area at affordable prices.

7.3.2 Food intake

Subsistence agriculture is the predominant form of farming in both case study villages, which meant that food intake was closely linked to the quality of harvests. The Trendlines exercises in both villages showed food intake to fluctuate according to periods of drought and across the different seasons (see Appendix 11). For example: 'In 2011 it rained – heavy rain, but for short time. Crops weren't good. Most people were buying food.'[222] This was marked by a corresponding drop in the trendline for food intake. Although throughout all periods of food shortage participants mentioned that food was available in the market, this extra cost limited access. People talked of the different coping mechanisms they employed to deal with a poor harvest: 'Sell our cows to buy food'[223], showing the link between the different priority areas and how changes in one might affect the other. Neither the trendlines nor the discussions around them indicated any significant differences in food intake between the two case study villages for the five-year period. Nor were any direct links made between trends in this area and the case study co-operatives.

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[217] Member interview, Participant B1, 16th October 2012; Non-member interview, Participant B16,(10th October 2012) ; Co-operative B Timeline exercise, chairman of the board of directors
[218] Member interview, Participant B1, 16th oct 2012; Non-member interview, Participants B33 (17th October 2012), B16 (10th oct 2012) and B35 (21st October 2012)
[219] Non-member interview, Participant B16, 10th October 2012
[220] Non-member interview, Participant B35, 21st October 2012
[221] Informal conversation with the chairman of the board of directors, 2nd October 2012
[222] Men's Trendlines exercise in Village A, Participant A1, 8th October 2012
[223] Men's Trendlines exercise in Village B, Participant B4, 18th October 2012

Although food intake fluctuated over the five year study period, discussions at the household level showed that member households in both Villages A and B (four and five respectively out of the five active member households)[224] were now (in 2012) better able to buy different varieties of food from the market than in previous years:

'Things are better now, we can eat what we want. There's money to buy food.' (Household matrix scoring on access, Participant A15)

This signals a broadening of the household nutritional base from the staple crops that are normally grown on farms. Although no direct references were made to the case study co-operatives, the importance of a cash income emerged in improving access in this area. This ability to buy different varieties of food was slightly lower amongst non-member households in Villages A and B (four and five respectively out of the seven non-member households)[225].

7.3.3 Access to healthcare

The trendlines on healthcare showed varied findings across the women and men's groups and across the two villages. The men's group in Village A and the women's group in Village B reported a steady improvement in this area. However, the women's group in Village A reported a sharp decrease in access since 2010, and the men's group in Village B presented a gradual decrease over the five year period. In both villages corruption amongst healthcare professionals was mentioned as one of the main barriers to improvement in this area. This partly explains the different findings as participants linked their access to different health facilities in the area, and different levels of corruption. The household matrix scoring discussions showed no significant differences in access to healthcare, either between member and non-member households or between the two case study villages.

Participants across both villages reported that recent government initiatives had been successful in opening up more health facilities and securing health professionals. A participant describes these improvements: 'Currently you pay small fee and get treated. Number of doctors going up'[226], linking these improvements to 'Government has been

[224] Household matrix scoring on access in Villages A and B
[225] Non-member household matrix scoring in Villages A and B
[226] Men's Trendlines exercise in Village A, Participant A1

supporting [healthcare]'[227]. However, although fees were acknowledged to be small by some, these often had to be paid upfront[228], and for each service accessed (consultations, each different health test etc.):

'If you don't have money you just die – need money to access.….if you don't have Ksh 20 you can't buy card [to book a consultation].…you're given a list of medicines to buy outside – if you don't have money, you can't buy. If you need an operation, and you don't have money, you die. You have to pay before.' (Men's Trendlines exercise in Village B, Participant B23)

Participants also acknowledged that the cost of buying medications had increased significantly, and was one of the main reasons mentioned for limiting household access to healthcare in 2012. Subsidised medicines were reported to be rarely available from dispensaries at health facilities, with patients told instead to purchase them from specific private pharmacies[229], leading to allegations of corruption amongst health professionals:

'A doctor opens his own clinic – tells you to buy your medicine from his pharmacy outside, rather than get from the dispensary.' (Men's trendlines in Village B, Participant B23)

As in discussions on other priority areas, these statements suggest that cash played an important part in improving or reducing access to healthcare.

7.3.4 Children successfully completing education

Across both villages there was a strong emphasis on education, and children not just completing primary education, but also achieving their educational aspirations whether they were in higher formal education or vocational training:

'Most of the parents now understand the importance of education. They've changed their perspective of farming due to shortage of land and rain, and seen importance of education.' (Women's Trendlines exercise, Participant A24).

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[227] Men's Trendlines exercise in Village A, Participant A1
[228] Men's Trendlines exercise in Village B, Participant B23; Women's Trendlines exercise in Village A, Participant A24
[229] Women's Trendlines exercise in Village A, Participant A24; Men's Trendlines exercise in Village A, Participant A1; Men's Trendlines exercise in Village B, Participant B23

The trendlines showed that in both villages, over the five-year period, there were upward trends in children successfully completing primary education. The Village timeline exercise also confirmed this:

'As the years go by, access to education has gone up. Most of the children in this village go to school.' (Village timeline, Participant B13)

One of the main reasons for this improved access was the introduction of free primary education in the area in 2003[230], as a result of national policy (Republic of Kenya, 2007). On asking about completion rates, a participant who was a teacher at the local primary school replied: 'Most of the children in Village B complete primary. About two-thirds of children go on to secondary school.'[231]

However, descriptions of the poor (see Table 7.1) during Wealth ranking exercises suggest that access to education remained an issue for this group:

'Children are sent away from school. They lack school fees, lack uniform. *What do you mean by school fees?* Things associated with school – pencils, books, writing material – can't pay for them. *Sent home if they don't have these?* Yes. They also lack tuition fees[232]. Since parents don't have money, when children are sent back from school they're forced to stay at home.' (Wealth ranking exercise, Participant A5)

In both villages, participants linked improvements in access to education to a cash income. Three out of the five active member households in both Villages A and B talked of how by 2012, their access to education had improved or remained the same despite increasing educational costs[233], linking this directly to cash from the case study co-operatives:

'Right now I'm able to pay school fees as I'm doing dairy farming. *Weren't you doing dairy farming in 2007?* I was, but prices were low at the society. The prices now have been going up slowly. Before I would have to sell cows to meet fees, or goats to add up to fees from milk.' (Household matrix scoring on access, Participant B7)

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[230] Women's Trendlines exercise, Participant B53; Men's Trendlines exercise, Participant B23; Women's Trendlines exercise, Participant A24; Men's Trendlines exercise, Participant A29

[231] Women's Trendlines exercise, Participant B53

[232] This was described as compulsory fees charged to parents for running additional support classes for students. A government policy in 2012 declared these fees to be illegal. However, many schools continue to charge them informally

[233] Household matrix scoring on access in Villages A and B

Participant B7 directly links improving milk prices at Co-operative B to his improving access to education. Another participant explains further:

'I've discovered there are many benefits from being a member. Many of the children here [in Village A] have been raised from dairy farming. We don't always get money when we sell elsewhere. In the co-operative we get money in lump sum and use to clear school fees.' (Women's FGD in Village A, Participant A19)

Participant A19 does not just talk of a cash income from the co-operative as benefitting this area, but of an accrued income. The importance of payments in *'lump sum'* were repeatedly mentioned by members[234]:

'When you take milk to businesses [private buyers] you get money and you eat it, unlike in co-operative where you accumulate funds.' (Women's FGD in Village B, Participant B29)

Although other studies have linked income from co-operatives to improved access to children's education (Wanyama et al., 2008; Vicari, 2014), the findings here suggest that it is not income alone, but payments that co-operatives make to members on a *monthly* basis that have specifically helped to meet regular educational costs.

Non-member access to education was slightly lower than for members in both Villages A and B, with only four and three of the seven non-member households respectively talking of how this had improved or remained the same despite increasing educational costs: 'No one earns income. So whatever little we get, we use as food.'[235] Participant B32 makes the link here between the lack of a cash income and her household's reducing access to education.

The participatory exercises showed no significant difference overall in access to education between the two villages. However, members in both villages showed slightly better access than non-members, with them directly linking improvements in this area to the two case study co-operatives. The findings here also suggest that, even at primary level, a cash income was important in improving access to education, with participants across both villages talking about education (along with healthcare) as one of the few

[234] Men's FGD in Village A, Participant A15; Women's FGD in Village A, Participant A19 and A23; Women's FGD in Village B, Participant B14

[235] Household matrix scoring on access, Participant B32

areas where cash was essential for access.

7.3.5 Access to land for livelihoods

In both villages the trendlines showed a downward trajectory on access to land:

‘There’s no improvement. Population also increasing. Land access getting worse. Land size not increasing. This is a problem for the whole country, not just for this village.’ (Men’s Trendlines exercise, Participant A1)

Others talked of how: ‘Even if you have money, the land is not there [to buy or rent].’[236] A participant explains how plots are traditionally allocated to sons: ‘When your son gets married you don’t retain him. You push him into his own house and land.’[237] This suggests that sons do not necessarily need to wait to inherit land, but are often allocated this within their parents’ lifetime. Daughters were only mentioned as receiving a share in some cases where they remained unmarried and continued living in the family home[238]. This suggests that Akamba women rarely owned land – that whatever access they had was largely through their husband’s family and under his ownership.

Discussions at the household level confirmed these findings, with only small changes mentioned in this area across member and non-member households in the two villages. Although access to land was clearly an important issue for participants, no direct or indirect references were made between it and the case study co-operatives.

7.3.6 Livestock ownership

In Village A, both the women and men’s Trendlines exercises showed upward trends in livestock ownership, particularly since the drought in 2009. Participants agreed that they now had more livestock in the village compared to 2007: ‘Ownership of livestock has been going up slowly’[239], which included all livestock, not just dairy cows. The only reason given for this improvement, by both members and non-members, was training. They discussed how in 2007 there was ‘a lot of livestock’[240], but that ‘In 2009 many

[236] Men’s Trendlines exercise, Participant B23
[237] Men’s Trendlines exercise in Village B, Participant B23
[238] Women’s Trendlines exercise in Village B, Participant B53
[239] Men’s Trendlines exercise in Village A, Participant A29
[240] Women’s Trendlines exercise in Village A, Participant A24

died'[241]. They explained that they 'died due to drought. Everyone affected by this'[242]. They also discussed how: 'Starting 2010, due to consistent training on how to conserve fodder and pasture, livestock improved'[243]:

'There's a lot of livestock as we speak, some have given birth. Even those [people] that didn't have [livestock], have bought.' (Women's Trendlines exercise in Village A, Participant A24)

Both members and non-members made direct links between improvements in livestock ownership and Co-operative A: 'the Co-operative is the main reason going up.'[244] Another participant explains: 'The society [Co-operative A] has done the best. Taught people how to keep cows, and training as well.'[245]

In Village B, a different situation emerged. The trendlines showed a decline in livestock ownership following the 2009 drought: 'Due to lack of land, livestock is going down'[246], and that 'You have cattle, but no water'[247]. However, the women's trendline showed a recovery in this area beginning recently in 2011 (see Appendix 11). Although they still remained significantly below pre-drought levels in 2007, livestock ownership was improving: 'In 2007 there was a lot of livestock. They died during drought. Now going up.'[248] Participants also discussed how keeping livestock was 'very expensive. Getting more expensive. In co-operative paid low prices [for milk].'[249] Members indicated that the cost of keeping a cow did not always justify the price they got for the milk at Co-operative B. Unlike in Village A, neither the Trendlines exercises nor Household matrix scoring on access in Village B linked improvements to livestock ownership to training or to the co-operative.

The findings from the Village resource scoring exercises also supported this evidence. The scores show Village A to have increased livestock ownership in 2012 by 48% compared to 2007. The largest area of livestock to increase was dairy cows, which showed a four-fold improvement since 2007. In Village B, the Village resource scoring

[241] Women's Trendlines exercise in Village A, Participant A24
[242] Women's Trendlines exercise in Village A, Participant A5
[243] Women's Trendlines exercise in Village A, Participant A5
[244] Men's Trendlines exercise in Village A, Participant A29
[245] Men's Trendlines exercise in Village A, Participant A17
[246] Men's Trendlines exercise in Village B, Participant B23
[247] Men's Trendlines exercise in Village B, Participant B23
[248] Women's Trendlines exercise in Village B, Participant B53
[249] Women's Trendlines exercise in Village B, Participant B1

exercise showed that overall livestock ownership decreased by 31% over the same period. However, a significant recovery was made from 2009/10 to 2012, with livestock increasing 95% over this period (but still remaining below pre-drought levels - see Table 7.6 and 7.7). The largest area of recovery in Village B was also in cow ownership (both dairy cows and bulls).

Discussions at the household level, however, showed varied findings from the village level. The majority of member and non-member households in both villages managed to increase livestock to beyond pre-drought levels of ownership, not just those in Village A. The sample at the household level consisted of dairy farmers, and was therefore not necessarily representative of livestock ownership in the wider village. The specific support to this livelihood area in both villages through the case study co-operatives may have influenced the higher recovery of dairy farming households in this area. I explore this further in Chapter 8.

These findings suggest that Co-operative A's better performance than Co-operative B's in identifying and facilitating farmer training, is linked to overall higher livestock ownership in Village A compared to Village B. The direct references made to Co-operative A in improving livestock ownership (compared to the lack of references to Co-operative B) also indicate a link in this area.

Table 7.6: Livestock ownership in Village A from 2007 to 2012

Livestock	**Year**	**Score (out of 100 in 2012)**[250]	**Total % in/decrease to 2012**	**Rate of in/decrease to 2012**
Dairy cows	2007	20	80%	400%
	2009/10	45	55%	122%
Goats	2007	150	-50%	-33%
	2009/10	120	-20%	-17%
Poultry	2007	50	50%	100%
	2009/10	80	20%	18%
Bulls	2007	50	50%	100%
	2009/10	85	15%	18%
All livestock (change from 2012)	2007		48%	
	2009/10		19%	

[250] Participants were given 100 seeds for each livestock area, which represented their ownership in the village in 2012. They were asked to add more seeds or take them away to represent the ownership situation in 2007 and 2009/10. See section 4.5.3 for more details on this exercise

Table 7.7: Livestock ownership in Village B from 2007 to 2012

Livestock	Year	Score (out of 100 in 2012)	Total % in/decrease to 2012	Rate of in/decrease to 2012
Dairy cows	2007	200	-100%	-50%
	2009/10	20	80%	400%
Goats	2007	200	-100%	-50%
	2009/10	75	25%	33%
Poultry	2007	100	0%	0%
	2009/10	100	0%	0%
Bulls	2007	80	20%	25%
	2009/10	10	90%	900%
All livestock (change from 2012)	2007		-31%	
	2009/10		95%	

Although regular references were made to both women and men tending to the livestock[251], the only reference to women's ownership of livestock was in relation to poultry. Men would talk knowledgeably about their other livestock, but when asked how many poultry they had, they would often call their wife or other women in the household for the exact number. One participant captured this ownership issue succinctly: 'Poultry are for the women. They're not mine'[252], indicating (by default) that the other livestock was his. Whether this had a consequence for women's membership of the case study co-operatives is discussed in Chapter 8.

7.3.7 Quality of homestead

Both villages reported upward trends in the quality of homesteads over the five year period: 'Getting better. We used to roof with grass, now using iron sheets, using bricks

[251] Member and non-member interviews in Villages A and B, October 2012
[252] Member interview, Participant B7, 6th October 2012

also.'[253] In both villages the same two reasons were mentioned for these improvements[254]:

'The same grass that we used on our roofs – we want that now to feed our animals. If you want grass for your roof you have to buy it. When you compare to iron sheets, you settle for iron sheets. They have more benefits – can harvest water.' (Women's Trendlines exercise in Village A, Participant A24)

The increasing livestock ownership in both villages was positively impacting the quality of homesteads, as well as supporting rainwater-harvesting practices. The second reason mentioned by participants for improvements in the quality of homesteads, was linked to increasing levels of education[255]. This led to improved income of children and investment in the homestead:

'Educated children, when they get employed, come and ensure parents have nice homestead before they build their own' (Women's Trendlines exercise in Village A, Participant A5)

In Village A, a third reason was also mentioned that emphasised women's greater financial capacity to make improvements in the homestead themselves:

'Hard work has made even illiterate people have nice houses. For example, I'm not educated, I don't work [not employed]. But I work hard to make sure that I have iron sheets.' (Women's Trendlines exercise in Village A, Participant A25)

Another participant adds:

'If my son doesn't build a house, I do it myself. In the past women waited for men to build houses for them.' (Women's Trendlines exercise in Village A, A24)

Participants A24 and A25 refer here to women's greater access to cash, which they linked to income-generating activities as well as savings and loans groups. Women talked about how with this cash: 'you can buy whatever you want for your house'[256],

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253 Men's Trendlines exercise, Participant B4

254 Women's Trendlines exercise in Village A, Participant A24; Women's Trendlines exercise in Village B, Participant B54

255 Women's Trendlines exercise in Village A, Participant A5; Men's Trendlines exercise in Village A, Participant A1; Village B Timeline exercise, Participant B13; Women's Trendlines exercise in Village B, Participant B53

256 Women's Trendlines exercise in Village A, Participant A24

leading to improvements within the homestead according to women's needs. In section 8.5.2 I discuss this area of women's access to cash further and the links to Co-operative A.

Discussions at the household level supported findings at the overall village level, with no significant differences evident between members and non-members in quality of homestead. Although there were no direct references to either Co-operatives A or B, I have shown how improvements to the homestead were linked to two of the other priority areas in both villages – livestock ownership and education. I have shown above how in Village A both these areas (livestock ownership and education) were directly linked to Co-operative A, and in Village B improvements in education were linked directly to Co-operative B. In Village A an additional link to women's greater access to cash was made. The importance of cash in generally improving access in this area also emerged throughout many of the discussions[257].

7.3.8 Access to knowledge and training

As this area emerged as important, I discuss it in some detail here. I explore access to training at the overall village level, as well as comparing between members and non-members, before examining the different training topics and impact from changed practices in these areas. In particular I focus on training related to fuel efficient stoves and fruit farming.

Comparison of training at the overall village level

The trendlines in Village A showed a consistent upward trend in the area of training over the five-year period, particularly for women. In Village B only a recent improvement emerged, and largely for women (see Appendix 11). Throughout the different participatory exercises in Village A, training emerged as an important driver to changes. The Village timeline exercise (consisting of both women and men members and non-members) was dominated by this topic, with participants listing the training that had been delivered over the five-year period and linking them to improvements from use of fuel-efficient stoves to dairy cow milk yields[258]. They also linked training directly to Co-operative A:

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[257] Household matrix scoring on access, Participants A5, A15, A34, A36 and B34
[258] Village A Timeline exercise, Participants A5, A20 and A24

'Since 2006 and 2007 more training has been encouraged through the society. Ever since then training sessions have been regular.' (Women's Trendlines exercise in Village A, Participant A24)

In Village B, a contrasting situation emerged. Out of the nine participatory exercises carried out at the village level, training was only linked once to improvements in the village. This was during the Village timeline exercise, linked to improvements in fruit farming[259]. During the Trendlines exercises, both the women and men's groups talked instead about training happening irregularly[260]. No references were made linking Co-operative B to improvements in the village from training. In section 6.4 I discussed how a balance in working with internal and external stakeholders in Co-operative A, allowed it to attract more training facilitators to Village A compared to Co-operative B in Village B. The balance between expertise and representation in the director in Village A, unlike in Village B, also meant that separate training sessions took place in the former's electoral zone.

<u>Member and non-member access to training</u>

Findings at this level varied from those at the village level, with farmer interviews showing that all five active members in *both* villages (not just in Village A) regularly attended training sessions:

'We usually have seminars [training], we're usually trained. They are regular, they are so many.' (Member interview, Participant A14, 5th October 2012).

This contrasted with only two and three out of the seven non-member households in Villages A and B respectively, with comments such as 'not attended training in recent past'[261]. As expected, active members in Village A reported attending the highest number of training sessions, an average of 15.5 sessions over the five year period. This compared to 12 training sessions per active member in Village B. Non-members attended a significantly lower number in both villages (3.5 to 4 sessions on average) over the five year period (see Table 7.8[262]).

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[259] Village B Timeline exercise, Participants B22, B27, B26 and B54
[260] Women's and men's Trendlines exercise in Village B, Participants B23, B13 and B53
[261] Household matrix scoring on access, Participant A35
[262] Member and non-member interviews in Villages A and B, October 2012

Table 7.8: Average number of training sessions attended per person from 2007 to 2012

Village	Type of participant	Number of training sessions attended
Village A	Active member	15.5
	Non-member	3.5
	Total average for village	9.5
Village B	Active member	12
	Non-member	4
	Total average for village	8

All five active member households in both villages directly linked training to Co-operatives A and B[263]:

'Many facilitators are coming now to train. Ministry of Agriculture people come through the society to train us on fruit farming, poultry farming.' (Member household matrix scoring on access, Participant A7)

In Village B, members explained that training sessions were 'organised by the committee at the society'[264], or that 'facilitators come through the co-operative'[265]. However, only one out of the seven non-members in both Villages A and B referred to their respective co-operative as facilitating the training that they had attended. Instead the few training sessions that they had participated in were organised directly by government ministries, with villagers 'told through Chiefs, Sub-Chiefs, then Headman [village Elder]'[266]. In section 6.4.1, I discussed how the co-operative board directors in both Villages A and B were not able to effectively balance working with their internal members and external non-members, to ensure equal participation of the latter in training sessions. Despite the director in Village A inviting non-members with hybrid cows to training sessions, this did not reflect an improvement in the overall attendance of non-members. This suggests an imbalance in economic and social outcomes in this

[263] Member interviews in Villages A and B, October 2012
[264] Member interview, Participant B11, 6th October 2012
[265] Member interview, Participant B2, 13th October 2012
[266] Non-member interview, Participant A17, 8th October 2012

activity area with neither co-operative able to balance the latter area by reaching as many non-members in the case study villages.

The total number of training sessions attended across the two villages by both members and non-members over the five year period were similar (9.5 in Village A, and 8 in Village B - see Table 7.8). Although this would seem to contradict earlier findings from participatory exercises at the village level, which showed Village A to have greater access to training than Village B, the household level data was collected with a specific sample group engaged in dairy farming. In Village B, their active involvement in a business area focussed on by Co-operative B may have resulted in greater attendance at training sessions than by other villagers who did not own dairy cows.

In Village A, a farmer-to-farmer group was also described, which was organised by co-operative members and used to access both dairy and agricultural training. They explained how: ‘The society encourages farmer-to-farmer training’[267], whether this is organised by board directors for their electoral zone or members themselves. The farmer-to-farmer group provided a mechanism through which members in Village A could decide for themselves on what they wanted to be trained, and allowed them to work together and learn from each other (see Box 7.2). Members talked of how sometimes this group would meet at a homestead ‘together with the Ministry of Agriculture’[268], showing them using their collective capacity to access training providers. Although this shows a balance in control and partnership between members, the board and staff where the latter two have encouraged such member-to-member collaboration, it also suggests something beyond this that is not sufficiently captured in the pathways from co-operative governance to poverty reduction. Such collaboration suggests the development of horizontal ties between members that have allowed them to tap into resources outside the community (Woolcock and Narayan, 2000) by securing external training providers.

[267] Wealth ranking exercise in Village A, Participant A15
[268] Member interview, Participant A12, 15th October 2012

Box 7.2: Member organised farmer-to-farmer training in Village A

During the member interview, Participant A15 described a group through which he accessed farmer-to-farmer training every October:

Who organises this training? Sarah Kiilu*. *She organises the training on her own?* People organise themselves as a group and go to her, and she teaches them. *The ones that you went to, did you organise them yourselves?* Yes. We were all members from the society, but from Village A only, and we went to Sarah. *How did this come about?* At first she came and organised the group, which later collapsed. We, as dairy farmers, realised we were losing out. So we formed another group to get this training. We formed the group in 2006. *Do you do anything else through this group?* No, nothing else. We might meet as ten people, at times 15. *Just meet to go to Sarah's farm?* Yes. All [co-operative] members from Village A are a member of this group....*Do you tell Sarah what you want to be trained on?* We usually tell her what we want and she prepares. We want to start paying her – not yet started this.

* Sarah Kiilu is considered a successful farmer in the local area, and is a member of Co-operative A

The majority of the training that participants described did not include follow-up activities or distribution of inputs[269]. However, members in Village A talked of being able to access all their farm input needs from the store at Co-operative A[270]. This suggests that following training, members in Village A would have had access to inputs on credit (such as seeds or fertiliser) to support changed practices in many of the training areas. In Village B, the lack of a farm inputs store meant that members would not have had access to this type of support following training. Members in Village A also described combining other co-operative activity areas to improve the impact of training. In Box 7.3 I discuss Participant A5, and how she was able to combine training (linked to Co-operative A) with support from the VSLA. I return to this issue in Chapter 8, providing a more detailed discussion of how co-operatives can strengthen impact from training through combination with other activity areas.

[269] This was with the exception of some training delivered by Kenya Agricultural Research Institute (KARI), which included vegetable seed distributions
[270] Member interviews in Village A, October 2012

*Box 7.3: Combining co-operative activity areas to support the impact of training**

Participant A5 (a co-operative member) attended a farmer-to-farmer training on fruit farming, organised by Co-operative A members in Village A (see Box 7.2). Following this training she bought banana plants and a hosepipe, which she attached to her water tank to water the banana plants. She has plans to plant more, and to use the crop for domestic consumption, as well as to generate a cash income. Participant A5 directly linked the purchase of the banana plants and hosepipe to Co-operative A and the VSLA (see section 6.4.4) of which she is a member. She used her savings with the group and the interest earned on her share capital to make these purchases. This suggests that two activity areas in Co-operative A – training (in fruit farming), and other capital support (through the VSLA) – helped Participant A5 to improve fruit production, directly impacting the priority area of food intake as well as indirectly impacting other priority areas through provision of a cash income.

* Data was gathered from Member interview with Participant A5 (4th October 2012), and from observations by the researcher and translator/research assistant following member interview

Training topics and impact of changed practices

The household level interviews identified dairy farming to be the most common training topic in both villages, with the majority of the 30 case study participants (both members and non-members) having attended sessions in this area. Five other training topics were also mentioned: i) agricultural farming; ii) fruit farming; iii) other livestock rearing; iv) jiko stove and; v) water catchment and storage (see Table 7.9[271]).

[271] Table 7.9 only includes training on livelihoods or on improving household resources (rather than on issues such as HIV/AIDs or marriage counselling).

Table 7.9: Participants' views on training attended in Villages A and B from 2007 to 2012[272]

Training topic	Number of case study participants attending (out of 15 in each village)		What learnt	Practice changed after training	Impact of changed practice
	Village A	Village B			
Dairy farming	9	11	Feed and fodder management, zero grazing, growing animal feeds, disease control, birth spacing for optimal production, milk handling to reduce contamination, effective milking methods, how to construct cow shed, use of AI, understanding of different types of bulls, maintaining animal records (including use of AI)	Built feed boxes and cut stalks before feeding to reduce wastage; planted crops (e.g. napier grass) and trees that can be used as feed supplements, started regularly de-worming, use insecticides at regular intervals for pest control, use AI instead of indigenous bulls, keep records of AI usage	Cattle eats more, less feed wastage, grass (for livestock feed) growing on parts of farm that were unproductive before, reduced disease, increased milk yields, optimisation of inputs and outputs (i.e. minimum inputs for maximum milk production), increased market value of dairy cow
Agricultural farming	6	6	Appropriate seeds, manure and fertiliser usage, vegetable planting (including planting in a bag to conserve water), how to harvest grass (cut, dry, store), food conservation methods (e.g. drying, pickling), nutritional information, calculating and managing farm	Use hybrid seeds on farm, plant same crops together, increased physical spacing of plants, use different cooking techniques to preserve harvested food for longer, plant different crops that mature quicker (e.g. swapped cow peas, which take one year to mature, with beans which	Increased harvests, sold seeds and crop from bumper harvest, eat wider variety of food throughout the year, earlier harvests (even with traditional crops)

[272] Data collected from member and non-member interviews in Villages A and B

			productivity (farm size, investment and output), optimal use of small plots, harvest management (cutting, storing methods), farm terracing	can take three to six months), use manure on farm (also changed how use manure – use on low productivity areas), use fertiliser	
Fruit planting	6	1	How to dig and plant fruit trees, spacing between trees, hybrid varieties, grafting	Planted more fruits, use manure on fruit plants, built basin around each plant to capture water	Plants greener and fruit yields increased
Other livestock (poultry and bee hives)	5	2	Rapid poultry breeding, feed management, disease control (including immunisation), breed improvement, how to keep bees and manage beehives	Changed approach to poultry keeping – rear for commercial sale now, separated chicks from mother to encourage faster egg laying, buy sunflower seeds as feed for poultry, give poultry water regularly, installed chicken coup, ordered beehives and started keeping bees	Poultry numbers increased (in some cases up to three-fold within three months), reduced chick deaths, have honey for domestic consumption for some of the year
Jiko stove construction	3	0	Benefits of fuel efficient stoves, how to gather and make material required to build fuel efficient stoves, how to construct and use fuel efficient stoves	Had jiko/rocket stove constructed within homestead, and use for cooking	Reduced usage of firewood, time saved in collecting firewood, lower smoke emissions
Water catchment and storage	1	0	How to build small dams, how to harvest rainwater, different water storage methods within homestead	Had dam built on farm, installed different storage equipment for rainwater harvesting (fixed clay pots, tanks, jerry cans)	Larger amounts of rainwater harvested, more water available for fruit and vegetable planting (i.e. kitchen gardens), and other domestic use

Table 7.9 indicates that in Village A participants were attending training in a wider range of topics than in Village B. In section 6.4.1, I discussed how Co-operative A worked with agricultural extension officers, unlike Co-operative B, to facilitate training into Village A. However, Table 7.9 shows that a similar number of case study participants in both villages attended agricultural training. In response to questions about what each of the training sessions covered, participants in Village A explained that livestock training sessions also often included facilitators from the Ministry of Agriculture[273], and that in these sessions:

'Also learned about digging holes and planting napier[274] grass. Also trained that if there's dry land where nothing grows can plant grass and make it useful.' (Member interview, Participant A12, 15th October 2012)

In contrast to this, participants in Village B only referred to the Ministry of Livestock as facilitating training on dairy farming[275]. This suggests that complementary agricultural expertise would not have been brought into the livestock training facilitated by Co-operative B in Village B to impact practices in this important area.

Table 7.9 also brings together discussions of what participants learnt at training sessions, how it changed what they did, and the impact this had. Training on dairy farming was reported to have changed the way farmers feed and look after their cattle, and in the use of artificial insemination (AI). This was linked to higher milk yields, as well as an increased market value for their cows:

'Earlier on, after harvesting we would leave stalks [maize stalks] to be eaten by ants. We were taught that this could be used as feed during dry season. So now we store them in sacks......*Do they help?* Yes, a lot. They increase the milk yields of the cows.' (Member interview, Participant A12, 15th October 2012)

In section 7.2.2 I discussed how in Village A participants talked of the importance of dairy farming training in moving co-operative members to higher wealth categories. Unlike in Village B, they talked of how this training had helped change land use,

[273] Member interview, Participant A12, 15th October 2012; Non-member interview, Participants A34 (12th October 2012) and A31 (15th October 2012)
[274] Napier grass can be given to dairy cows as a feed to improve milk production
[275] Member interview, Participants B10 (10 October 2012) and B4 (18th October 2012); Non-member interview, Participant B34, 16th October 2012

increasing on-farm production of animal feeds and resulting in higher milk yields. The use of facilitators from the Ministry of Agriculture for dairy farming training also suggests a link between the balance in the governance relationships in Co-operative A (particularly in working with internal/external stakeholders) and this change in land use. This is a crucial area of impact, and I dedicate Chapter 8 to examining how changing dairy farming practices in the two villages helped to reduce poverty.

Training in agriculture and fruit planting was reported to improve manure and fertiliser use. It also led to the use of hybrid seeds and more appropriate selection of crops, as well as improved planting techniques and food preservation methods:

'My knowledge on agricultural farming has gone up.... I plant hybrid seeds now. The harvests are high – for beans, maize, even pigeon peas. *Have the harvests for them all gone up?* Yes.' (Member interview, Participant B1, 16th October 2012)

These changed practices were also reported to have led to earlier harvests, and allowed a wider variety of food to be consumed by families throughout the year - directly impacting the priority area of food intake. With regards to poultry keeping training, one participant outlined the poultry rearing practices learnt, stating:

'After following this method I had 30 [poultry] – so tripled. *Tripled over how long?* In about 3 months.' (Non-member interview, Participant A31, 15th October 2012)

This indicates a direct positive impact in the priority area of livestock ownership. Training on jiko stoves led to their construction in participant homesteads. Training in water catchment/storage led to the construction of a small private dam in one homestead and improved water harvesting and storage methods, suggesting a direct positive impact in the priority area of access to water.

In the discussion above on the eight priority areas, I have already explored two of the training areas mentioned, those linked to improvements in access to water and to livestock ownership, both of which were linked to improvements in Village A only. Due to time and resource constraints for the field research, I limited further exploration of the impact from training to two other areas mentioned by participants – fuel-efficient stoves and fruit farming. The former was selected as training in this area was linked directly to Co-operative A; fruit farming was selected as it was the only training area linked to improvements in Village B.

Fuel-efficient stoves

As discussed in section 6.4.1, training on fuel-efficient stoves (jikos) was delivered in Village A through the women's VSLAs formed by Co-operative A. In Village B, Co-operative B had been unable to gather sufficient interest to form these groups, and consequently no such training had taken place there. In Village A, women discussed the training that they had received:

'We were taught about jikos in 2009/10. Jikos consume less firewood – it was an initiative by the co-operative.' (Village A timeline exercise, Participant A24)

Participants in Village A talked of how the use of fuel-efficient stoves saved women significant time in collecting firewood[276], as well as benefits of lower smoke emissions[277]. Cooking, throughout the case study area, was observed to be carried out in a small room built separately from the main house. This usually had only one small window positioned above head level to prevent livestock from entering or disturbing food preparation. Reduced fumes from cooking in such confined spaces would therefore have important health benefits for women, as well as possible improvements to some of the other eight priority areas by freeing up women's time to access them.

In Village A, participants talked about how in addition to 'Members and non-members trained'[278] in this area: 'The co-operative trained youth to construct jikos on a cost-sharing basis'[279]:

'After the training, they [Co-operative A] empowered the youth to go to every homestead and construct. We paid Ksh 200 for labour to the youth. You gather or buy the material. *Is this expensive?* Material isn't expensive – only some 15-20 bricks, 20kg of cement, ash and soil.' (Village A Timeline exercise, Participant A24)

Participants confirmed that although you could still call the trained youths to construct jikos, their labour cost had increased to Ksh 1,000: 'The Ksh 200 was an offer. Now

[276] Village A Timeline exercise, Participant A24; Household matrix scoring on access, Participant A19
[277] Household matrix scoring on access, Participant A19
[278] Village A Timeline exercise, Participant A5
[279] Village A Timeline exercise, Participant A5

they're charging what they like'[280]. This suggests that although the jiko training had not included the costs of building and installing a jiko in the trained homesteads, Co-operative A had facilitated this process at a reduced price in the village. I asked participants whether people had jikos constructed in their homesteads following the training, and the response by one participant, which was accepted with a nod by the others was: 'Most people have'[281].

The Village A resource scoring exercise identified the use of fuel-efficient stoves to have increased from 15% of homesteads in 2007 (prior to the training) to 38% in 2012 (after the training). In Village B, the resource scoring exercise identified no homesteads using fuel-efficient stoves in 2007, which increased only slightly to 2.5% in 2012 (see table 7.5). This suggests that Co-operative A's better performance in identifying and facilitating farmer training than Co-operative B, resulted in greater use of fuel-efficient stoves in Village A compared to Village B. This would have had a positive impact on women's health, as well as freeing up some of their time to access the other priority areas.

Fruit farming

During the Village resource scoring exercises, participants in both villages talked of how fruit plants had always existed in homesteads[282]. However:

'There's been an improvement in fruit farming. There's now availability of fruits during the dry season to substitute consumption. *Why is there more fruit farming now?* It has increased recently. We were trained on how to do fruit farming.' (Village B Timeline exercise, Participant B27)

This was confirmed by participants in both villages[283]: 'I didn't attend [training], but I planted….I took the idea from my neighbour.'[284] However, only participants in Village A linked training in this area to their co-operative. Members referred to the important role played by the farmer-to-farmer group organised by co-operative members in Village A (see Box 7.2):

[280] Village A Timeline exercise, Participant A24
[281] Village A Timeline exercise, Participant A3
[282] Results of Villages A and B resource scoring exercises - fruit farming
[283] Village A resource scoring exercise, Participants A28 and A6; Village B resource scoring exercise, Participants B22 and B4; Village B Timeline exercise, Participants B22, B27, B26 and B54
[284] Village B Timeline exercise, Participant B54

'She [Sarah Kiilu] was insisting that we do fruit farming. Most of the mango trees in the homestead here is through her influence….After we were trained she insisted on coming to every member to see the progress.' (Member interview, Participant A12, 15th October 2012)

In Village B, training on fruit farming was linked to the Ministry of Agriculture[285], with no references made to Co-operative B. Although seedlings were not provided at training sessions, participants in both villages still reported planting bananas, mangoes, avocados and papaws[286]. In Box 7.3 I discussed how in Village A, Participant A5 was able to combine support from other co-operative areas to improve impact from training on fruit farming.

As well as the nutritional benefits of fruit farming identified by Participant B27 above, others talked of an increase in fruit selling as a livelihood:

'There is a market for fruits. Business people come here to buy fruits – they buy from the village here to trade in Nairobi.' (Village A resource scoring exercise, Participant A28)

In many cases fruit farming was done within the homestead rather than on the farm[287], indicating that it was more likely to be a woman's crop. This also meant that women would be responsible for selling it, and therefore more likely to have access to the cash generated from this sale.

The Village resource scoring exercises showed fruit production to have increased more in Village A than in Village B over the five-year study period. In the former there was a significant 300% increase in overall production over this period, compared to a 43% increase in the latter (see Table 7.10). As with training on fuel-efficient stoves, this suggests that Co-operative A's better performance in identifying and facilitating farmer training than Co-operative B, was linked to the greater improvements in fruit production in Village A compared to Village B. This would have helped to improve access in the priority area of food intake (through fruit consumption), as well as increasing villagers' (particularly women's) cash income and impacting many of the other eight priority

[285] Village B Timeline exercise, Participant B27
[286] Member and non-member interviews in Villages A and B, October 2012
[287] Field team's observation during member and non-member interviews

areas.

Table 7.10: Changes to fruit production

Year	Score (out of 100 in 2012)	Total in/decrease to 2012	Rate of in/decrease to 2012
Village A			
2007	25	75%	300%
2009/10	40	60%	150%
Village B			
2007	70	30%	43%
2009/10	50	50%	100%

7.4 CONCLUSION

Throughout this chapter I explored secondary research question 2: In what ways does co-operative performance impact poverty at the village and member/non-member household levels? I began by establishing an understanding of poverty and wealth in the case study villages from the perspective of participants, and identifying eight priority areas that were important to them in improving their living conditions. These eight areas allowed a multidimensional approach to poverty, and an examination of how the multiple activities of co-operatives impacted different areas of well-being important to members and the wider community. I then looked at whether and why these priority areas had changed over the five year study period in the two villages and member/non-member households. I discussed any links that emerged to the case study co-operatives, unpacking how their governance and performance impacted these priorities.

In Village A, both members and non-members directly linked improvements in three of the eight priority areas to Co-operative A: access to water, livestock ownership and training. In Village B members and non-members only made direct links between improvements in access to water and Co-operative B, with members also mentioning a direct link between training and the co-operative. In addition, members in both villages directly linked increasing access to education to their respective co-operatives.

The co-operative activity area of training emerged as an important driver to changes, particularly in Village A, where training in areas ranging from water storage to fruit farming and livestock rearing were linked to Co-operative A. The balance in its internal and external relationships meant that it performed better than Co-operative B in identifying and delivering training, attracting different training providers into Village A and facilitating training in a wide range of topics that were important to farmers and their families. Training in fruit farming was likely to improve women's access to a cash income in both villages, and improve their access to many of the other priority areas. However, only in Village A was this training linked to the respective case study co-operative.

The importance of cash in improving or reducing access to the eight priority areas emerged throughout the discussions. The co-operative activity area of milk income (and dividends) was directly linked to improving access to education in member households in both case study villages. The other two activity areas in Co-operative A, farm inputs and services and other capital support (through the VSLA), also emerged as important in combining with training to generate a greater impact in member households. In Chapter 6 I linked the governance of Co-operatives A and B to performance in these areas. I discussed how in Co-operative A, a balance in control and partnership between staff and members allowed it to run the farm inputs store and meet both member and non-member input needs throughout the five year study period. I also discussed how a balance in control and partnership between staff and members had helped it to establish a VSLA in Village A, unlike Co-operative B in Village B. Non-members in both villages fared worse than members in some areas, particularly in access to training. In neither co-operative a balance between internal actors (members, board directors and staff) and non-members allowed it to balance economic and social outcomes by ensuring that the training it facilitated equally reached non-members in the case study villages.

The wealth ranking exercise in Village A (see Figure 7.1) showed how, over the five year study period, the poor in Village A moved to wealthier categories, largely as a result of training and improved access to water. The findings here suggest that Co-operative A's better performance in training contributed to this transition to higher wealth categories over the years. In Village B, Co-operative B's lower performance in this area was not able to help it recover in the same way as Village A from the 2009 drought. Separate wealth ranking of co-operative members (see Figure 7.2) showed their wealth category improving in Village A over the five year period, whereas in Village B it remained stable despite an overall drop throughout the rest of the village. This suggests that members' greater access to training in both villages (combined with other activity areas in Co-operative A) would have helped in improving or stabilising their wealth categories.

Findings in this chapter elaborate on the link between a 'balance' in co-operative governance (which includes a balance in both co-operative relationships as well as in the social and economic goals of co-operative activities) and poverty reduction. This balance ensures that the co-operative engages in multiple activities to meet the different priorities of members, their families and communities, reducing poverty in areas that are important to them.

CHAPTER 8

CO-OPERATIVE GOVERNANCE AND PERFORMANCE: IMPACTING POVERTY THROUGH DAIRY FARMING AND A CASH INCOME

8.1 INTRODUCTION

Chapter 7 identified Co-operative A to have reduced poverty more in the case study village and households in many of the eight priority areas than Co-operative B in Village B. In particular this was through better performance in the activity area of training, which combined with the activity areas of farm inputs and services and other capital support to strengthen impact. I also discussed the importance of cash in improving or reducing access to many of the priority areas, and showed links to milk income from both Co-operatives A and B. In this chapter I continue to address secondary research question 2 to understand how co-operative performance impacts poverty at the village and member/non-member household levels, by focussing on dairy farming. In exploring this area in depth, I further examine the processes through which Co-operatives A and B have impacted the case study villages and households, and the extent to which this has reduced poverty. Evidence for this chapter is drawn largely from member/non-member interviews, and participatory exercises at the village and household levels.

I begin in section 8.2 by discussing the extent to which the case study co-operatives have been able to change practices in dairy farming in the case study villages and households. In 8.3 I analyse the impact of changed practices on member and non-member household milk income and consumption, and the extent to which this has helped meet needs in the eight priority areas. In section 8.4 I consider other capital support from the co-operatives, and its impact on member households. In 8.5 I explore how cash from the two co-operatives has impacted the case study villages as a whole. In 8.6 I analyse how new members enter the co-operatives, and whether there are barriers to membership. Finally in section 8.7 I present some conclusions.

8.2 DAIRY FARMING PRACTICES AND MILK PRODUCTIVITY

A focus on dairy farming here allows a detailed comparison of whether and how governance relationships and processes at the two co-operatives have impacted dairy cow ownership, dairy farming practices and breed in the two villages, and what this means for milk productivity in member/non-member households. As explained in section 4.4.2, an important sampling criterion for the case study households was engagement in dairy farming. However, this criterion was not possible to meet in all cases for the whole five year study period. For example, one non-member in Village A did not own a dairy cow at the time of data collection as it had died during the 2009 drought, and two non-members in Village B currently owned only heifers that had not yet started producing milk.

8.2.1 Dairy cow ownership

In section 7.3.6 I discussed findings on changes to overall livestock ownership in the two villages. Here I look specifically at dairy cows, comparing member and non-member ownership in the case study villages over the five-year period. In Village A members and non-members talked about the size of their dairy cow herd increasing gradually over the years. Four out of the five active member households, and the same number in non-member households (only five of the seven non-member households owned dairy cows in 2007), confirmed a growing herd:

'2006 - got one [dairy cow]. Registered at co-operative, then bought another two. Then they started giving birth. We don't sell the dairy cows – just sell the male calves.' (Member interview, Participant A5, 4th October 2012)

Participant A5 describes a breeding and buying/selling process where, despite the 2009 drought and the dairy cows lost over this period, her herd of one dairy cow in 2006 increased to eight by 2012. In contrast to this, members and non-members in Village B talked of an overall decrease in their dairy cow herd over the five year period, and how they had still not recovered from the cows lost during the 2009 drought. Only one out of the five active member households, and two out of five non-member households in Village B (only five non-member households here also owned dairy cows in 2007) reported having more dairy cows in 2012 than in 2007[288].

During the interviews, data was collected on the number of dairy cows owned by participant households in 2007, 2009/10 and in 2012, with a record made of dairy cow

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[288] Member interviews in Village B, October 2012

deaths during the drought (this did not include dairy cows that were sold over this period - see Table 8.1). In Village A, across member and non-member households, dairy cow ownership more than doubled from 2007 to 2012. This compared with a 27% reduction over the same period in Village B.

Table 8.1: Case study household dairy cow ownership from 2007 to 2012[289]

Household type		**Number of dairy cows owned**		**Percentage increase / decrease of total herd**	**Percentage of dairy herd deaths in 2009 drought**
		2007	2012		
Village A	Active members	14	27	93%	14%
	Non-members	5	12	140%	38%
	Total	19	39	105%	26%
Village B	Active members	32	21	-34%	33%
	Non-members	19	16	-16%	41%
	Total	51	37	-27%	37%

The data also show differences between members and non-members in the two villages. The seven non-members in Village A increased their dairy cow ownership more than all participant groups in both villages (by 140%). The five active members in Village A followed with a 93% increase. In Village B, although all participant groups decreased their ownership, non-member ownership decreased at a lower rate - at 16%, compared to a higher decrease of 34% in active members. I return to this issue in section 8.2.3, showing how non-members in both villages were increasing their ownership of indigenous dairy cows, whereas members were more likely to invest in smaller herds of higher breed cows.

Co-operative A was directly linked to increases in dairy cow ownership in Village A, particularly by active members:

‘Someone who’s not a member - those that don’t even have cattle, the society is encouraging them to acquire dairy cows and improve their lives.’ (Member interview, Participant A4, 5th October 2012).

289 This is based on member and non-member interviews from the 30 case study households across Villages A and B, with data amalgamated for each participant group

This statement suggests that the director in Village A, who represents the society at the local level, was perceived to be actively encouraging dairy farming by non-members. It shows him balancing his role in working with internal (member) and external (non-member) stakeholders in the village. Although this may have been with the intention of securing additional economic participation in Co-operative A and new member entry, Participant A4 refers to how it has also helped to improve the lives of members and non-members by increasing their dairy cow ownership. The director for Village A explains further:

'Many farmers have started dairy farming because of the society – they learnt that they can sustain their households through dairy farming' (Member interview, Participant A1, 8th October 2012).

This suggests that Co-operative A's activity area of milk income and dividends has encouraged dairy farming in Village A by helping to portray its economic viability to households. In Village B, despite the lack of recovery from the 2009 drought, the majority of participants still made direct links between dairy cow ownership and Co-operative B:

'It influenced people to buy dairy cattle, and when you deposit milk at the society, the society sells the milk.' (Member interview, Participant B10, 10th October 2012)

Participant B10 describes how Co-operative B has encouraged farmers to invest in dairy cattle by providing a market for their milk. A non-member explains further:

'When you see members doing some activities like dairy farming, you also want to emulate them and want to do dairy farming.' (Non-member interview, Participant B32, 21st October 2012)

These two statements suggest that, similar to Co-operative A, Co-operative B helped to portray dairy farming as a viable livelihood option for households. However, some case study participants in Village B, unlike in Village A, presented an opposing view of Co-operative B: '[It] partially benefits the community'[290], with another non-member referring to how 'It only benefits members'[291]. Another non-member states clearly: 'It

[290] Non-member interview, Participant B22, 16th October 2012
[291] Non-member interview, Participant B32, 21st October 2012

hasn't helped. If it had, every person would be having a dairy cow.'[292] These statements show the limited impact of Co-operative B in improving dairy cow ownership in Village B.

In the area of dairy cow deaths during the 2009 drought, a reverse trend to that of dairy cow ownership was found, with members in both villages performing better than non-members. Active members in Village A lost the smallest percentage of their herd (14%). This compared with 38% of the non-member herd in Village A, and 33% and 41% of the member and non-member herds respectively in Village B (see Table 8.1). Co-operative A's better performance in the activity area of farm inputs and services (compared to Co-operative B's) can help to explain these findings.

In section 6.4.2, I discussed how a balance in working with internal members and external suppliers allowed Co-operative A to ensure a steady provision of agricultural and veterinary products through the farm inputs store to meet the needs of members and other customers. I also showed how it balanced economic and social outcomes in this area through the flexible way it provided credit to members for inputs. Although the farm inputs store at Co-operative B was operational until 2011, Co-operative B had been unable to balance working with internal and external stakeholders in the same way as Co-operative A to ensure an adequate supply of hay over the drought period, leaving members without reliable access to this important input on credit. Unlike Co-operative B, Co-operative A also balanced working with internal and external stakeholders to provide veterinary services to members over this period, indicating that if cows fell sick members in Village A would have had access to a veterinarian on credit. This suggests that Co-operative A's better performance in the activity area of farm inputs and services helped to lower member dairy cow deaths in Village A compared to Village B. It also suggests that this activity area contributed to the lower deaths amongst member herds compared to non-member herds in both villages.

8.2.2 Breed improvement

Members in both Villages A and B talked about how they had been able to change from indigenous cows to hybrid ones. All five active members in Village A and four out of the five active members in Village B, confirmed that they use either artificial

[292] Non-member interview, Participant B22, 16th October 2012

insemination (AI) or hybrid bulls to improve their dairy cow breed. This compared with only one out of the six non-member households in Village A that owned mature dairy cows in 2012, and three out of the five in Village B. Non-members talked of how they 'can't afford'[293] to use AI, and that instead they used a 'local bull'[294]. During the interviews, data was collected on the breed of dairy cows owned by participant households. All of the active member herd in Village A were identified as purebred or hybrid. This compared with a 75% purebred or hybrid herd for members in Village B. Non-members in both villages showed a lower percentage, 16.5% in Village A, and 50% in Village B (see Table 8.2).

Table 8.2: Dairy cow breed

Household type		**Percentage of purebred / hybrid dairy herd**
Village A	Active members	100%
	Non-members	16.5%
	Total	65.5%
Village B	Active members	75%
	Non-members	50%
	Total	63.5%

In Village A, members directly linked improved dairy cow breeds to Co-operative A:

'It has helped us change from local breeds to hybrids. Many people in the village have been able to do this. People have been motivated to get better breeds, and improve their dairy farming.' (Member interview, Participant A15, 15th October 2012)

Participant A15 continues to explain how Co-operative A has 'motivated' people in this area:

'It is conducting more training now to educate farmers and many have benefitted from them........Badilisha Kailu[295] will help those with local cows to get better breeds.' (Member interview, Participant A15, 15th October 2012)

[293] Non-member interview, Participant A36, 11th October 2012
[294] Non-member interview, Participant A31, 15th October 2012
[295] Badilisha Kailu is the name of a recent initiative at Co-operative A, supported by We Effect, which aims to transform indigenous cows to hybrids through awareness raising of farmers and AI support

This statement directly links training in breed improvement, facilitated through Co-operative A, to improvements in dairy cow breeds. However, as training sessions were largely attended by members (see section 6.4.1), Co-operative A was predominantly improving dairy cow breeds within the membership through this activity area. In addition to training, members in Village A also directly linked breed improvement to the AI service provided on credit to members by Co-operative A:

'Even when people have local cows they can use AI and transform them to better breeds – when you need a doctor for AI and you don't have money, you can get from the society and pay at the end of the month.' (Member interview, Participant A4, 5th October 2012)

The statements by Participants A15 and A4 above suggest that Co-operative A was helping to improve dairy cow breeds in member households through a combination of its activities in training as well as farm inputs and services. Non-member households there demonstrated the lowest ownership of purebred/hybrid cows across both villages, suggesting that their lack of access to such services on credit affected this area.

In Village B, although both members and non-members linked increased dairy farming in their village to Co-operative B, only one participant (an active member) directly linked improved dairy cow breeds to Co-operative B. In response to a general question on whether the co-operative had changed what people do in their village, he stated:

'Yes, there's a lot of change. People's attitudes have changed. Most people didn't have hybrid cows, now they have.' (Member interview, Participant B7, 6th October 2012)

However, Participant B7 does not directly link any activity area of Co-operative B to this change in dairy cow breeds, suggesting that this is through a general influence rather than specific targeted activities. Although Co-operative B provided dairy farming training, which included breed improvement, it only provided AI services for some of the period over 2007 to 2012 and this had not been available on credit (see section 6.4.2). This reinforces the findings discussed in Chapter 7, and the importance of combining other co-operative activity areas with training to strengthen its impact.

8.2.3 Milk productivity

So far I have shown how a better balance between an expert and representative director in Village A, compared to Village B, helped to improve dairy cow ownership in Village A. Co-operative A's better performance in the activity areas of training as well as farm inputs and services also helped members to increase dairy cow ownership and improve breeds in Village A better than Co-operative B in Village B. However, both Co-operatives A and B had limited reach with non-members through these activity areas. I now look at what all this means for milk productivity in the case study households.

Through the Household exercise on milk yields, I collected data on perceived changes to milk production over the five year study period. All five active member households in both villages confirmed that they normally milk at least one dairy cow. For non-members, this was six and five households out of the seven in Villages A and B respectively. Although in both villages the same or a lower number of member households were actively engaged in dairy farming, members were found to milk more cows than non-members (see Table 8.3). In both Villages A and B, the majority of active member households talked of milk yields 'increasing over the years'[296] (four and three respectively out of the five households)[297]. In contrast to this, none of the four non-member households in Village A and only one out of the four in Village B, who were milking over the 2007 to 2012 period, confirmed that milk production had increased. Instead they talked of how: 'They don't produce a lot of milk'[298].

During the interviews, I collected data on average household milk production in the dry as well as the rainy seasons. Although active members in Village A only owned (a maximum of) one extra dairy cow more than the other groups, they showed significantly higher daily milk production – a combined 28.5 litres during the dry season, and 86.5 litres during the rainy season. This compared to between 12 and 17.5 litres for the other groups in the dry season, and between 50.5 and 66 litres in the rainy season (see Table 8.3).

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[296] Household matrix scoring on milk yields, Participant B11
[297] Household matrix scoring on milk yields in Villages A and B
[298] Household matrix scoring on milk yields, Participant B30

Table 8.3: Combined household daily milk production

Household type		Total number of cows milked	Milk production p/day (litres)	
			Dry season	Rainy season
Village A	Active members	8	28.5	86.5
	Non-members	7	17.5	51
	Total	15	46	137.5
Village B	Active members	11	15.5	66
	Non-members	7	12	50.5
	Total	18	27.5	116.5

During the Household matrix scoring on milk yields, I also collected data on milk produced per cow[299] within households, by asking participants to allocate seeds according to production of each cow that they would normally milk. This elaborated on the extent to which productivity per cow was changing over the five year period, and allowed an exploration of any reasons for this. The scores from this exercise then allowed me to generate average percentage differences in production (for a total of 7 to 11 milk producing cows in each group) over the years across the different household types. Active member households in Village A increased milk production per cow more than all other groups, an 82% increase over the five year period. Although member households in Village B also increased production this was at a lower rate of 29%, only slightly more than non-member households in the village which increased production by 20%. Non-members in Village A were the only group to show a decrease in milk production per cow of 10% over the five-year period (see Table 8.4).

Table 8.4: Difference in milk production per cow from 2007 to 2012

Household type		Percentage difference
Village A	Active members	82% increase
	Non-members	10% decrease
Village B	Active members	29% increase
	Non-members	20% increase

[299] To facilitate data collection in this area it was assumed that each cow being milked within the same household produced an equal amount of milk

In Village A, members made direct links between dairy farming training and higher milk production overall as well as per cow:

‘In 2007 we were not much trained. But in 2010 we had more knowledge......From the training we learnt that you can have two cows now and produce more milk than from the many cows we had earlier (Member household matrix scoring on milk yields, Participant A1)

The only non-member in Village A who regularly attended dairy farming training facilitated through Co-operative A, also states:

‘The society has been training us nowadays on that [changing to hybrid dairy cows]. We should stop investing in so many cattle that produce nothing, and invest in cattle that can produce milk.’ (Non-member interview, Participant A17, 8th October 2012)

These statements by Participants A1 and A17 capture the link between Co-operative A’s activity areas (particularly in training) to higher household milk production. In Village B, members also made direct links between dairy farming training and higher milk production: ‘We've been trained on what to feed cattle so as to increase milk yields’[300]. This link was also made by the only non-member in Village B whose milk yields had increased over the 2007 to 2012 period:

‘At first we weren't buying anything to get more out of the cow. Then we started buying feeds, so when it gave birth for the second time it gave more milk. We’re also giving it cowpea stalks from the farm......*Why did you give cowpea stalks?* We were told at the seminars [training sessions] - told when milking you should feed them to your cows.’ (Household matrix scoring on milk yields, Participant B22)

Participant B22 was the only non-member in Village B that talked about regularly attending training sessions, which included dairy farming: ‘Organised by the society’[301]. The statements by participants in both Villages A and B also further explain the findings in section 8.2.1, which showed that active members in both villages were increasing their dairy cow ownership at a slower rate than non-members. Participants A17 and B22 talk about the greater investments that they are now making in their dairy

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[300] Household matrix scoring on milk yields, Participant B7
[301] Non-member interview, Participant B22, 16th October 2012

cows rather than just referring to an increase in herd size. This included investments in both breeding and rearing practices.

However, the majority of non-members in both Villages A and B described a different situation:

‘The price of feeds is high, and price per litre of milk is low…..Instead of buying high quality concentrates I buy poorer ones, and that's lowered my production.’ (Non-member interview, Participant B33, 17th October 2012)

Although Participant B33 shows a good understanding of the balance needed between inputs and outputs, he refers to his inability to optimise production. In contrast to this I have shown how members attended training that helped them to produce on-farm feeds (see Table 7.9). I have also shown how members in Village A had access to inputs on credit to support milk production, thus reducing their need for the kind of cash purchases that Participant B33 refers to here.

The findings here suggest that both Co-operatives A and B helped to improve household milk production as well as milk yields per cow through the activity area of training. In addition to this, Co-operative A’s better performance in the activity area of farm inputs and services suggests that it was able to strengthen impact from training and boost milk production more in member households in Village A than Co-operative B in Village B.

8.3 MILK INCOME AND CONSUMPTON

8.3.1 Milk income

What does the higher member milk production in Village A compared to Village B, and compared to non-members actually mean for the case study households? A participant captures the crucial issues behind this question:

‘Every person is going into this business to get money. In a homestead if there is one dairy cow, it can cater for most of the domestic needs that one cow couldn’t have catered for before.’ (Member interview, Participant B7, 6th October 2012)

This statement links higher milk productivity to higher income, to better meeting the needs of households. Has dairy farming, indeed, been able to provide participant households with an income that can help them meet needs in the identified eight priority areas?[302]

During the Household matrix scoring exercise on changes to income, active members in both villages identified two main sources of household income: financial support from children or other family members engaged in waged employment, and income from milk. In Village A all five active member households, and in Village B four out of the five, mentioned dairy farming as an important source of income in 2012. In contrast to this, only two out of the six non-member households in Village A and two out of the five in Village B (who were engaged in dairy farming in 2012) even mentioned income as a benefit of dairy farming[303].

In Village A, four out of the five active member households also talked of an increasing income from dairy farming over the five year period. During the Household matrix scoring on changes to income, they talked of how: 'we're doing well on the side of dairy farming'[304], indicating the growing importance of milk income to these households. However, in Village B, only two out of the five active member households confirmed this increase:

'We had more cows that we were milking [in 2007]. Due to drought, decreasing over time – income on that side has decreased.' (Household matrix scoring on changes to income, Participant B10)

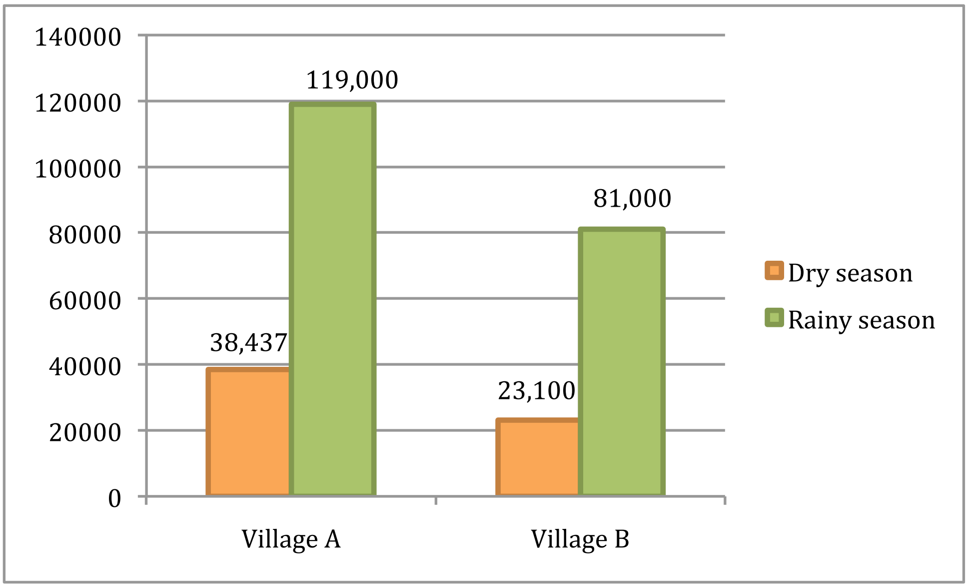
During farmer interviews I collected data on the actual income that participant households received from the sale of milk. However, as only one out of the seven non-member households in Village A and two out of the seven in Village B reported a regular income from milk, I was not able to include non-member households in this analysis. By averaging the monthly income of the five active member households in each village, I calculated a one-third higher milk income for members in Village A than in Village B, for both the dry and rainy seasons (see Figure 8.1).

[302] Other than milk, another important source of income mentioned from dairy farming was sale of calves (usually male calves). However, this section will only focus on milk income as this is the main business of Co-operatives A and B, and allows for an exploration of the pathway from governance to poverty reduction

[303] Non-member interviews in Villages A and B, October 2012

[304] Household matrix scoring on changes to income, Participant A12

Figure 8.1: Average monthly income (Ksh) per active member from milk deposits at the co-operative



In section 6.4.3, I discussed how despite both Co-operatives A and B usually paying a lower price for milk per litre than private buyers, members remained loyal to the case study co-operatives, particularly to Co-operative A. This implies that the co-operatives' attraction is not just in the buying price of milk, with dairy farmers recognising a wider conceptualisation of co-operative performance. The findings discussed here suggest that this performance is recognised as including the multiple activities that co-operatives engage in to help members increase milk production, providing them with an overall higher income from milk per month despite the lower price received per litre. This is an important finding that adds to the literature on the contribution of dairy farming to household income (Espinoza-Ortega et al., 2007; Nicholson et al., 2004) by showing that even when co-operatives cannot pay a competitive price per litre for milk, they can still raise income by supporting higher milk productivity.

In section 6.4.3, I also discussed how Co-operatives A and B had been able to reduce barriers to market entry. Members in both villages talked of how this helped them. For example one participant explains how:

'Even when I take as little as one litre a day I get money in lump sum, and this assists me very much.' (Member interview, Participant B8, 10th October 2012)

Participant B8 describes how when milk production is low during the dry season, Co-operative B continues to provide her with income through this harsh period.

So far I have shown how better performance by Co-operative A (compared to Co-operative B) in the activity areas of training as well as farm inputs and services have combined to improve the activity area of milk income in member households in Village A compared to Village B. Throughout the discussions on the eight priority areas in Chapter 7, I showed how cash was important in accessing many of them - to what extent then does this milk income improve participant household access to the priority areas? A participant explains her perspective on this:

'You look at some people that are not taking milk to the society then they start taking milk and you see new people in them. They change. If they're wearing torn clothes, you see them with new clothes. If their children were lacking food, you see them with food, so on and so forth.' (Member interview, Participant B8, 10th October 2012)

Participant B8 describes how income from delivering milk to Co-operative B has helped people to meet needs in the areas that are important to them. During the interviews, I asked both members and non-members how they used milk income[305]. The higher milk income for member households in Village A would mean that impact in these areas would be greater for them than member households in Village B.

In both Villages A and B members reported using milk income in a number of the eight priority areas. All five active members in both villages reported using milk income for domestic purposes, primarily for purchasing basic foodstuffs (such as cooking oil, sugar and vegetables[306]) that supported household food intake. They also talked of using milk income to maintain their cattle, including to 'pay labourers', buy 'powder [supplementary feeds] and feeds for cattle' and 'medication'[307]. This suggests a positive impact in the area of livestock ownership. Three out of the five member households in

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[305] In Box 5.3 I acknowledge gender dimensions to livestock ownership, showing that cows in Kenya were usually considered to belong to men. Although I also discuss how this was a complex area where women might still sell and retain benefits from the milk of animals they do not own, I do not specifically explore these gender dimensions here in use of milk income

[306] Member interview, Participants A12 (15th October 2012), A15 (15th October 2012), A5 (4th October 2012), A14 (5th October 2012), A4 5th October 2012), B7 (6th October 2012), B8 (10th October 2012), B10 (10th October 2012), B11 (6th October 2012) and B4 (18th October 2012)

[307] Member interview, Participants A5 (4th October 2012), A1 (8th October 2012), A12 (15th October 2012) and B11 (6th October 2012)

Village A, and two out of the five in Village B, also talked of using milk income to cover healthcare and education costs[308]. However, in Village B (unlike in Village A), some members emphasised the limitations of their milk income:

'My wife spends the money for domestic use. *What does she spend it on?* Sugar, tea leaves. It's very little, can't buy anything else with it.' (Member interview, Participant B4, 18th October 2012)

Non-members in Villages A and B, who reported having some income from milk for at least part of the year (three and four respectively out of the seven non-member households), talked of using it mostly to purchase food[309]. Only one non-member across the two villages also mentioned using 'some for [school] fees'[310]. The findings here suggest that milk income (including from both Co-operatives A and B) primarily sustain 'domestic activities', in particular supporting food intake. The findings also suggest that with increasing milk income, there are positive impacts in other priority areas such as healthcare and education. The average higher milk income of member households in Village A compared to Village B, suggests that Co-operative A was better able to impact these other areas than Co-operative B.

8.3.2 Milk consumption

In addition to income, the other important benefit of milk production is its nutritional value from consumption. Despite the high milk production of member households in Village A, this group reported consuming the lowest amount of milk – an average of one litre per day[311]. This compared with an average of 1.5 litres for both member and non-member households in Village B. However, non-members in Village A reported the highest consumption of four litres a day, with many stating that 'all' or 'almost all' was for home consumption[312]. The two non-members in Village A who regularly sold their milk, were found to consume the lowest amounts within this group – one or 1.5 litres a

[308] Member interview, Participants A5 (4th October 2012), A12 (15th October 2012), A1 (8th October 2012), B7 (6th October 2012) and B8 (10th October 2012)
[309] Non-member interview, Participants A35 (5th October 2012), A36 (11th October 2012), A33 (8th October 2012), B32 (21st October 2012), B34 (16th October 2012) and B33 (17th October 2012)
[310] Non-member interview, Participant A35, 5th October 2012
[311] Member and non-member interviews in Villages A and B, October 2012
[312] Non-member interview, Participants A34 (12th October 2012), A36 (11th October 2012), A31 (15th October 2012) and A32 (4th October 2012)

day[313]. This suggests that milk consumption within the home reduces with engagement in dairy farming as a business.

These findings contradict those by others, which show dairy co-operatives increasing household milk consumption (ILO and ICA, 2014), as well as those on milk consumption increasing with ownership of upgraded dairy cows (Nicholson et al., 2004). The findings indicate an imbalance of economic and social outcomes in the activity area of milk income and dividends in Co-operative A. Members in Village A mentioned that regular messages were conveyed at member meetings on the importance of delivering milk to the co-operative[314], suggesting a focus on economic outcomes in this activity area. However, the balance in control and partnership within Co-operative A's internal relationships was not sufficient to allow it to recognise the importance for member households of also imparting messages on consumption. This would have shown it balancing social outcomes in this area by supporting nutritional intake of member families. Despite this the director for Village A showed awareness and expertise on this issue:

'I'm also training farmers to use milk – forget that you have to take milk first because it's healthy for the family. The rest to society or market.' (Member interview, Participant A1, 8th October 2012)

However, he was not able to balance his expertise in this area with representation by effectively imparting messages on consumption to change the behaviour of participant households. This low milk consumption would suggest a negative impact on food intake for member households in Village A.

8.4 ACCESS TO CASH FROM OTHER CO-OPERATIVE SOURCES

As discussed in Chapter 6, both Co-operatives A and B provided member households with access to cash from other sources in addition to milk income. Here I discuss the extent to which participant member households had access to member dividends (the activity area with milk income), as well as cash advances, hardship funds, and cash from VSLAs (the activity area of other capital support). I also explore the extent to

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313 Non-member interview, Participants A35 (5th October 2012) and A33 (8th October 2012)
314 Member interview, Participants A5 (4th October 2012) and A1 (8th October 2012)

which use of cash from these sources impacted the eight priority areas in participant households in Villages A and B.

8.4.1 Member dividends

In Section 6.4.3, I discussed how Co-operative A offered non-compulsory shares (which members could opt to purchase) in land rental activities and in the farm inputs store. Co-operative B only offered non-compulsory shares in land rental activities. I discussed how these provided shareholders in Co-operative A with access to regular annual dividends that were greater than those of shareholders in Co-operative B. This section compares the actual income that participant member households in the two villages received from dividends, and how they were used.

In both Villages A and B, four out of the five active member households owned non-compulsory shares in one or both of their income-generating areas. Across the two villages, they reported owning between 25 to 100% of the shares to which they were entitled[315]. Total dividends received by member households in Village A in 2011 (this was the last year that dividend payments were made prior to fieldwork) ranged from a minimum of Ksh 1,000 to a maximum of Ksh 2,000[316]. In Village B this was approximately one third lower, ranging from a minimum of Ksh 300 to a maximum of Ksh 700[317].

In both villages, dividends were paid every December. A member explains: 'That's how I give my family Christmas'[318]. In section 2.4.3, I discussed how a study by Birchall and Simmons (2009) showed that co-operatives in Sri Lanka extended loans to members during expensive festival periods to 'reduce depression'. The provision of dividends around Christmas by both Co-operatives A and B suggests that they also recognised this as an important way to support members. All member households in both villages, except one in Village B, reported using this money on food around the Christmas period[319], also suggesting a positive impact on food intake. However, in

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[315] Member interviews in Villages A and B, October 2012

[316] Approximately £7.00 to £14.50, as of November 2012. Source: Member interviews in Village A, October 2012; in one case where the participant would not disclose this information, I calculated the dividends received from the share ownership data he provided and share value data from Co-operative A

[317] Approximately £2.00 to £5.00, as of November 2012. Source: Member interviews in Village B, October 2012

[318] Member interview, Participant A1, 8th October 2012

[319] Member interviews in Villages A and B, October 2012. In section 8.3.2 above on Access to water, I

Village B, some members referred to the dividend payment as 'very little money'[320] or 'little cash'[321], indicating its limited use within households.

Ownership of shares also sheds light on the area of member loyalty. In Village A, active members talked proudly about owning shares in their co-operative and receiving dividends. They would often carefully list all the shares that they had purchased, how far they were in buying what they were entitled to, and outline their plan for future purchases. Talking about shares helped to expand members' identity from that of subsistence farmers (which many of the interview questions focussed on) to that of business owners. This pride, around share ownership and dividends, which was observed throughout the member interviews in Village A, can be seen to improve member loyalty to Co-operative A through organisation-based self-esteem as well as through psychological ownership. In the former area members feel a personal importance as a member of Co-operative A through ownership of shares and receipt of regular dividends. In the latter area their sense of possession of the co-operative increases through an understanding of their shareholder rights. All this can help to improve member loyalty to Co-operative A in the three areas of economic, service and voice participation.

In section 6.4.3, I described how in Village B dividend payments were not made regularly over the five year study period. Only two out of the four participant households that owned non-compulsory shares reported regularly receiving dividends[322] (this compared with all four households in Village A that owned non-compulsory shares[323]). This irregularity in Village B, combined with the lower dividends received, led to one member in Village B mockingly describing her dividend payments: 'I eat the money. You can't even keep the money till the day ends'[324]. This suggests a more limited link between the ownership of shares and receipt of dividends, and member loyalty and participation in Co-operative B.

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discussed how Participant B11 saved her dividend payments (instead of spending it at Christmas)

[320] Member interview, Participant B10, 10th October 2012

[321] Member interview, Participant B7, 6th October 2012

[322] Member interview, Participants B7 (6th October 2012) and B11 (6th October 2012)

[323] Member interview, Participants A12 (15th October 2012), A1 (8th October 2012), A14 (5th October 2012) and A15 ((15th October 2012) and A5 (dual member household, 4th October 2012)

[324] Member interview, Participant B8, 10th October 2012

8.4.2 Access to capital during times of need

Throughout the household matrix scoring exercises participants in both villages talked about times when their household costs increased or income reduced, resulting in periods of need or hardship. For example, this included times of high education costs or medical costs (due to illness of either family members or livestock, combined with a loss of income as a result of the illness). In section 6.4.4 I explored the co-operative activity area of other capital support, which included member access to capital advances and hardship funds through these times of need. A balance in control and partnership between members and the manager in Co-operative A ensured that these funds could easily and regularly be accessed by members on request, showing a balance in achieving social outcomes in this area. In Co-operative B only advances were available, and only for the most pressing needs.

In Village A, three out of the five active member households confirmed regularly taking out advances – between two to five times a year. The main reasons for these were to pay school fees, to cover healthcare costs and for food[325] - suggesting that in these cases, advances improved access to three of the priority areas. In Village B only one out of the five active member households stated taking out an advance once over the five year study period. This was to cover school fees and to pay for transport costs[326].

In response to a question on what members would do if they did not have the option of taking out advances, two out of the three members in Village A and the one in Village B that accessed advances said that they would sell a productive livestock such as a goat, a chicken or a cow[327]. The other member in Village A confidently talked about how, in these situations, he could access a separate pot of funding at Co-operative A for emergencies (see section 6.4.4 for a discussion of hardship funds)[328]. Three out of the seven non-members in both Villages A and B, in response to a similar question on where they would get money if they needed it at short notice, said that they would sell a

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[325] Member interview, Participants A12 (15th October 2012), A15 (15th October 2012) and A1 (8th October 2012)
[326] Member interview, Participant B8, 10th October 2012
[327] Member interview, Participants A12 (15th October 2012), A1 (8th October 2012) and B8 (10th October 2012)
[328] Member interview, Participant A15, 15th October 2012

productive asset such as a goat, a chicken or a cow[329]. Others talked about accessing savings from the bank[330], or requesting support from family or friends[331].

Co-operative A's better performance in this activity area of other capital support through advances and hardship funds, compared to Co-operative B's, suggests that member households in Village A were better able to withstand shocks than member households in Village B. This meant that they were better protected against distress selling of productive assets, reducing their risk of transient poverty (see section 2.3.1) and protecting future wealth. The findings here also suggest that member households (particularly in Village A) were better protected in these areas than non-member households.

8.4.3 Village Savings and Loans Association (VSLA)

As discussed in section 6.4.4, a VSLA was established in Village A by Co-operative A in 2011, with support from We Effect. Its successful establishment shows Co-operative A balancing social outcomes by prioritising an area not directly linked to its main business. As also explained in Chapter 6, Co-operative B had been unable to form these groups in any of its operating areas, including in Village B[332]. This suggested member dissatisfaction in the co-operative leading to an unwillingness to engage further in its service areas.

In Village A, there was one VSLA consisting of 38 women from co-operative member households. Three out of the five participant member households in Village A, included a VSLA member. All had taken out loans (approximately Ksh 3,000 each)[333] as well as receiving a payout against their share contribution to the group at the end of the first year cycle (between Ksh 6,000 to Ksh 14,000[334] depending on their share

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[329] Non-member interview, Participants A33 (8th October 2012), A34 (12th October 2012), A36 (11th October 2012), B30 (19th October 2012), B32 (21st October 2012) and B35 (21st October 2012)
[330] Non-member interview, Participants A17 (8th October 2012), A31 (15th October 2012), B34 (16th October 2012) and B33 (17th October 2012)
[331] Non-member interview, Participants A35 (5th October 2012), A32 (4th October 2012), B30 (19th October 2012) and B16 (10th October 2012)
[332] The VSLAs were self-funded (members initially saved together to establish their capital base before disbursing loans), and therefore did not reflect on the financial situation of the two co-operatives to provide such a service
[333] Approximately £22, as of 19 November 2012. Ten percent interest was charged on these loans per month, which was significantly below the 25% to 50% of formal banks (informal conversations with staff and board directors in both Co-operatives A and B, July-August 2012)
[334] £44 to £102.50, as of 19 November 2012

contribution)[335]. VSLA members talked of using the loans to pay school fees and to buy seeds[336]: 'I bought hybrid maize seeds to plant here'[337]. They talked of using the payout at the end of the year in a combination of different ways: 'I bought poultry, banana plants, hose pipe, I fixed my gas cooker, rest on foodstuff'[338]. Another participant talked of using this payout to re-invest in other informal savings groups[339].

This suggests that Co-operative A's better performance in this activity area (of other capital support through establishment of VSLAs) compared to Co-operative B's, positively impacted women's access to cash in Village A. This improved access to priority areas including education, livestock ownership and food intake, as well as contributing to future income through investments in savings groups and other livelihood areas. This impact was limited to co-operative member households, as VSLA membership was only drawn from this group.

8.5 CASH AND POVERTY REDUCTION AT THE WIDER VILLAGE LEVEL

The discussion so far has focussed on cash in the case study households. To what extent did Co-operatives A and B also help to introduce cash at the wider village level?

8.5.1 Cash income from the case study co-operatives

During farmer interviews, I asked members and non-members whether the co-operative had impacted their village, and changed what they did. Responses to these questions suggested a wide economic impact in both case study villages: 'It has provided employment (from engagement in dairy farming) to people.'[340] Another participant talks of the knock-on effect this has had in Village A:

'Before people would steal – had nothing. Now sell milk – have something. Those who have dairy cows take labourers in, pay them, and they also have something.' (Member interview, Participant A14, 5th October 2012)

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[335] Approximately 20% (between Ksh 1,200 to Ksh 2,800[335]) of this was accrued interest (Member interview, Participant A5, 4th October 2012 - VSLA Chairlady)
[336] Member interview, Participants A5 (4th October 2012), A14 (5th October 2012) and A1's wife (Participant A24, 8th October 2012)
[337] Member interview, Participant A14, 5th October 2012
[338] Member interview, Participant A5, 4th October 2012
[339] Member interview, Participant A14, 5th October 2012
[340] Member interview, Participant A5, 4th October 2012

These comments show how, over the years, Co-operative A has provided a stable income into Village A. This income, going regularly into member households, has also gradually extended out to benefit others in the village. In Village B, participants also described a wide economic impact:

'[The] Society should help everyone in the village and has helped many people. Some sell eggs to people who have money from dairy farming. Some work as labourers [for members] and when the milk is sold, labourers get paid. Some sell barbed wire to those that want to fence and have money from dairy farming…...When they [Co-operative B] buy milk from us, that money comes back and improves the livelihoods of people in the village.' (Member interview, Participant B4, 18th October 2012)

Similar to the impact in Village A, Participant B4 describes how regular income into the village through Co-operative B has allowed an economic impact beyond the membership. These statements also show the link between the household and village levels, and how they can impact each other. However, unlike in Village A, other participants presented an alternative view in Village B[341]:

'I don't think there's anything they've done. I think many people are even leaving the society – going to other places. They've been buying milk at low prices, and have poor leadership.' (Non-member interview, Participant B35, 21st October 2012)

Another participant explains:

'It partially benefits the community….The society at times picks up its performance. Then they get corrupt and fall back, so they're not stable.' (Non-member interview, Participant B22, 16th October 2012)

These two statements suggest that Co-operative B's lower performance in some of the activity areas, compared to Co-operative A's, has limited its wider impact in Village B.

8.5.2 Women's access to cash

The discussions throughout the village level participatory exercises indicated an improvement in women's access to cash. The training opportunities for women in both

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[341] Non-member interviews, Participant B35 (21st October 2012), B22 (16th October 2012); Member interview, B11 (6th October 2012)

case study villages supports this link, particularly in the area of fruit production. During the Village resource scoring exercises, participants in Village A identified 25% of homesteads in 2007 as having a woman or women that generated their own income[342]. This increased to the majority of homesteads, 75% by 2012. In Village B there was also an increase over this period, although much smaller from 7% of homesteads in 2007 to 15% in 2012 (see Table 7.3). This suggests that Co-operative A's better performance (compared to Co-operative B's) in the area of identifying and facilitating training (particularly in the area of fruit production), is likely to have positively impacted this area. In Village A, women's membership of the VSLA is also likely to have improved their access to cash.

8.6 ENTRY TO THE CASE STUDY CO-OPERATIVES

In section 3.4 I showed how the extent of new member entry, or re-entry of inactive members, could strengthen or weaken co-operative governance in a virtuous or vicious cycle of impact. Here I discuss entry to Co-operatives A and B from the case study villages, exploring issues of accessibility and barriers to membership.

In Village A non-members talked of their aspiration to join Co-operative A[343]: 'I would love to become a member if that chance ever came by.'[344] The board director for Village A describes why membership has been gradually increasing:

'The co-operative has improved the village so much. Most of the things in this village is from the society….Conducted so many seminars – training to members and non-members…Membership has gone up in this village.' (Village A Timeline exercise in Village A, Participant A1)

He describes here how Co-operative A's activities in Village A, particularly in facilitating training, has helped to draw in more members. This new entry into Co-operative A can strengthen its governance processes by, for example, strengthening its resource pooling advantage. In Village B, although some non-members mentioned

[342] This included women that were employed as well as women engaged in any type of income generating business

[343] Non-member interview, Participants A33 (8th October 2012), A36 (11th October 2012), A17 (8th October 2012); Men's FGD in Village A, Participant A32

[344] Men's FGD in Village A, Participant A32

aspiring to membership[345], others talked of how they did not want to become a member of Co-operative B[346]:

‘Most of the time when I look at people that deliver to the society – at end of the year they don’t get the dividends promised. When there’s drought, the cow doesn’t get feed from the store. [Milk] Prices are poor.’ (Men’s FGD in Village B, Participant B28)

Participant B28 sums up here how poor performance in many of Co-operative B’s activity areas is reducing entry from Village B.

During the FGDs with women and men, members and non-members from both villages talked of how the co-operatives were open to anyone that could deliver milk[347]. Members or participants from member households also confirmed that the process of joining ‘wasn’t hard’ or was ‘easy’[348]. However, as I continued questioning around why some dairy farmers were members whilst others were not, gender emerged as a barrier to membership in both villages.

In section 6.2.1, I outlined that women’s membership of Co-operative A was 33%, and in Co-operative B it was 45%. As women’s overall membership of co-operatives in Kenya is estimated at 26% (see section 2.3.2), their membership of both Co-operatives A and B were above average. The by-laws of the case study co-operatives do not stipulate land or cattle ownership as a requirement of membership, stating only that members should be able to deliver produce capable of being marketed by the co-operative (Co-operative A, 2005; Co-operative B, 2005). However, despite this, women in Villages A and B were found to only join the case study co-operatives when their husbands were working away from home[349]. During the women and men’s FGDs in both villages, a similar response was given in all four groups on how they decided who would become the member: ‘The head of the family is usually the member’[350], indicating that this would be the man.

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[345] Women’s FGD in Village B, Participants B14 and B29
[346] Men’s FGD in Village B, Participants B18 and B16
[347] Women’s FGD in Village A, Participant A24; Men’s FGD in Village A, Participant A32; Women’s FGD in Village B, Participant B11; Men’s FGD on Village B, Participant B18
[348] Women’s FGD in Village, Participant A5; Men’s FGD in Village A, Participant A15; Women’s FGD in Village B, Participants B11; Men’s FGD in Village B, Participants B15 and B4
[349] Women’s FGD in Village A, Participant A5; Men’s FGD in Village A, Participant A15; Women’s FGD in Village B, Participants B11 and B1; Men’s FGD in Village B, Participant B15
[350] Men’s FGD in Village B, Participant B18

These findings suggest an imbalance in the governance relationships and activities of both co-operatives, leaving them unable to reduce barriers to women's entry from Villages A and B. Although the percentages of female membership were relatively high in both co-operatives, in households where men were present, women were unlikely to have the option of membership. In such cases, merely having by-laws that did not discriminate were not sufficient, with positive discrimination or proactive behaviour necessary to give women this option.

In section 6.3.2, another barrier to membership in Village A was identified - ownership of hybrid dairy cows. A dairy farmer explains why he is not a member of Co-operative A: 'I haven't thought of becoming a member. Having hybrid cattle is very expensive. At the moment I can't afford it.'[351] Although Participant A31 accepted that it was 'not a must'[352] to have a hybrid cow for membership, there was a sense that this was important. Another non-member elaborates on this feeling: 'It is a shame to become a member when you don't have a hybrid cow. All members have hybrid cows.'[353] This suggests that non-members were unwilling to join with an indigenous cow even though Co-operative A's membership requirements did not directly discriminate against dairy farmers in this way, and the director of Village A also talked of how: 'In society we emphasise that a cow is a cow – whether local or hybrid. If you have milk, you're welcome.'[354] In section 6.3.2 the findings suggested that the director was, however, more likely to personally invite non-members with hybrid cows to training sessions, and that he was not pro-actively encouraging the participation of dairy farmers with indigenous cows. This approach also appeared to be reinforced by members with non-members in Village A. A non-member explains:

'A long time ago, they asked me to change to hybrid cows – Participant A19 and her husband [from a member household]. By next year I won't have local cows, will buy hybrids.' (Non-member interview, Participant A33, 8th October 2012)

Participant A33 later talks of his intention to join Co-operative A when he has hybrid cows. This shows that although members were encouraging non-members to join the co-operative, they were also reinforcing perceptions of hybrid cow ownership as a

[351] Men's FGD in Village A, Participant A31
[352] Men's FGD in Village A, Participant A31
[353] Men's FGD in Village A, Participant A32
[354] Men's Trendline exercise in Village A, Participant A1

requirement. The situation with Participant A33 also shows that, despite this barrier to entry, non-members in Village A still aspired to membership. In Village B, hybrid dairy cow ownership did not emerge as a barrier to membership in any of the discussions at the village or household levels, with non-members simply stating that they wanted to buy a dairy cow first before becoming a member (without distinguishing between an indigenous or hybrid cow)[355].

8.7 CONCLUSION

By focussing on dairy farming in this chapter, I directed my inquiry deeper into the relationships and processes through which Co-operatives A and B have impacted the case study villages and households, exploring secondary research question 2 on how co-operative performance impacts poverty at the village and member/non-member household levels.

In Co-operative A, a balance in working with internal and external stakeholders by both the director of Village A and staff, allowed it to perform better than Co-operative B in the two activity areas of training as well as farm inputs and services. This balance and better performance supported higher levels of dairy cow ownership in Village A, compared to Village B. This balance and performance also allowed dairy cow breed transformation in member households in Village A more than in Village B, as well as helping to lower dairy cow deaths during the 2009 drought in these households compared to those in Village B. This suggests that Co-operative A was not only able to promote purebred and hybrid cow ownership in member households, but also ensure that they were better able to maintain them. Higher dairy cow ownership and better breeds in member households in Village A compared to Village B, resulted in higher overall milk production in the former group, as well as higher milk production per cow. Co-operative A's better performance compared to Co-operative B's in facilitating training for members and in running the farm inputs store were identified as key to supporting this higher productivity, and ensuring a resultant higher income for member households. This income was used across the two villages to improve access to a number of the eight priority areas, including food, access to healthcare and education.

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[355] Women's FGD in Village B, Participants B14 and B29

These findings support those from member wealth ranking exercises (see section 7.2), which showed wealth categories of members improving in Village A over the five year period. In Village B the wealth ranking showed member wealth categories to be stable over the same period, despite an overall drop throughout the rest of the village. The balance in the governance relationships and in the economic and social outcomes in Co-operative A's activity areas meant that its better performance (compared to Co-operative B's) was able to reduce poverty at the member household level more in Village A than in Village B. Member participation, particularly in different economic and service areas, meant that they were better able to take advantage of Co-operative A's different activity areas by combining them to reinforce impact. However, the wealth ranking exercises (which did not distinguish between the wealth categories of women and men within the same household – see section 4.5.3) is not able to shed light on women's wealth groups in the case study villages. Nor is it able to help us understand whether women's reduced option for co-operative membership in both villages impacted their poverty separately from the men's in their households.

Cash from other sources through the case study co-operatives, such as dividends from shares or savings and loans from VSLAs (particularly in Village A), were also important in improving member household access to some of the eight priority areas and reinforcing the impact of training. A balance in control and partnership between members and the manager in Co-operative A allowed it to provide advances and emergency funds in member households in Village A that was better able (than Co-operative B in Village B) to help them withstand shocks, protecting them from transient poverty and safeguarding future wealth.

Regular cash into the villages through member households was also perceived by participants, particularly in Village A, as contributing to a wider economic impact in their village. Co-operative A's better performance compared to Co-operative B's in the activity area of milk income and dividends, suggests that higher amounts of cash directly from Co-operative A into Village A would have improved access to the eight priority areas more in this village than in Village B. The findings also suggest that Co-operative A helped to increase women's access to cash in Village A more than Co-operative B in Village B, particularly within member households, through greater fruit production following training and VSLA membership.

Non-member households in both villages fared worse than member households in many dairy farming areas, including in securing a cash income from this source. Co-operative A was only able to benefit non-member households in Village A more than Co-operative B in Village B through its farm inputs store (where non-members had access to an advisory service and appropriate farm inputs at competitive prices), despite its better performance in many of the other activity areas. This all suggests a vicious cycle of impact, where non-member households in both Villages A and B were less likely to access resources from the co-operative to improve their dairy farming and milk income, or use this to 'graduate' to hybrid cow ownership, which was particularly important for entry to Co-operative A. This would mean that although the poor might have benefitted to a certain extent as non-members from training and cash coming into the villages through the co-operatives, they were unlikely to enter them as members and use this to transition to higher wealth categories. This resonates with findings by others, which show that the poor are less likely to be members of co-operatives (Münkner, 2012; Pollet and Develtere, 2005).

Although the primary purpose of the case study co-operatives were to market milk, members recognised the importance of their multiple activities in supporting them, their families and communities in a wide range of ways. This is evident from their loyalty to the case study co-operatives despite the low milk payments. Their multiple activities, in particular, allowed the co-operatives to increase member household milk production and income over time. Co-operative A, which engaged in more activities and was better able to balance economic and social outcomes in them, was better able to secure loyalty (than Co-operative B in Village B), with greater member participation evident in economic as well as service areas.

CHAPTER 9

CONCLUSION

9.1 INTRODUCTION

This research adds to debates on co-operatives and poverty reduction by exploring whether co-operatives reduce poverty (even when they do not have an intention in this area), and then moving discussion forward to an examination of how they do this through their governance relationships and processes. I extend governance theories based on co-operatives in developed countries (Cornforth, 2004) to take into account the way co-operatives have developed in other countries and the specific challenges they face in Africa.

I identify three components to co-operative governance: co-operative relationships, member participation/withdrawal, co-operative activities. I expand understanding of co-operative governance relationships beyond the board of directors and management (Cornforth, 2004; Spear 2004), showing that the way they balance relationships with their internal members whilst leveraging support from external stakeholders can influence the extent to which they recognise and are able to work towards member needs. I expand notions of member entry and exit (Hirschman, 1970), showing that - within these two extremes - the extent to which members contribute economically to the co-operative, engage in its service areas or exercise voice is different. These varying degrees of member participation and withdrawal can either strengthen or weaken governance relationships and processes. I acknowledge co-operatives as multifaceted (Zeuli et al., 2004), and explain how these two components of co-operative governance (the relationships and member participation/withdrawal) influence the way co-operatives engage in their multiple areas of activity, and the extent to which they are able to balance economic and social outcomes in them. These outcomes allow a focus on both the economic interests of members and the co-operative, as well as wider social benefits that might be important to members, their families and communities (Odeke, 2011).

The concept of balance is key to using the pathways in understanding how governance impacts poverty. It allows different influencing factors on co-operative governance (such as actors from members to government representatives, or objectives that pursue either economic or social goals) to be acknowledged and provides a framework to address competing views, pointing to how these can be balanced (as well as how that balance can be maintained) to more effectively reduce poverty.

I show how the three components of co-operative governance combine to influence overall co-operative performance. I elaborate further on current understandings of co-operative performance (Hailu et al., 2005; Soboh et al., 2012), explaining this concept from a dual efficiency and effectiveness perspective. This captures whether co-operatives use resources in an optimal manner to maximise profit (economic efficiency), as well as whether they achieve an intended or expected result (effectiveness). This perspective on co-operative performance places a value on the social outcomes, as well as the economic ones, that co-operatives might strive towards. I placed the three governance components onto pathways (Figure 3.4), to analyse the dependencies between them and their link to co-operative performance. I show how, irrespective of whether a co-operative has an intention in this area, the pathways from co-operative governance to poverty reduction can elaborate on how different governance components impact poverty at the village and member/non-member household levels.

I used these pathways (i.e. the conceptual framework) to explore the research questions through my empirical research with two dairy farmer co-operative societies in Kenya (Co-operatives A and B). These were selected to show extreme situations of governance and to function as 'polar types' (Eisenhardt, 1989:537): Co-operative A had indications of a stable and well-functioning governance structure, whilst Co-operative B faced a number of governance challenges. Two case study villages were also selected (Villages A and B), where the two co-operatives had a large number of members. I address secondary research question 1 in Chapter 6 (How do the different components of co-operative governance influence performance?) by mapping the governance of Co-operatives A and B onto the pathways and examining how this has affected performance in four of its main activity areas. I then address secondary research question 2 in Chapters 7 and 8 (In what ways does co-operative performance impact poverty at the village and member/non-member household levels?) by showing how the mapped pathways allowed Co-operative A to reduce poverty in Village A (and amongst its membership) better than Co-operative B in Village B. I address the overall primary research question in this final chapter (In what ways does co-operative governance impact poverty?) by discussing the broader contribution that this research has made, beyond the case study focus and beyond Kenya. I also show how the research has made a wider contribution to development practice.

I begin in section 9.2 by synthesising my empirical findings and showing how I have addressed the two secondary research questions. In section 9.3 I draw conclusions regarding the overall primary research question, looking at how the research has contributed to both theory and development practice. In section 9.4 I reflect on the research design and process, as well as exploring areas where further research would be useful. In section 9.5 I conclude on the importance of co-operative governance in impacting poverty.

9.2 KEY RESEARCH FINDINGS

The three governance components all proved useful in understanding whether and how the case study co-operatives were able to reduce poverty at the village and member/non-member household levels. However, the evidence also suggests that some aspects within them (such as networking and advocacy) might have greater importance in different contexts.

9.2.1 Influencing co-operative performance

Here I present the findings around each of the three governance components in Co-operatives A and B, and discuss the extent to which they influenced performance. Before beginning it would be useful to re-cap on how the two co-operatives function, overall, as enterprises. Co-operative A was slowly expanding its milk marketing business with the increasing national demand in milk. In contrast to this, Co-operative B was heavily indebted to the Co-operative Bank and showed a contracting milk business, with closures of two milk bars in neighbouring towns. However, a temporary freeze on repayments to the Bank, whilst negotiations on a settlement continued, allowed the interim board at Co-operative B to stabilise its financial situation. Although both co-operatives received financial support from a development partner (We Effect), this was largely for training purposes and did not directly fund their main milk marketing business.

I identified four challenges to co-operative governance in section 3.2.2 (i. ownership and control; ii. democracy and performance; iii. inclusiveness and member participation; iv. degeneration of co-operatives), and show here how the research has addressed them.

Balancing co-operative relationships

Balancing the internal and external relationships within governance helps to address the first of the three governance challenges, i.e. not separating ownership and control of co-operatives (Jussila et al., 2007), and ensuring owner-member interests are protected in the way co-operatives are run and managed (Cornforth, 2004). All six governance theories, as shown in Figure 3.1, were important in understanding the three relationship areas in Co-operatives A and B. The balance in the first two (principal-agent and stewardship theories) helped to explain why staff at Co-operative A were more motivated to interact with members and take on board their opinions than staff at Co-operative B. The balance in the second two theories (managerial hegemony and democratic governance) showed why the board director in Village A interacted more with his electorates than the director in Village B. The balance in the third two theories (stakeholder and resource dependency) explained why Co-operative A was able to access external resources to meet member needs better than Co-operative B. I also discussed how these areas worked together (or did not work together) to impact the relationships.

In Co-operative A, where opportunities for formal interaction between members and the co-operative's leadership (i.e. manager and board directors) were limited (e.g. in between annual general meetings), these were supplemented with a range of informal interactions where member views and input were sought. This showed Co-operative A recognising members as a high salience stakeholder with attributes of power, legitimacy and urgency. This relationship included contact between members and staff as well as regular meetings between members and the board director in Village A. Such interactions allowed member interests to remain central in the operations of the co-operative and be taken forward in a number of different ways by the staff and the board director of Village A, showing a balance in the internal governance relationships. This balance also allowed Co-operative A to work effectively with external stakeholders, drawing in resources to benefit members without compromising their control.

Given the recent governance problems at Co-operative B, staff and directors clearly recognised the importance of ensuring member involvement in decision-making. However, there were limited formal as well as informal opportunities provided for interactions between members, staff and the board director in Village B. Although Co-operative B may have recognised members as having legitimacy, this situation shows a failure to also recognise member attributes of power and urgency. This resulted in member perspectives not always being sought or understood. Despite good intentions in this area by the interim board, this made it more difficult for Co-operative B's governance relationships to address the challenge of ensuring that owner-member interests were reflected in the operations of the co-operative. There was also limited evidence of Co-operative B staff and directors recognising the importance for members in pursuing relationships with some external stakeholders, with it unable to draw in as many resources from this group as Co-operative A. For example, this meant that Co-operative B did not develop a working relationship with the Ministry of Agriculture and did not therefore facilitate training sessions from this ministry into its membership area (as did Co-operative A).

As Co-operative B's election process for board of directors moves away from direct representation, with directors instead being voted in by the whole membership rather than representing an electoral zone (as discussed in section 6.2.2), this is likely to further affect the balance in its internal governance relationships. Co-operative B members voted for this change, which initially began with the election of the interim board and will now continue with the election of the full board, to safeguard leadership capture by certain interest groups. However, this research has shown the importance of direct representation and accountability to a set of electorates within an electoral zone, in ensuring that owner-member interests are protected in the way co-operatives are run and managed.

Member participation/withdrawal: arousing loyalty or dissatisfaction

Concepts of member loyalty and dissatisfaction in the pathways from co-operative governance to poverty reduction allows exploration of the third governance challenge of inclusiveness and member participation – whether the co-operative's membership is open to all who meet its requirements, and the extent of member participation. In Co-operative A, member loyalty in all three economic, service and voice areas were evident in a growing and active member base, participation in a number of co-operative service areas (including training, farm inputs store and VSLAs), and high member turn out to meetings.

Whilst facing management problems, Co-operative B struggled to maintain loyalty with a declining active membership, inability to maintain effective member participation in service areas (such as the farm inputs store or to establish participation in other areas such as VSLAs), and with member meetings often failing to reach a quorum. However, those members that remained loyal increased their participation through voice, helping to strengthen the governance of Co-operative B, and successfully installing the interim board. With this new leadership, member confidence in Co-operative B's governance is returning with greater member loyalty evident in all three economic, service and voice areas.

However, barriers to entry in the case study co-operatives were also identified, including to women's membership in both case study villages. An additional barrier was identified in Village A, with regards to hybrid cow ownership. The relationship that both members and the board director had with non-member dairy farmers in Village A reinforced this barrier, with their expectation of hybrid cow ownership as a requirement of membership.

<u>Balancing economic and social outcomes in co-operative activities</u>

The balance in co-operative relationships as well as in member participation/withdrawal, helped Co-operative A (compared to Co-operative B) to pursue both economic and social outcomes in its four activity areas. This meant that it was not only better able (compared to Co-operative B) to achieve outcomes in areas related to either the economic interests of members or the co-operative, but also to achieve wider social benefits within and beyond the membership. Throughout the discussion in this sub-section I also show the extent to which the case study co-operatives were able to address challenges to dairy farming in Kenya identified in section 5.4.2: i) low value addition; ii) access to appropriate inputs; iii) upgrading dairy cow breeds; iv) access to credit and; v) reducing farmer vulnerability.

In the first activity area of training facilitated by the case study co-operatives, neither

Co-operative A nor B was able to reach as many non-members as members showing an imbalance in social outcomes. Despite this, the balance in Co-operative A's internal and external governance relationships enabled it to facilitate a greater number of training sessions overall into Village A, as well as (and more importantly) ensure that these were in a wider range of topics with a wider range of training providers than Co-operative B. The topics of many of the training sessions facilitated by Co-operative A were in areas not directly related to its main business (i.e. dairy farming), showing it balancing social outcomes.

In the second activity area of farm inputs and services, a balance between control and partnership in Co-operative A's internal governance relationships as well as with external stakeholders (including with private farm input suppliers), allowed it to balance economic and social outcomes in the way it ran its farm inputs store and veterinary services. Through this balance it was able to recognise the importance of providing an advisory service to both members and non-members in its farm inputs store, and improve access to appropriate inputs. It was also able to provide a flexible credit mechanism, which eased member access to inputs and veterinary services. This helped to strengthen member (as well as non-member) participation in this activity area, further improving it. In Co-operative B, the imbalance in the internal governance relationships helped to perpetuate member defaults on re-payment of credit to its farm inputs store, leading to its eventual collapse. The imbalance in its internal and external relationships also affected its ability to maintain a steady supply of hay in the store throughout the drought period, as well as artificial insemination (AI) services to members.

In the third activity area of milk income and dividends, although neither co-operative was able to pay a competitive price to members for their milk deposits (Co-operative A managed this slightly better than Co-operative B) they were both able to support members to intensify dairy farming and improve milk production, compared to non-member dairy farmers in the two villages. Through a balance in economic and social outcomes in a combination of activity areas (including training, farm inputs and services as well as other capital support) Co-operative A was able to do this better than Co-operative B, increasing member household milk income more than Co-operative B in Village B. Co-operative A was also able to provide higher levels of dividend payments to members through a balance in both its internal and external governance relationships, as well as from strong member (and non-member) participation in its service areas.

In the fourth activity area of other capital support, although both co-operatives had mechanisms in place (such as advances) to help members meet urgent household needs ahead of payday, a balance in Co-operative A's internal governance relationships allowed it to provide this service more consistently than Co-operative B. This meant that members in Village A were more confident that they would be supported by the co-operative in this way when needed.

With regards to networking and advocacy, this did not emerge as a prominent area of activity for either of the case study co-operatives. In section 6.3.3 I discussed the potential of better co-operative networking in District X (e.g. through joint milk marketing by the two case study co-operatives). However, an imbalance in both Co-operative A and B's external relationships with other co-operatives meant that they were not able to recognise the importance of such a network approach. Nor were they able to identify themselves as part of a co-operative movement to take wider advantage of the federating structure. Such networking might have allowed them to move more swiftly into processing (for example), and add value to farmers' produce. Co-operatives that remain isolated in this way, without such networking structures, also face greater risks of degenerating and becoming insufficiently co-operative (i.e. no longer operating within co-operative values and principles). Indeed, despite their contact with We Effect and the District Co-operative Officer, members, directors and staff showed limited awareness of co-operative values and principles – showing further signs and risks of degeneration. This is, perhaps, linked to the history of Co-operatives A and B, which like many other co-operatives in Africa, did not emerge from a grassroots movement but as part of the '*co-operative-export nexus'* (Develtere et al., 2008:3).

With regards to advocacy, there was no evidence to suggest that the case study co-operatives engaged in an advocacy role or that they even perceived this as important. A greater focus on this area might have allowed them to promote the needs of the dairy farming sub-sector in the region, or the wider co-operative movement more generally. However, in other contexts this component might have greater importance in the pathways from co-operative governance to poverty reduction. For example, where there is increasing autonomy from government, and an expanding national co-operative sector.

9.2.2 Impacting poverty in villages and member/non-member households

I have shown above how the three governance components combined (or did not combine) to influence co-operative performance in the four activity areas. I discussed how a better balance in Co-operative A's (compared to Co-operative B's) governance relationships as well as member loyalty, allowed it to perform better in the different activity areas, with a greater balance in economic and social outcomes in many of them. I summarise here the extent to which performance of the two case study co-operatives, whether incidental or intentional on their part, impacted the eight priority areas that participants identified as important to improving their living conditions. In doing this I show how I have addressed secondary research question 2 on how co-operative performance impacts poverty. I compare impact at the wider village, as well as between member and non-member households.

The most important findings that emerged were around training and a cash income, and how both the case study co-operatives impacted the eight priority areas through them. At the overall village level, training facilitated through Co-operative A was pivotal in helping Village A recover from the 2009 drought and improve livestock ownership. This link was not made in Village B, suggesting that the more limited training facilitated through Co-operative B had not been as important a driver to changes or recovery in Village B. Both Villages A and B benefitted from a regular flow of cash directly from the case study co-operatives through milk income. This income extended out from member households to benefit others in the villages through employment or trading options, and showed how the village and household levels can impact each other. In Village B, however, this impact tended to be limited.

At the household level, as might be expected, the case study co-operatives helped to reduce poverty more in member households than in non-member households. The evidence also showed member households in Village A benefitting more than member households in Village B from their respective co-operatives. In Village A, the higher levels of training allowed member households greater access to a wider range of training than member households in Village B. This combined with other support from Co-operative A (such as the farm inputs store) to generate a milk income that was approximately one third higher in member households in Village A than in Village B. Although others have discussed the important role co-operatives play in member training (Birchall and Simmons, 2009; Pollet and Develtere, 2005), evidence from this research extends understanding of how co-operatives can provide other activities to support and strengthen the impact of training. The research also contributes knowledge of how even when co-operatives cannot pay a competitive price for members' milk, they can still increase household income by supporting improvements in overall milk productivity.

I showed how this milk income was used to improve household food intake, with higher levels of income also improving household access to healthcare and education. This adds to understanding of how income from co-operatives supports household well-being (Philip, 2003; Wanyama et al., 2008) as well as extending this discussion to the importance of not just income, but regular monthly payments from co-operatives in improving access. Better cash based support in other areas from Co-operative A (such as from advances) also allowed member households in Village A to withstand shocks better than those in Village B, suggesting a lower risk of transient poverty. Although there is a debate emerging on the resilience of the co-operative organisational form (Birchall and Ketilson, 2009; ILO 2010b; Borda-Rodriguez and Vicari, 2014), this research provides new evidence of the importance of co-operatives in building resilience of households. Despite Co-operative A's better performance in many of the activity areas, non-members in Village A, however, did not benefit more than those in Village B from their respective co-operatives.

An interesting finding emerged in the area of milk consumption. Household engagement in selling milk (including through the case study co-operatives) was negatively associated with milk consumption, contradicting findings in the literature linking dairy co-operatives to increasing household milk consumption (ILO and ICA, 2014). This meant that despite the higher milk productivity of member households in both villages, they had lower or equal levels of milk consumption than non-members. The concept of degeneration of co-operatives (Jones and Kalmi, 2012; Münkner, 2004; Spear et al., 2009) can help to explain the findings here. Better awareness of co-operative principles and values may have helped the case study co-operatives to recognise the importance of balancing social outcomes in this activity area (rather than a focus on economic outcomes by increasing the co-operatives income from milk) and how they might use their internal governance relationships to reverse this trend. Without this balance the case study co-operatives risk undermining the immediate nutritional benefits from dairy farming for member households.

Although neither co-operative had explicit intentions in reducing poverty (with objectives in these areas not outlined in their strategic plans), meeting member needs in different areas inevitably required engaging in multiple activities, many of which reduced poverty in areas prioritised by members and non-members in the case study villages. These findings directly link co-operatives to poverty reduction - an area where research-based evidence, rather than project based ones (FAO, 2012; McPherson et al., 2001), remains limited. It contributes new knowledge of *how* co-operatives reduce poverty, making links between the way a co-operative is governed and poverty outcomes. This includes evidence of Co-operative A improving livestock ownership in Village A following the 2009 drought, as well as how co-operative activities improved member household milk productivity in both case study villages, and the impact of this on milk income and well-being in different areas.

9.2.3 Concluding remarks on key findings

The key findings here show how I have addressed the two secondary research questions on the way different components of co-operative governance influence performance, and how that performance impacts poverty at the village and household levels. The three governance components (co-operative relationships, member participation/withdrawal, co-operative activities) are key to not just understanding *how* co-operatives reduce poverty, but also why some are better able to do this than others, irrespective of explicit intentions in this area.

Pivotal to this impact is the notion of balance. A balance in the internal and external governance relationships in co-operatives allow members to remain at the centre of decision-making, directing the co-operative to meet their needs for success in the areas that are important to them. This type of member centrality in co-operatives allows people to become the agents of their own development, helping to provide local solutions to local needs (Korten, 1987). This can equip people with the tools they need to improve their own living conditions, and return a sense of pride to communities and families.

Members also play an important role in the way that they engage with their co-operative through economic, service and voice participation. Member loyalty in these areas can be affected by the co-operative's internal or external relationships, and can strengthen or weaken co-operative activity areas. Co-operatives' unique member-user status provides them with an advantage in a competitive private market, where members can also be users of co-operatives' chargeable services. They need to carefully consider how they utilise their governance relationships to increase member loyalty and participation, as well as attract new members to capitalise on this member-user status and thrive in a market environment with private players.

These two governance components (co-operative relationships and member participation/withdrawal) are important in influencing the way activities are carried out in co-operatives, and the extent to which they are able to balance economic and social outcomes. This ensures that the co-operative pursues both economic objectives as well as wider social objectives that can promote the well-being of members and others. The findings also showed that networking and advocacy did not play as important a role in the case study co-operatives' activity areas. An imbalance in the governance relationships of both co-operatives meant that they did not recognise the importance of working with other co-operatives to re-capture the 'missing middle' in the federating structure for either a networking or advocacy advantage. However, as the co-operative movement grows in Kenya, and revives throughout Africa, using its federating structure for networking and advocacy may become more important for the pathways to poverty reduction.

The findings also contribute to the dairy farming literature, and further understanding of how the co-operative form can address challenges in this sub-sector. The case study co-operatives expanded farmer access to training as well as to farm inputs and services and credit, making important strides in areas such as improving ownership and maintenance of hybrid cows, which in turn have helped to raise milk productivity, household income and reduce poverty in a number of different ways. This complements other findings in the literature discussing the importance of milk income to dairy farming households (Espinoza-Ortega et al., 2007; Hoorweg et al., 2000), as well as expanding understanding of *how* dairy farmer co-operatives can use their governance relationships and processes to strengthen impact in these areas.

The pathways from co-operative governance to poverty reduction furthers understanding of how co-operatives can use their unique form to improve outcomes for both members and non-members in the areas where they operate. As the movement grows in Africa it is important to ensure that a strong co-operative identity, expressed through its governance model (Novkovic, 2008), develops with it. Without this identity co-operatives risk degenerating, with member interests being overtaken by those of other internal and external stakeholders. With this identity and governance in place, co-operatives can help to carve a better position for smallholder farmers and their communities. In the next section I look more closely at how co-operative governance can be supported to do this, and reduce poverty more effectively.

9.3 UNDERSTANDING AND SUPPORTING CO-OPERATIVE GOVERNANCE

The research has provided important insights into how co-operative governance impacts poverty, not just in Kenya but also more broadly. I look more closely at this wider contribution here, and address the overall primary research question: In what ways does co-operative governance impact poverty? I do this by discussing in more detail the theoretical contribution that the research has made to the co-operative governance and poverty reduction literature. I also show how the research has made a wider contribution to development practice, by discussing areas where co-operative governance can be better understood and supported to improve impact on poverty.

9.3.1 Contributions to theory

Developing the conceptual framework, through the pathways from co-operative governance to poverty reduction (Figure 3.4), has helped to address the primary research question and show how co-operative governance impacts poverty. My subsequent analysis of the empirical data allowed me to utilise this framework, and draw conclusions on the usefulness and appropriateness of different components. I summarise here four specific areas where the development of these pathways has helped to expand understanding, and contributed to the co-operative governance and poverty reduction literature (Hannan, 2014a; Hannan, 2014b).

The institution of co-operation

In Chapter 2, I referred to the existence of an institution of co-operation, and discussed how it has formed over time (Figure 2.1). Although *co-operatives* are recognised as institutions as well as organisations (Bernard & Spielman, 2009; Hussi et al., 1993; Shiferaw et al., 2008; World Bank 2008), this portrayal of *co-operation* as an institution in its own right (much like the institution of marriage or education) shows its importance in constructing a set of beliefs and ideologies beyond the co-operative form. This allows co-operation to be recognised as an institutionalised process, and not just an economic form, that embodies important social norms and values within society.

The pathways from co-operative governance to poverty reduction show how, with a balance in co-operative governance, the concept of co-operation can be extended across the membership and beyond to embrace non-members. This can have powerful consequences within a society, including bringing people together outside of the formal co-operative structure, organising themselves to address their own needs (such as in training) and improve their own living conditions. Recognising and nurturing such an institution allows people to not just be brought into development processes, but to also take ownership of it and direct it themselves.

The empirical research shows how this was done (at least within the membership, but outside of the formal co-operative structure) through the farmer-to-farmer group organised by co-operative members in Village A. This example also points to the important role that co-operatives can play in fostering leadership within communities, such as that of Sarah Kiilu - a co-operative member who led the training sessions in this farmer-to-farmer group. The identity of a co-operator, which I discussed in relation to the leadership qualities of board directors, emerges here in Sarah Kiilu's commitment to the group. It suggests that co-operatives, through promoting the concept and institution of co-operation can play an important role in fostering this identity and leadership within communities.

Adapted governance theories for the African co-operative context

Co-operative governance theories have generally been developed and used to understand co-operatives in developed countries (Cornforth, 2004; Spear, 2004). I took the six governance theories used by Cornforth (principal-agent theory, stewardship theory, managerial hegemony, democratic governance theory, stakeholder theory and resource dependency theory) and placed them on a balancing scale to understand the relationship between control/partnership with members, the board and staff, between an expert and representative governing body, and between working with internal and external stakeholders. Throughout this thesis I applied these theories to explore their relevance for the African context. I examined how co-operative movements have developed in parts of Africa, what governance challenges emerged in these contexts, and how the theories could help to address them. This required extending the existing theories to include members, rather than the predominant board-management focus, which might be characteristic of movements in developed countries with limited member involvement. It also required understanding the role of other staff in governance relationships, and not just that of the manager or the executive that might dominate in developed country co-operatives. It drew attention to the importance of supervisory boards in representing interests of members that may be illiterate or unsure of how to exercise voice in formal meetings. The theories were also extended to include the important role that external stakeholders (particularly governments and development partners) have played in the governance of co-operatives throughout their history in Africa, and how they might continue to do this.

Adapting and using the theories in these ways allowed me to show how they could help to address the specific challenges that co-operatives face in Africa as they emerge from tight government control into a liberalised and competitive market environment.

<u>Linking co-operative governance and poverty reduction through concept of 'balance'</u>

The ground between co-operatives and poverty reduction is well traversed (Birchall, 2003; Develtere et al., 2008). I began from this starting point to not just understand whether co-operatives reduce poverty, but also *how* they do this and why some might be better at it than others. I did this through examining the concept of balance, and how co-operatives can develop and maintain a balance in their governance relationships and activities to reduce poverty.

Authors have talked of the importance of combining governance theories to understand co-operatives better (Cornforth, 2004; Spear, 2004). Rather than combining them, I placed the adapted governance theories on a balancing scale to show how different governance aspects (such as the extent to which board elections are competitive) might alter the relationships between the internal and external stakeholders to tip the scale one way or the other. This also means that I do not reject any one theory or perceive them as mutually exclusive. Rather some may have more weight in certain analytical contexts.

Authors have talked of the importance of a balance in economic and social goals to preserve the dual identity of co-operatives (Novkovic, 2013b; Spear et al., 2009). I showed *how* co-operatives might achieve this through a balance in their governance relationships and through member participation/withdrawal. This allows us to explore how and why governance affects co-operative performance, and what this might mean for their impact on poverty.

Dynamic processes of entry to and exit from co-operatives

I expanded Hirschman's (1970) concept of entry to and exit from co-operatives into dynamic processes, which suggest varying degrees of activity and inactivity amongst the membership (rather than a definitive act of entering or exiting the co-operative). Understanding entry and exit in this way allows us to recognise how member participation or withdrawal in different areas (including in the way members contribute economically to the co-operative, the way they participate in its different service areas, and the extent to which they exercise voice) might strengthen or weaken co-operative governance and affect overall performance. I combined Hirschman's concept of loyalty with Jussila et al's (2012) concept of member commitment through three avenues (organisational identification, organisation-based self-esteem, psychological ownership) to explain this dynamic process of entry and exit. I add to these concepts by identifying member dissatisfaction as the opposite extreme to loyalty.

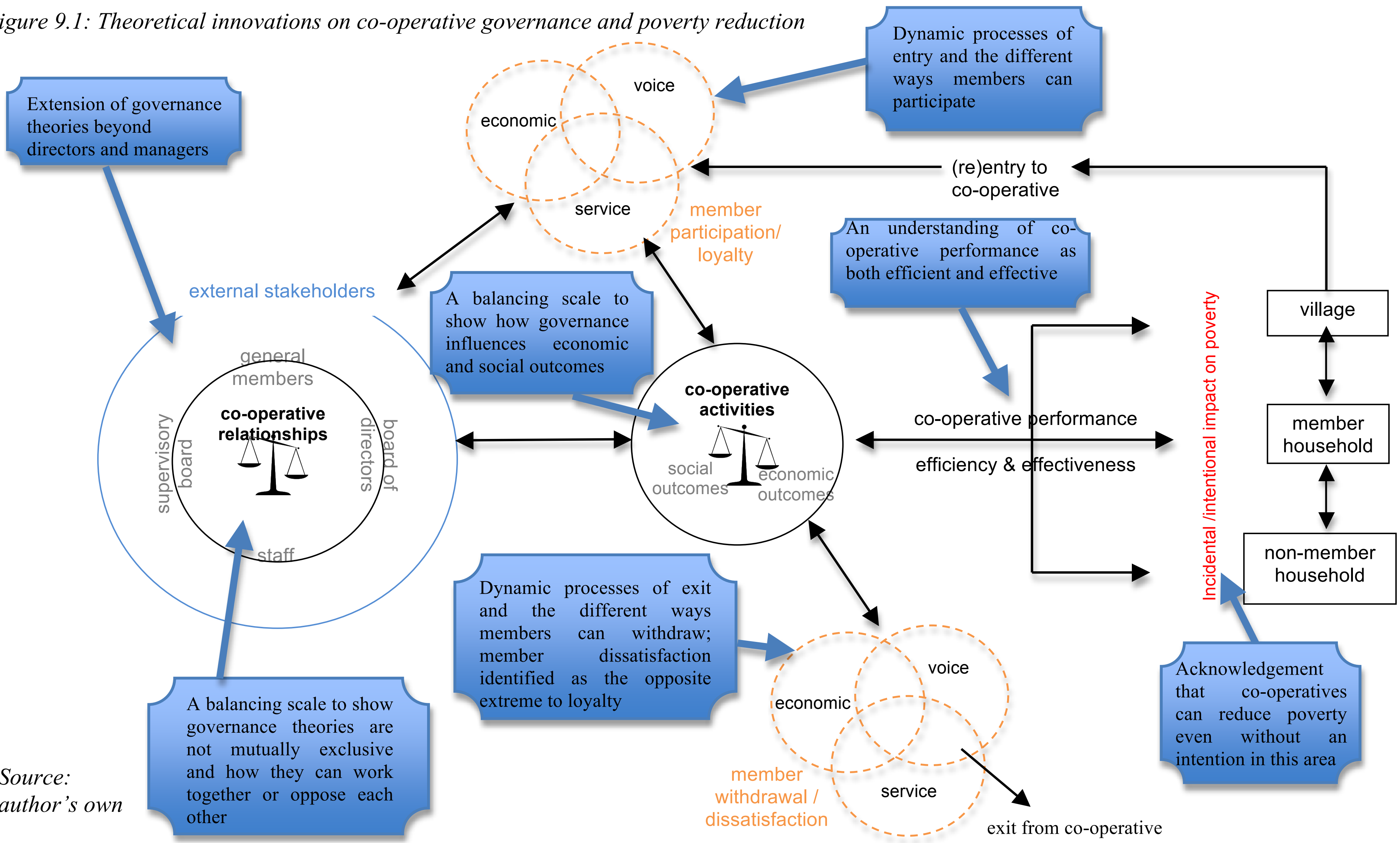
I applied these concepts to the case study co-operatives and explored why some members become less active in certain areas, and why others might become more active. For example, if board elections are not perceived to be fair then members' psychological ownership of the co-operative might reduce, lowering their loyalty and participation in member meetings (i.e. voice participation). On the other hand, if member interests are effectively reflected in the way member produce is dealt with and bought by the co-operative, then members' organisational identification with it might increase, leaving them more likely to engage further in its economic activities.

These dynamic processes show that members entering or exiting a co-operative are not the only acts that influence its performance. The extent to which the co-operative arouses loyalty or dissatisfaction within the membership influences the way members engage in it, and this is pivotal to achieving its goals.

The pathways from co-operative governance to poverty reduction

These theoretical contributions are brought together in the pathways from co-operative governance to poverty reduction. Figure 9.1 shows innovations in the different areas of understanding to which the pathways contribute. In its entirety the pathways further a conceptualisation of governance as not just central to co-operative identity and values (Novkovic, 2008), but also to its impact on poverty. Although I have developed this framework to understand the African co-operative context, and specifically Kenya, it can be adapted and used to analyse other contexts. Such an exercise would help to develop the framework further, and show whether certain governance aspects are less relevant or more prominent in different contexts. For example, would networking and advocacy emerge as more important in co-operative relationships and activities in Latin America, where in some countries co-operatives may be aligned more to a people's movement? In post-conflict contexts, where co-operatives may play important peace-building roles within communities, the relationship between members (not just between staff and board directors) may need more unpacking.

Figure 9.1: Theoretical innovations on co-operative governance and poverty reduction



Source: author's own

9.3.2 Contributions to development practice

In addressing the primary research question on how co-operative governance impacts poverty, I have so far discussed the conceptual contributions. There are also contributions to development practice in terms of furthering understanding of the way co-operatives can be better supported (Hannan, 2014a), including by development practitioners, which emerged through the contextual analysis of findings. I also discuss here how participatory methods used in the empirical study showed innovative ways of undertaking research with co-operatives (Hannan, forthcoming).

External stakeholders: supporting co-operatives without undermining member control

Co-operatives in many African countries have often been viewed in one of two ways: they are dependent agents (initially of the government and then of development partners), or they are private sector enterprises that need to survive in a competitive market environment. Throughout this thesis I have shown the situation to be more complex than this. Like other types of bodies, co-operatives need the involvement of external stakeholders (whether they are government officials, development partners or private suppliers) and an enabling environment to really thrive (DFID, 2009). However, they also need these external stakeholders to recognise and work with them as private sector enterprises that are owned and controlled by their members.

In section 6.3.3 I showed how in Co-operative A, a balance in internal and external stakeholders in co-operative governance relationships combined with We Effect recognising member control within co-operatives. This allowed them both to work together to meet member needs in the area of training as well as in savings and loans. This exemplifies how co-operatives can leverage external support without compromising member control, which requires a two-pronged approach. In the first instance, co-operatives need to use their governance relationships to extend member control. This means seeking out member views and understanding their needs from the co-operative (i.e. allowing members to set their goals). It also requires them identifying appropriate external stakeholders and working with them to meet those goals. Understanding member needs first will ensure that those of external stakeholders do not easily usurp their own goals. In the second instance, external stakeholders need to recognise and work with co-operatives as member owned and controlled private sector enterprises, rather than using them to just meet their own organisational objectives (Pollet and Develtere, 2005).

If this approach to working with co-operatives is recognised generally, both by the co-operative movement and by development partners, it will allow co-operatives to work towards their multiple objectives with the necessary organisational and financial support from external stakeholders, making a positive impact on poverty more likely.

Valuing co-operatives' long-term relationship with members and communities

Development projects have often been critiqued for diverting people away from more permanent organisations, and undermining the potential for sustained long-term action (Korten, 1980). Recognising co-operative performance through the dual efficiency-effectiveness approach allows us to place value on the long-term relationship that co-operatives build with their members in the communities where they operate. This long-term relationship allows co-operatives to foster understanding of the needs of members and their communities, and makes them willing to put in place measures to support future productivity as well as reduce the risks that farmers might face over time.

This research has shown that there are three important areas where farmer co-operatives are able to use their long-term relationship in this way: provision of agricultural/veterinary inputs and services, provision of credit facilities, and transfer of knowledge. A balance in co-operative governance (particularly in the governance relationships in control/partnership between members, the board and staff) allows co-operatives to develop a local understanding with members and their communities over time. This means that they have the required knowledge to bring appropriate farm inputs (such as seeds and technology) to smallholder farmers. Co-operatives can also use this long-term relationship to support farm productivity over the years through the provision of regular credit for inputs or other essential services. Moreover they can use this long-term relationship to establish effective mechanisms that can deliver capital advances or emergency funds as a buffer against shocks and stresses, protecting productive household assets and future income. In this research I have also shown how co-operatives play an important role in facilitating farmer training. The long-term relationship that co-operatives have with members and communities means that they can be more willing to develop and encourage such training, which can improve future productivity or the general well-being of families and communities.

The way co-operatives build and invest in long-term relationships with members and communities is essential for a sustained impact on poverty. Recognising and valuing this will ensure an enabling environment that allows a long-term approach to development, for both co-operatives and communities.

<u>Participatory research with co-operatives</u>

Research with co-operatives has often focussed on quantitative and economic approaches, with discussions of co-operative performance through econometric analysis (Gomez, 2006; Boyle, 2004). Although this has provided useful insights into the operations of co-operatives and their advantages and disadvantages, it has not always taken on board the perspective of the people at the centre of co-operatives – the members, as well as their families and communities.

The methods used in this empirical study add to the limited literature on qualitative research with co-operatives (Borda-Rodriguez and Vicari, 2014; Hartley, 2014). A total of 13 different participatory methods were used, some of which were adapted from the literature (VSO-undated) whilst others were designed to complement methods and findings by other researchers (Vicari, 2011). This extends understanding of how different participatory exercises can be used at the primary co-operative, village and household levels (drawing in the perspective of members as well as board directors, co-operative staff and non-members) to explore links between co-operative performance and poverty reduction.

9.4 REFLECTIONS ON RESEARCH PROCESS AND NEW RESEARCH AVENUES

Fundamental to the research process was the participatory approach. This allowed me to understand and take on board the perspectives of the people at the heart of this process - those that the co-operative represents, works with or seeks to support: members and their communities. In this section, I reflect on the crucial areas that shaped the research process, as well as areas that emerged as important but that the research has not been able to explore in depth. More research in these other areas would improve understanding of the wider impact that co-operatives and their governance can have on poverty, as well as how the conceptual framework can be further developed.

9.4.1 The research process

The research process was guided by three key aspects within the overall participatory approach: support for the research from the co-operative movement, the household sampling, and the social constructivist approach. The involvement of the co-operative movement in this research was crucial. My links to the UK Co-operative College (through the external supervisor) meant that I had access to people who were excited about the implications of this research, and with whom I could discuss emerging ideas. Through the College and my own contacts, I also worked with practitioners and academics within the movement to help identify gaps in knowledge, and design this PhD project to help address them. I did this both at an international as well as Kenya level.

The interest and support of We Effect (both in the regional office in Nairobi and in District X) not only helped in the practical aspects of data collection but also in the research design, especially in the selection of case study co-operatives. Without We Effect staff's detailed knowledge of co-operatives in Kenya, I would not have been able to select the 'polar types' of case study co-operatives. This did not just involve basing the selection process on We Effect's opinion, but on engaging with them through their written programming material as well as through email exchanges and conference calls with staff in Kenya prior to fieldwork. These case study selections set the comparative base on which rested the success of the research, and its ability to operationalise the conceptual framework.

The sample of households was kept small, partly for practical reasons to do with time and financial constraints. This small sample allowed in-depth exploration of relationships, activities and participation, which were critical to answering the research questions. A larger sample, however, might have allowed me to more confidently use the participatory statistics generated in a comparative way. Irrespective of this, my household sampling criteria would have made it difficult to identify more participant households within the same villages[356]. Expanding my sample size would therefore

[356] My existing sample includes almost all dairy farming households that were not members of Co-operatives A and B in the case study villages

have required including two additional case study villages, doubling the size of my data and making this type of in-depth qualitative analysis difficult to sustain.

The social constructivist approach, which informed the research process, was key to exploring the issues in the way that I did; this research does not provide one approach to co-operative governance that works, but rather discusses how different components of governance might combine to influence overall performance and impact poverty. One complete truth does not necessarily exist in this area (Marshall and Rossman, 2011), but rather the governance balance might differ based on members' priorities and the external context within which the co-operative operates. The social constructivist approach allowed me to capture the different opinions presented by research participants and to explore how they perceived reality. This meant I focussed on constructed rather than measurable realities, with much of my data collection capturing people's perceptions of changes (in areas such as household milk production) rather than gathering similar data from measurable sources (such as member milk deposit records at the case study co-operatives).

9.4.2 New research avenues

The empirical research produced rich findings in a number of different areas, all of which were not possible to analyse. Initial perusal of these data revealed areas where further investigation would provide useful insights into co-operative governance and poverty reduction, either through deeper analysis or additional data collection for substantiation. I outline some of these here, showing what I was able to uncover and pointing to further areas for study.

<u>The competitiveness of co-operatives</u>

Analysis of primary and secondary data revealed this to be an important topic in the revived co-operative environment, which is largely about co-operatives functioning as competitive enterprises and surviving in a liberalised market without government support. However, co-operatives fare badly in traditional debates around competitiveness and performance. Authors have elaborated on alternative concepts in these areas (Soboh et al., 2012; Boyle, 2004), which this research has used to re-conceptualise co-operative performance. However, a deeper understanding of this area is needed, which does not begin by considering co-operatives against investor owned firms, but starts from the premise of the co-operative form. Although co-operatives should strive to meet farmer pricing expectations, this research has also shown that their value for members is in the package of support they provide, specifically to raise farm productivity as well as meet other needs of families and communities.

Further research in this area could include a focus on the hybrid co-operative model, being adopted in many developing countries, in response to the capital needs of growing co-operative enterprises. Novkovic (2008) argues that co-operatives can use both their sale of members' produce as well as operations in other areas to push up the buying price of farmers' produce and correct a market imperfection. Evidence from this research, however, suggests that the hybrid co-operative model poses a threat to this. In both the case study co-operatives, milk prices to farmers were not pushed up with surpluses from income-generating activities in other areas. These surpluses were instead distributed separately to shareholders, with the co-operatives unable to significantly raise the buying price of milk in the area.

These areas of research would be important in understanding the multifaceted nature of co-operatives, how this reflects on their goals and objectives, and what this means for member loyalty and the performance of co-operatives as 'competitive' enterprises in a liberalised market.

Women's leadership in co-operatives

As co-operatives in Kenya move to implementing the two-thirds gender policy on boards, they will need to address the challenge of bringing in more women members as well as converting this into female leadership. This research has alluded to how women are successfully participating in and leading VSLAs, with regular loans and dividend payments apparent in Village A. This suggests that the issue is less about whether women can be effective leaders, and more about whether they are given the chance and aspire themselves to lead *mixed* groups of women and men. Rather than just a focus on leadership skills training, this requires greater understanding of the wider social factors that can facilitate or hinder take up of leadership positions by women.

There is some recent research in this area with co-operatives (Majurin, 2012; Rawlings and Shaw, 2013). However, with the precedent set now for an apparently supportive legal framework for women's leadership in Kenya, further research would be important in understanding how co-operatives can best use their governance relationships with members, non-members and external stakeholders to ensure that women's leadership is recognised, as well as promoted, particularly in mixed groups.

Recognising elite support and limiting elite capture

In section 2.5.4, I discussed the different perspectives in the literature with regards to elite involvement in co-operatives. Some authors have shown that elites divert resources from the poor, capturing this for themselves (Francesconi & Heerink, 2010; Prowse, 2007). Others have talked of the important role that they play in co-operative leadership, as well as in securing resources that benefit the membership generally, including in accessing new knowledge and markets (Develtere et al., 2008; Münkner 2012). Studies have also shown how elites can bring a degree of financial stability to the co-operative through their economic participation (WOCCU, 2007).

The empirical research highlighted that elite leadership is not just important for co-operatives in accessing knowledge and resources, but that members often demand such leadership in their governing boards. Elite leaders from wealthy families were perceived by members as an important way of protecting their co-operative from opportunistic looting, with this characteristic linked to the prevalence of hereditary leadership in both case study villages. Following the fieldwork I added 'personal qualities' to the balancing scale between an expert and a representative co-operative director, recognising the importance to members of leadership qualities in this third area. However, as this area only emerged as I delved deeper into my analysis, I was not able to collect further primary data that specifically explored this issue.

A study designed to include questions in this area could explore in more detail why elite leadership is important to members, and what this means for accountability to the electorate. Research in this area would also help to further develop the pathways from co-operative governance to poverty reduction, showing how this important group can strengthen the co-operative's impact on poverty, rather than undermine it.

<u>Co-operatives building resilience to shocks and stresses</u>

The majority of people in developing countries live in rural areas and depend on agriculture for their livelihood (World Bank, 2008), with the numbers of poor in rural areas continuing to increase in Sub-Saharan Africa (World Bank, 2008). As the world's climate changes, the vulnerability of the rural poor is also likely to increase making it more important to understand how best to protect them from risks (Lin and Chang, 2013). Evidence from the empirical research showed that the provision of credit facilities and capital advances from the case study co-operatives helped to build the resilience of member households against shocks (such as illness of family members) and stresses (such as drought).

Further research in this area, which explores how co-operatives might use their governance relationships with members as well as non-members in the communities where they operate to understand local coping mechanisms, would be important. The long-term relationship that they have in communities could mean that they are well positioned to do this. Insights from this research would be important in showing how co-operatives might balance additional social outcomes to build resilience in communities and households by developing flexible complementary ways to withstand shocks and stresses.

<u>Co-operatives generating and deploying social capital</u>

In Village A I discussed how formation of the VSLA suggested that something existed between member households that helped to bind them together (see section 6.4.4). I also discussed how, in relation to the farmer-to-farmer group in Village A, members working together to meet their collective training needs suggested something beyond the relationships and processes identified in the pathways from co-operative governance to poverty reduction (see section 7.3.8). Such horizontal ties indicate potential evidence of social capital amongst the membership in Village A.

Social capital can be defined as the '*norms and networks that enable people to act collectively*' (Woolcock and Narayan, 2000:3), with a focus on co-ordination and co-operation for mutual benefit (Putnam, 1995). Two types of social capital, 'bonding' and 'bridging', help to illustrate how social capital can lift a group from poverty (Majee and

Hoyt, 2011). Bonding social capital recognises intra-community ties, or horizontal ties (Woolcock and Narayan, 2000) that develop amongst like-minded or homogenous individuals or groups, such as family members or close community groups (Majee and Hoyt, 2011). However, even high levels of bonding social capital in resource-strapped communities would not be sufficient to significantly improve quality of life (Majee and Hoyt, 2011). Bridging social capital that allows inter-community ties or horizontal ties (Woolcock and Narayan, 2000) across other networks is needed for a group to get ahead (Majee and Hoyt, 2011). Majee and Hoyt argue that co-operatives can strengthen bonding social capital within the group and simultaneously connect members as a group to resources outside, so tapping into bridging social capital to get ahead.

In Village A the horizontal ties amongst the membership, through establishment of the VSLA and farmer-to-farmer group, suggest the existence of bonding social capital. In the farmer-to-farmer group it also suggests the development of bridging social capital, used by the group to access external training providers. Failure of Co-operative B staff to establish VSLAs in its membership area could also potentially point to a lack of social capital here between the staff and members. However, my empirical research did not focus on gathering specific data with regards to social capital, and this area only emerged as potentially important during analysis. A study designed to explicitly explore this concept could therefore add to the development of the pathways from co-operative governance to poverty reduction.

This research could investigate how the balance in governance relationships and activities helps to build or destroy both bonding and bridging social capital in co-operatives, the communities where they operate and with external stakeholders, as well as the part that member loyalty or dissatisfaction plays in this. Framing such research within the pathways would allow exploration of the 'dark sides' of this concept (Geys and Murdoch, 2010:524). This could analyse the extent to which the generation of social capital amongst the membership or within the leadership of co-operatives impacts other governance aspects, such as the inclusion or exclusion of women and the poor, and how this affects member participation or withdrawal in a virtuous or vicious circle of impact on poverty.

Graduating to co-operative membership

This research reflects findings by others, which show that co-operatives do not always reach the poorest who have little to pool (Münkner 2012; Bernard and Spielman, 2009), with women and indigenous cow owners facing additional barriers to joining the case study co-operatives. In such a situation, meeting member needs might allow co-operatives to reduce poverty amongst sections of the poor but not necessarily of the poorest (Münkner 2012). The research has shown the importance of accepting co-operatives for what they are and, indeed, of valuing and preserving their identity. This research has also shown how within this identity co-operatives impact their wider membership area and can improve entry or re-entry to the co-operative. This suggests that it is through these pathways that co-operatives can enhance their impact on reaching the poorest whilst also preserving their identity.

The VSLA provides an important example of how co-operatives might do this, as there is no asset ownership requirement for joining them. Expanding VSLAs to include non-member households could provide a mechanism through which this group can save to either purchase or upgrade the breed of a cow, and 'graduate' to membership, strengthening the co-operative through member entry. As the VSLA in Village A did not include non-members it was not possible for this research to gather evidence in this area. However, VSLAs set up in other co-operatives with We Effect in District X has included non-co-operative members, and resulted in three of them using VSLA funds to 'graduate' to membership of their respective farmer co-operative[357] within a year of formation. Although studies have shown how village level financial services through co-operatives can help members 'graduate' to larger formal savings and loans mechanisms (Nair and Kloeppinger-Todd, 2007; US OCDC, 2007), there is limited knowledge of how co-operatives can use the advantages of their unique form to help the poorest graduate to membership of farmer co-operatives. Further research in this area would provide important insights into how co-operative members, board directors and staff can use governance relationships to interact more effectively with non-members, increasing entry and participation in the co-operative whilst reaching some of the poorest.

[357] We Effect Regional Co-ordinating meeting, Programme Co-ordinator for District X, 6th August 2012

9.5 CONCLUSION

The co-operative movement around the world has begun to re-emerge, healing from the bruises of liberalisation and shaking off the shackles of mismanagement. In recent years, governments in many developing countries have also begun to put in place new legislation to support the development of a more independent and member-led movement (ILO and ICA, 2014). As this movement revives and grows it becomes paramount to understand not just how it can avoid a repeat of past problems and take advantage of emerging opportunities to build a stronger form, but also how it can do this whilst meeting member priorities in areas such as improving living conditions. As developing countries refocus efforts on agriculture-led growth and development, with Kenya specifically aiming to use this to eliminate hunger, reduce poverty and food security (MOLD, 2010), the research has shown that co-operatives can play an important role in this area.

Recognising the institution of co-operation is important to understanding the role that co-operation has played in economic and social development over the years. This old institution can be seen to embody a way of life, and has in recent years been enshrined in the values and principles of the co-operative form. By unpacking the governance found at its core and developing the pathways from co-operative governance to poverty reduction, I have shown how even when co-operatives do not have an explicit intention in this area, a balance in their governance can help to reduce poverty.

Governance that recognises the centrality of members is key, whilst balancing this with other internal and external stakeholder involvement. Member loyalty and dissatisfaction are also crucial governance components, driving overall co-operative performance, and are ever being negotiated through the internal and external relationships. Co-operatives cannot remain complacent in this area, constantly needing to strive for loyalty and greater member participation whilst warding off dissatisfaction and gradual withdrawal. These governance components can work together to balance economic and social outcomes in the different activity areas of co-operatives, and improve performance. The usefulness and appropriateness of different governance aspects may vary in other contexts. For example with a growing national co-operative movement networking and advocacy may feature more strongly. Scope to further develop the pathways from co-operative governance to poverty reduction is also possible, with research in areas such as elite involvement in co-operatives and social capital.

In section 2.6 I discussed the crossroads that co-operatives had arrived at: do they allow the revived interest from national governments and donors to once again influence their objectives, or do they take a less well-traversed road to preserve a rediscovered identity where member decision-making remains central and they can pursue their multiple economic and social objectives? The pathways from co-operative governance to poverty reduction explains *how* co-operatives can take this less well-traversed road. The co-operative form, where governance components are balanced, allows people to guide their own development, reducing poverty and meeting priorities in areas that they identify as important over a sustained long-term period. This thesis has not only shown that co-operatives play an important role in reducing poverty, but that strengthening their governance relationships and processes are fundamental to improving impact in this area.

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APPENDICES

Appendix 1: Comparison of co-operatives to other organisational forms

Organisations		**Co-operatives**
Farmer groups	Informal groups with no recognised legal status. Not always run democratically, or leadership elected regularly.	Have a recognised legal status internationally, and within most countries. Operations and leadership based on democratic processes.
Non-governmental organisations	Non-profit making. Owned by people who are not the beneficiaries.	Distribution of dividends to members, who own the co-operative.
Investor owned firms	Owned by investors, who receive profit and participate in decision-making based on shareholder value.	Owned by members, who run the co-operative based on a one-member-one-vote system.
Neighbourhood associations	Made up of people with a common local interest. Usually not income-generating.	Often made up of people with a common livelihood to generate income.
Self-help groups	Often formed to provide access to financial services. Group membership is often kept at small numbers (within the tens).	Formed to provide access to a wide range of services, including financial. Membership can increase into the hundreds or thousands.

Source: author's own

Appendix 2: Country selection table

Optimal country characteristics and rationale for criteria	**Country status**
Noticeable revival and growth of co-operative movement: to allow exploration of the potential of the movement	Uganda: The co-operative movement contributes a total of 60% to GDP (Develtere et al., 2008).
	Kenya: In 2008, co-operatives had 70% of the coffee market and 76% of the dairy (ICA, undated-b). The total turnover for the agricultural co-operative sector was estimated at Ksh 8.4 billion (Ministry of Cooperative Development and Marketing, cited in Wanyama, 2009).
	Tanzania: Revival evident in some sectors, with recent spike in newly registered co-operatives overall (Pollet, 2009).
	Ethiopia: Co-operatives control almost all rice production, which represents 35% of national demand for rice. Co-operatives responsible for 76% of national output in tea sector (Develtere et al., 2008).

	Rwanda: In recent years the co-operative movement has consolidated its position in key areas of the economy, including agriculture and financial services (Develtere et al., 2008).
Lagging behind achievement of at least 2 Millennium Development Goals: to allow exploration of poverty dynamics	Uganda: population below national poverty line in 2009 = 24.5%; under-5 mortality rate in 2006 (per 1000 live births) = 99 (United Nations: undated).
	Kenya: population below national poverty line in 2005 = 45.9%; under-5 mortality rate in 2006 (per 1000 live births) = 85 (United Nations, undated).
	Tanzania: population below national poverty line in 2007 = 33.4% 2007 (World Bank, 2006); under-5 mortality rate in 2004 (per 1000 live births) = 126 (WHO, 2006).
	Ethiopia: population below national poverty line in 2004 = 38.9%; under-5 mortality rate in 2006 (per 1000 live births) = 106 (United Nations, undated).
	Rwanda: population below national poverty line in 2006 = 58.5%; under-5 mortality rate in 2006 (per 1000 live births) = 91 (United Nations, undated).
	Uganda: 5.2% (World Bank, 2011).

Positive GDP growth levels: to allow for comparison of both ‘successful’ and ‘less successful’ co-operative models	Kenya: 5.6% (World Bank, 2011).
	Tanzania: 5.5% (World Bank, 2011).
	Ethiopia: 8.7% (World Bank, 2011).
	Rwanda: 5.6% (World Bank, 2011).
Increasing autonomy from government: to allow exploration of co-operative governance issues	Uganda: Co-operative movement asserting greater autonomy, including financial and marketing autonomy, from government in many sectors (Kwapong and Korugyendo, 2010b).
	Kenya: Movement aligned to government in some areas, but making important progress towards greater autonomy (Wanyama, 2009).
	Tanzania: Movement aligned to government in some areas, but making important progress towards greater autonomy (Birchall and Simmons, 2009).
	Ethiopia: Movement remains promoted by and aligned to government in many areas, e.g. subsidised agricultural inputs channelled through co-operatives (Francesconi and Heerink, 2010).

	Rwanda: Movement remains aligned to government, with progress in some areas towards greater autonomy (Pollet, 2009).
Presence of 'successful' farmer co-operatives in different sub-sectors: to allow the option of co-operative case studies from different sub-sectors	Uganda: Producer co-operatives established and growing in different sub-sectors (Kwapong and Korugyendo, 2010b).
	Kenya: Large farmer co-operatives present in different sub-sectors, including dairy and coffee (Thorpe et al., 2000).
	Tanzania: The majority (55%) of co-operatives are in savings and credit (Pollet, 2009:7), with some 2,500 crop marketing co-operatives in sub-sectors such as coffee and tobacco (Allen and Maghimbi, 2009).
	Ethiopia: Presence of co-operatives in agro-processing, marketing and finance (saving, credit and banking) is increasing (Emana, 2009).
	Rwanda: Farmer co-operatives are mostly small-scale in sub-sectors including rice, tea and coffee (Develtere et al., 2008).

A co-operative federating structure that includes at least secondary co-operatives (preferably also tertiary co-operatives): to allow analysis of the benefits or otherwise of co-operative support structures	Uganda: secondary co-operative tier weak, but being replaced by Area Cooperative Enterprises (Kwapong and Korugyendo, 2010b). Tertiary co-operatives are re-emerging (Pollet, 2009).
	Kenya: A four-tier co-operative structure exists, but remains fairly weak throughout the second, third and fourth tiers (Wanyama, 2009).
	Tanzania: A three-tier structure exists, although tertiary level structures are considered weak (Pollet, 2009).
	Ethiopia: A four-tier structure exists, with the second-tier union also sometimes functioning as the apex in many regional states. Government can play an important role in establishing and directing policies in these apex structures (Emana, 2009).
	Rwanda: Secondary and tertiary level structures are re-emerging in some sectors and sub-sectors. For example amongst rice producer co-operatives and tea co-operatives (Devetere et al., 2008).
A number of drivers for change evident in the	Uganda: Uganda Cooperative Alliance driving change within the national movement (Kwapong and Korugyendo, 2010b), with evidence of donor interest in co-operative sector (Pollet and Develtere, 2005; Shaw, 2006).

co-operative sector: to allow for analysis of how different drivers for change can positively or negatively affect co-operatives	Kenya: Introduction of new national level policy on female representation within co-operative boards (Constitution of Kenya, 2010).
	Tanzania: Continued co-operative policy development (Theron, 2010).
	Ethiopia: Strong government interest in using co-operatives to reduce poverty (Emana, 2009).
	Rwanda: Strong government interest in developing a vibrant co-operative sector to help reduce poverty in both rural and urban areas (Devetere et al., 2008).
Presence and good working relations with suitable collaborative partners in country: to allow effective facilitation of research in country	Uganda: Yes (Uganda Co-operative College, Uganda Co-operative Alliance).
	Kenya: Yes (Co-operative University College of Kenya, We Effect).
	Tanzania: Yes (Moshi University College of Co-operative and Business studies).
	Ethiopia: Yes (Ambo University).
	Rwanda: Yes (Rwanda Co-operative Agency).

Practical issues for effective fieldwork - stable security situation, good transport and research support (e.g. access to translators, research assistants), English used at the national level (e.g. in policy documents): to allow data collection to take place in country without major obstacles or disruptions	Uganda: Stable security situation in most of country; limited transport and some research support available through Uganda Co-operative Alliance; English spoken at national level.
	Kenya: Stable security situation in most of country. Transport and research support can be arranged through Co-operative University College of Kenya and We Effect. English spoken at national level.
	Tanzania: Stable security situation. Transport and research support can be arranged through Moshi University College of Co-operative and Business Studies. Swahili and English spoken at national level.
	Ethiopia: Stable security situation in most of country. Transport and research support can be arranged through Ambo University. English spoken at national level.
	Rwanda: Stable security situation in most of country. Limited transport and research support can be arranged through the Rwanda Co-operative Agency. English and French spoken at national level.

Appendix 3: Criteria and rationale for District X field site selection

Optimal district criteria	**Rationale for District X selection**
Presence of field partners	We Effect has a field office in District X town. It works there with a number of farmer co-operatives, across different sub-sectors.
Presence of established primary and secondary co-operatives	District X has a number of established primary co-operatives that have been operational for up to 40 years. This allowed the research to explore changes in the living standards of members over the five year study period. The District also has an operational co-operative union (secondary co-operative). This allowed exploration into the benefits, or otherwise, of the federating structure.
Differently performing co-operatives	District X has co-operatives that deliver varying levels of benefits - from the provision of regular dividends to members, to co-operatives that generate minimal financial benefits. This allowed selection of co-operatives that performed differently.
Co-operatives with varied levels of male/female participation	District X has a weavers' co-operative that has only women members, coffee co-operatives with largely male members, and dairy co-operatives with a good mix of women and men. These dynamics allowed the option of comparing how differing female/male participation can affect the functioning of co-operatives, and ultimately their impact on members and their communities.
Stable security environment	District X is generally considered stable.
Good transport links to area	The town in District X is accessible via road from the capital, Nairobi.

Appendix 4: Details about case study villages and co-operatives

Village detail		Village A	Village B
Number of homesteads		123	53
Total number of people (taken as 8 people per homestead)		984	424
Number of co-operative members (active and inactive)		22	49
Total number of active co-operative members	Male	12	9
	Female	5	4
Co-operative detail		**Co-operative A**	**Co-operative B**
Total membership	2012	2,037	580
	2009	1,976	558
	2007	1,899	504
Active membership (no. of women, if available)	2012	214 (64)	137 (61)
	2009	206 (60)	230
	2007	175 (47)	350
Total milk received from members (litres)	2011[358]	656,491	1,961
	2009	576,644	1,510
	2007	563,104	2,473
Member meeting attendance rate	2012	No meetings held	33%
	2009	81%	28%
	2007	52%	25%

[358] 2011 is the last complete year of records before fieldwork took place

Appendix 5: Fieldwork timeline

Location	**Activity**	**Phase 1 (Jul-Aug 2012)**				**Phase 2 (Oct 2012)**			
		week 1	week 2	week 3	week 4	week 1	week 2	week 3	week 4
Nairobi	Key informant interviews								
District X	Finalise participant lists								
	Key informant interviews								
	Participatory research								

Appendix 6: Participant sampling criteria for each exercise at village level (approximately six people in each exercise)

Name of exercise and participant type	**Participant criteria**
Mapping: 1 group of women only, and 1 group of men only	2x active co-operative members and 4x non-dairy farmers: • 3x young people • 3x older people • Live in different parts of the village • Engaged in different livelihood activities
Wealth ranking: 1 mixed group of women and men	3x co-operative members and 3x non-members: • Different cow ownership • Live in different parts of village • At least 1 woman and 1 man from village mapping exercise
Timeline: 1 mixed group of women and men	3x women and 3x men: • People that have lived in the village for at least 5 years • 2x active co-operative members • 4x non-members
Trendlines: 1 group of women only, and 1 group of men only	3x members and 3x non-members (to include 3x women or men that participated in wealth ranking exercise): • Engaged in different livelihood activities • Live in different parts of the village • From different wealth groups (where known)
Resource scoring: 1 mixed group of women and men	3x women and 3x men: • Live in different parts of the village • Engaged in different livelihood activities • 2x active members • 4x non-members
Focus Group Discussions: 1 group of women only, and 1 group of men only	Dairy farmers only: • 2x active members • 1x inactive member • 3 non-members who sell milk to private buyers

Appendix 7: Data collection methods and their purpose in the research

Location	Methods (number carried out)	Stakeholders/source	Purpose
Nairobi	Semi-structured interviews (11)	Leaders of national co-operative movement: co-operative staff, ministry staff, development partners	Understand the vision for the national co-operative movement, and how it is expected to develop in the future (including quotas for women board directors). How are developments at the national level expected to impact at the local level? An understanding of how apex structures are supporting secondary and primary co-operatives. How are these structures expected to develop in the future?
	Semi-structured interviews (7)	We Effect and CoCK staff	Agree working protocol and schedule for fieldwork. Understand their country level strategy and approach to working with movement. How does this link to their work in District X? History of their engagement in District X, and future/ongoing plans. How do they see the national co-operative movement developing in the future?

Town X and surrounding area	Semi-structured interviews (5)	Local officials (chiefs, extension workers, other government officials)	Understand their link to co-operatives, and case study co-operatives specifically – how do they support them/are involved in them?
Town X We Effect office	Documentary analysis	Surveys (baseline + 2012), project monitoring documents, database, grey literature	Sampling (members and non-members from survey), understand We Effect interventions in region, including with case study co-operatives.
	Semi structured interviews (3)	We Effect staff	Confirm logistical arrangements (translator/research assistant, accommodation and transport). Agree working protocol and schedule for fieldwork. Establish whether relevant training sessions/meetings taking place over my visit. Understand role of We Effect in District X, its interventions with case study co-operatives, working history and future plans. Understand perceived history of case study co-operatives and how they are currently developing.
District X Co-operative Union office	Semi structured interview (1)	Chief Executive Officer	Understand services and inputs provided to primary co-operatives and individual members. Understand current and future plans for development of local co-operative movement. Understand links to apex structures, as well as to other service providers.

Co-operatives A and B	Documentary analysis	Membership records, participation records, database, financial accounts, payments to members, disbursement of dividends	Select case study villages. Map the co-operative, e.g. membership and financial history. Establish formal criteria for co-operative membership.
	Semi-structured interviews (6)	Co-operative staff and board directors	Agree selection of case study villages. Map the co-operative (including its history), understand role of co-operative in local area (to members and non-members), services and inputs provided. Establish criteria for membership. Establish whether member meetings taking place over my visit. Understand the co-operative governance structure. Levels of participation by members and others. Understand other support structures for co-operatives – who provides these? How do they impact the co-operative and its members?
	Co-operative timeline (2)	Co-operative staff and board directors	Map the history of the co-operative, identifying changes within it over the years. What impact have these changes had on members and the local area?
	Stakeholder mapping (2)	Co-operative staff and board directors	Understand the different actors that interact with the co-operative. How do they interact with it, what support (if any) do they provide, and what impact do they have on the co-operative and its members? Understand the co-operative governance structure. Levels of participation by members and

			others.
	Observation of member meeting (1)	Co-operative staff, board directors, members and District Co-operative Officer	Develop a sociogram of the meeting – mapping who talks, who stays silent, who has the final word etc. Develop an understanding of what the prominent issues/problems are within the co-operative, and how they are approached and dealt with at the collective level.
Villages A and B: village level exercises	Transect walk (2)	Informed community member	Develop understanding of physical study area, including what resources are in village, their location and use.
	Village mapping (4)	Women members and non-members; men members and non-members	Develop understanding of physical study area, including what resources are in village, their location and use, who uses them, when the resources were built/rehabilitated/discovered, and how. Where co-operative members/non members live.
	Wealth ranking (2)	Women and men members and non-members	Identify poverty and wealth characteristics (establish definition of poverty). Establish ranking system for villagers and members separately (proportion from poor and non-poor). Identify individual poor and non-poor households.
	Village timeline (2)	Women and men members and	Identify changes to the village over the 5 years. How and why did these

	Village timeline (2)	non-members	changes come about?
	Trend lines (4)	Women members and non-members; men members and non-members	Establish how the identified features of poverty changed over the 5 years. Why did they change? How did the changes affect members and non-members? Women and men?
	Focus group discussions (4)	Women non-member dairy farmers; men non-member dairy farmers	Understand why some dairy farmers are not members of the co-operative, and their perception of it. Understand whether membership is perceived as easy/difficult to secure. Identify any barriers to membership.
	Resource scoring (2)	Women and men members and non-members	Triangulation of data from previous village level exercises, with percentage increases/decreases in key resource areas, e.g. different livestock, fruit farming.
Villages A and B: household level exercises	Member semi-structured interviews (16)	Case study members	Understand how, and the extent to which, members participate in co-operative. Understand member perception of co-operative, including its services and governance structures and processes. Develop dairy farming history, and access to other (non-co-operative) local resources. Understand participation in training sessions, including resultant impact on individuals/households.

	Non-member semi-structured interviews (14)	Case study non-member dairy farmers	Develop dairy farming history. Understand any participation/contact with co-operative, as well as access to other local resources. Understand participation in training sessions, including resultant impact on individuals/households.
	Matrix scoring on changes to income (28)	Case study households	Understand how household income has changed over the 5 years, and why. Establish importance of dairy farming as income source.
	Matrix scoring on access (28)	Case study households	Understand household access to the 8 priority areas, and any changes to access over the 5 years. Understand why access might have changed.
	Matrix scoring on expenditure (28)	Case study households	Understand proportional household expenditure in the 8 priority areas, and why this might have changed over the 5 years.
	Household decision-making scale (28)	Case study households	Understand how households make important decisions (who participates in decision-making and why), and whether this has changed in the last 5 years. Establish any links to participation in co-operative for member households.
	Changes to milk yields (28)	Case study households	Trace perceived changes to milk yields over the 5 years. Establish the reasons for increases/decreases/no changes to yields.

Appendix 8: National level interviews

Government Ministry or organisation	**Staff position and number of people interviewed**
Ministry of Livestock Development	Deputy Director of Livestock Production x1 Chief Livestock Production Officer x1
Ministry of Co-operative Development and Marketing	Senior Assistant Commissioner x2
International Co-operative Alliance (Africa regional office in Nairobi)	Regional Director x1 Regional Manager x 1
Co-operative Alliance of Kenya	Chief Executive Officer x1
Co-operative Insurance Company	General Manager x1 Department Manager x2
Kenya Union of Savings and Credit Co-operatives	Managing Director x 1
Co-operative Insurance Company	General Manager x1 Business Development Manager x2
Kenya Union and Savings and Credit Co-operatives	Managing Director x1
Agricultural and Co-operative Training and Consultancy Services	Senior Consultant x1
We Effect	Deputy Regional Director x1 Project Manager x1
Co-operative University College of Kenya	Lecturer x2
UK Department for International Development, Nairobi	Private Sector Team Leader x1
TechnoServe	Senior Project Officer x1

Appendix 9: District level interviews

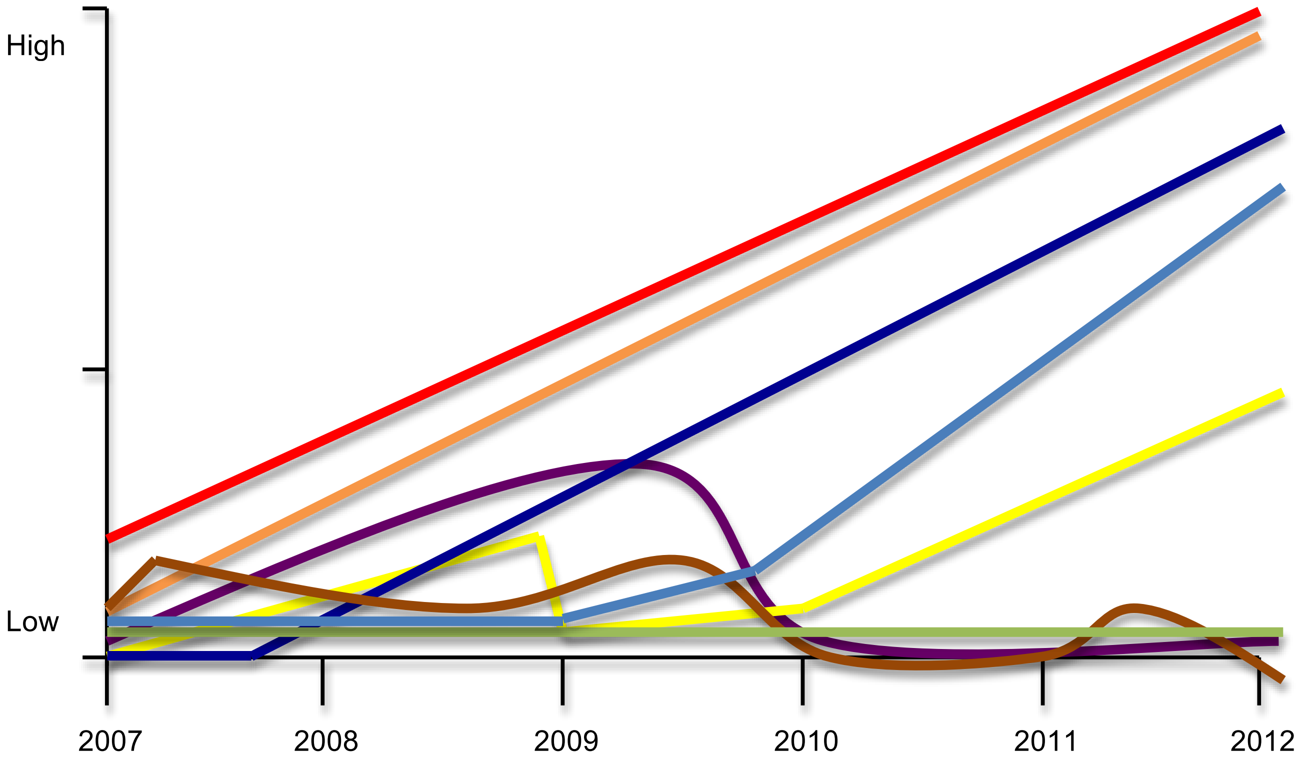
Government Ministry or Organisation		**Staff position and number of people interviewed**
Ministry of Livestock Development	District A	Divisional Livestock Extension Officer for Districts A and B x1 District Livestock Production Officer x1
	District B	District Livestock Production Officer x1
Ministry of Co-operative Development and Marketing		District Co-operative Officer x1
Ministry of Agriculture	District A	Agricultural Extension Officer x1
	District B	Agricultural Extension Officer x1
District X Co-operative Union		Chief Executive Officer x1
Co-operative Bank		District X Branch Manager x1
We Effect		Regional Manager x1 Project Officer for dairy value chain x1

Appendix 10: Key topics covered in member and non-member interviews

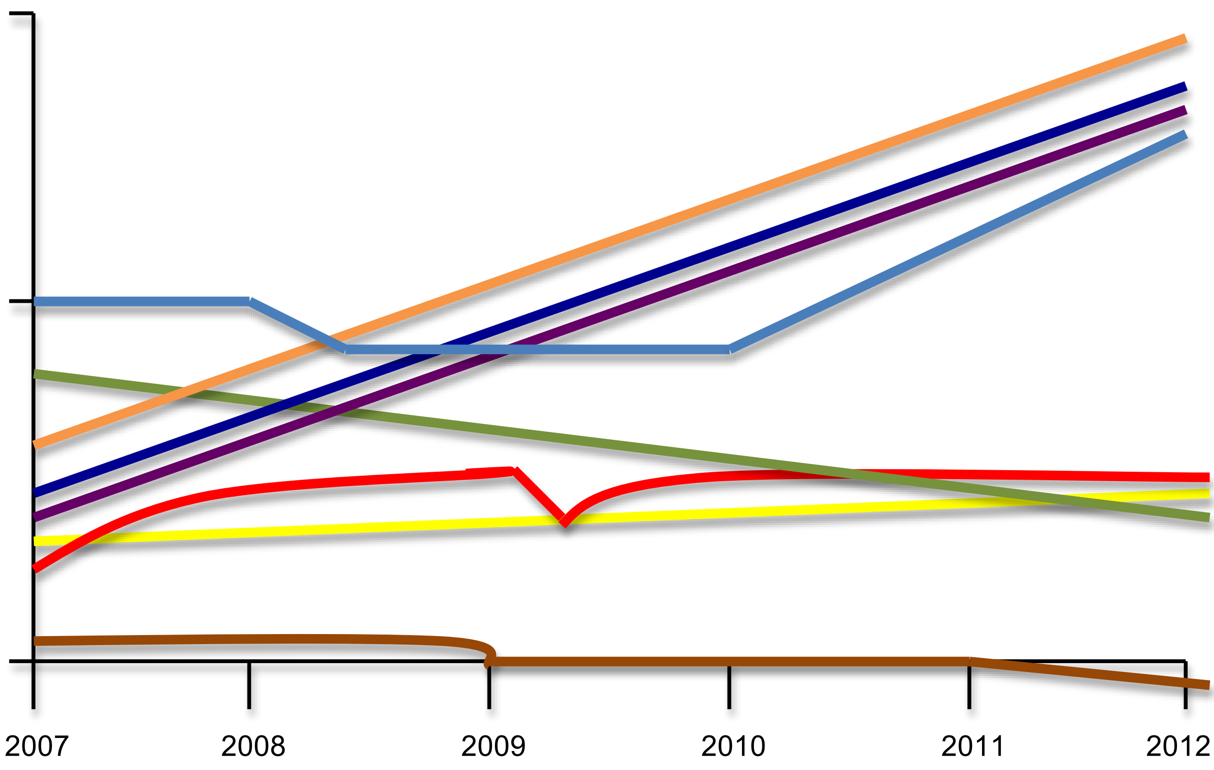
1. Basic personal information
2. Membership details of co-operative and/or other groups
3. Personal history of dairy farming, e.g. when started dairy farming? Who looks after the cow? How look after the cow? Where sell any milk produced?
4. Awareness of co-operative values and principles (members only)
5. General questions on co-operative (e.g. what's been working well/not been working well) (members only), including Co-operative B governance issues (Co-operative B members only)
6. Details of participation in co-operative (members only)
7. Details of training attended over the 5 year period, e.g. who facilitated it? Who delivered it? What topic(s) were covered? What they learnt? Whether and how it changed what they do? Result of any changed practices
8. Knowledge/participation in nomination/election process for board directors and supervisory committee (members only)
9. Process for becoming a member (members only)
10. Income from milk: regularity of payment, amount, who receives it in household?
11. Other income from co-operative (members only): share dividends, including details of who spends it and what its spent on.
12. Other membership benefits/disadvantages: farm inputs, support for breed improvement, credit facility, capital advances, emergency funds, VSLA membership (members only)
13. Periods of hardship: how access cash at short notice?
14. Details of resources within the household, e.g. water tank? Electricity?
15. Perceived impact of co-operative in village

Appendix 11: Reproductions of trendlines in Villages A and B

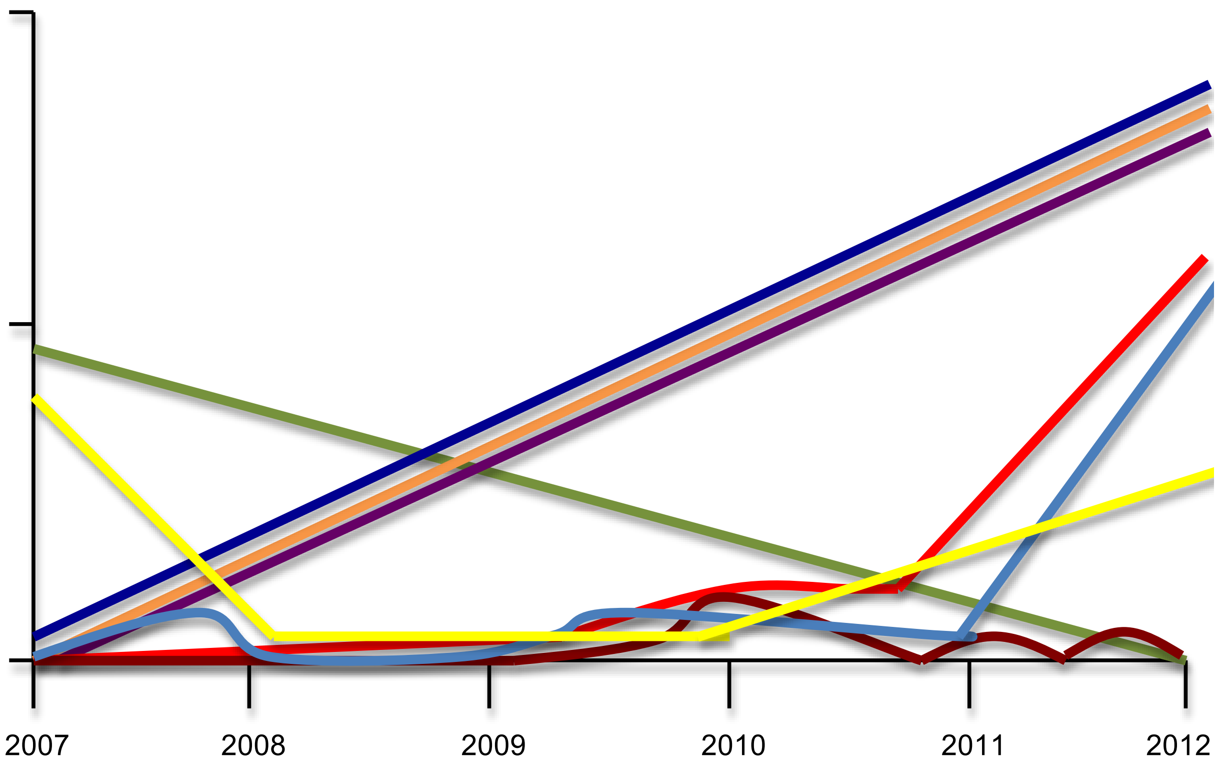
Women's trendlines in Village A



Men's trendlines in Village A



Women's trendlines in Village B



Men's trendlines in Village B