

**REPUBLIC OF KENYA**



**MINISTRY OF INDUSTRIALIZATION AND ENTERPRISE DEVELOPMENT**

**SHARIA COMPLIANT COOPERATIVE DEVELOPMENT  
POLICY**

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## **ACRONYMS AND ABBREVIATIONS**

ATM	Automated Teller Machine
ASAL	Arid and Semi Arid Lands

CAK Co-operative Alliance of Kenya

CCD	Commissioner for Cooperative Development
CMP	Common Musharaka Pool
CPP	Cooperative-Private Partnerships
CPPMU	Central Planning and Project monitoring Unit
CSA	Cooperative Societies' Act
ECCOS	Ethics Commission for Cooperative Societies
FOSA	Front Office Savings Activity
GDP	Gross Domestic Product
HIV/AIDS	Human Immune Virus/Anti Immune Deficiency Syndrome
HoDs	Heads of Department
ICPAK	Institute of Certified Public Accountants of Kenya
ICT	Information and Communication Technology
KFCU	Kenya Farmers Cooperative Union
KV2030	Kenya Vision 2030
M&E	Monitoring and Evaluation
MTP	Medium Term Plan
NACOs	National Cooperative Organizations
NIMES	National Integrated Monitoring and Evaluation System
NSE	Nairobi Stock Exchange
SACCO	Savings and Credit Co-operative Organization
SSB	Sharia Supervisory Board
SER	Surplus Equalization Reserve
SASRA	Sacco Societies Regulatory Authority

## **FOREWORD**

The development of this *Sharia Compliant Co-operative Development Policy* marks an important step in the Government's efforts to enable the Muslim Community to fully participate in development of the country through the cooperative sector. The cooperative movement has been a key driver in the economy through marketing of commodities, purchase of land, provision of housing and mobilization of human and financial capital among others. This policy will facilitate the formation and registration of Sharia compliant cooperative Societies.

The main objective of the Policy is to facilitate potential members to improve their economic well being by joining existing co-operatives or forming new ones. In addition, the policy will promote access to affordable financial products and services, input supply and enable cooperatives to participate in retail and wholesale businesses. This Policy includes the various strategies needed to make cooperatives efficient and globally competitive. It also provides a framework for promoting public/private partnerships with cooperatives to mobilize investment resources, acquire new technologies, enhance value addition and diversify products and services range.

This Policy identifies the necessary legal and institutional reforms required to conform to the provisions of the constitution, Sharia Principles, Cooperative Societies Act and the Sacco Societies' Act. It defines a policy change towards a more proactive engagement between government, the cooperative movement and other stakeholders including Muslims in addressing challenges affecting the community. In this respect, the Government has since 2004 facilitated a review of the legal framework for cooperative development, initiated the revival of key cooperative institutions, developed guidelines on cooperative investment, corporate governance, savings mobilization and education and training. More emphasis is being put on value addition and innovative product development so as to ensure that cooperators are beneficiaries of the entire value chain of their commodities and services. The ultimate goal is to increase the volume of savings mobilized, improve the contribution of GDP, job creation in order to reduce poverty through the restructuring and strengthening of existing cooperatives and formation of others.

The Government recognizes that sustainable and dynamic cooperative development requires a stable macro-economic environment, conducive legal, regulatory and policy framework and adequate operating capital. This Policy reiterates the facilitative role of Government in realisation of Kenya Vision 2030 using the cooperative business model. The policy safeguards the uniqueness and comparative advantages of co-operatives in dealing with the emerging socio-economic challenges facing Kenya.

In this regard, I call upon cooperators and other stakeholders to develop innovative products and services and take an active role in pursuing the goals and objectives set out in this Sharia Compliant Cooperative Development Policy. Through partnerships we shall build a cooperative movement capable of marshalling the huge human and financial resources to bring together complementary skills and know-how in pursuit of Kenya's Vision 2030.

**Hon. Adan Mohamed, EBS**

**Cabinet Secretary for Industrialization and Enterprise Development**



## **PREFACE**

The Ministry of Industrialization and Enterprise Development has the mandate to formulate, and operationalize cooperative development policies, facilitate co-operative legislation and oversee its enforcement. The other Ministry's mandate include; cooperative education and training, promotion and research, cooperative audit services, cooperative credit and banking services and facilitation of cooperative marketing. It is in line with this mandate, that the Ministry in collaboration with key stakeholders has undertaken to formulate this Sharia Compliant Cooperative Development Policy. This policy provides for the formation and registration of Sharia compliant cooperative societies and introduction of Sharia compliant products in existing cooperatives. The policy framework facilitates product diversity and growth of cooperatives. It will also enhance savings mobilization, promotion of new investments and productivity.

This Policy aims to consolidate the role of cooperatives in the implementation of Kenya Vision 2030, as well as to promote innovative and a commercially-oriented cooperatives sector. In the Economic Pillar, the sector will actively pursue the objective of revitalizing strategic co-operatives based on their potential and viability for poverty reduction, wealth creation and enhancing equity. Cooperatives will be encouraged to invest in product development and value addition; and build their capacity to actively participate in local and international trade. This policy will support access to affordable housing, financial services and input supply by cooperatives in order to create economies of scale.

The policy will promote the formation and registration of Sharia compliant cooperatives and provide opportunity for existing cooperatives to roll out Sharia compliant products and services. It will inform the review of the relevant statutes, incorporate Sharia compliant principles in cooperative development programmes, promote value chains that will increase employment, wealth creation and develop appropriate financing instruments.

The policy will be implemented in tandem with the Cooperative Development Policy and the cooperative legal framework. In order to effectively compete in the current business environment, cooperatives need to invest in Information and Communication Technology.

The Ministry will ensure the successful implementation of this policy in collaboration with county governments, Islamic institutions and other key stakeholders to guarantee socio-economic development of the country.

**Dr Wilson Songa, MBS,**

**Principal Secretary for Industrialization And Enterprise Development**

## **EXECUTIVE SUMMARY**



The objective of this policy is to institutionalize observance of Sharia compliance principles in co-operative development through the necessary legal and institutional reforms. The Policy will further create a conducive business environment for Sharia compliant cooperatives. This will help hitherto excluded individuals exploit their potential through the co-operative business model. Other objectives include; the development of appropriate products, mobilization of savings from Sharia-observant communities and institutions and build capacity on Sharia Compliance.

The Government recognizes co-operatives as important vehicles for realizing its medium term and long-term economic and social development objectives. This Sharia Compliant Cooperative Development Policy is a strategy intended to accelerate Kenya's co-operative growth in a dynamic and competitive global environment by encouraging the formation of Sharia Compliant Cooperative Societies. It focuses on creating an enabling environment for Sharia Compliant co-operatives to engage in addressing the national challenges of employment creation, wealth generation and poverty reduction in Kenya. The Policy identifies contemporary challenges that Muslims face in joining co-operative enterprises and defines a policy paradigm shift towards a more proactive engagement between the Government, Muslims, the co-operative movement and other stakeholders in addressing the challenges they face. The main challenges to co-operative development are creating an enabling policy, legal and regulatory framework; improving corporate governance, tackling the production and marketing constraints facing marketing cooperatives, value addition and introduction of innovative products and services.

Although cooperatives experienced many challenges in the 1980s due to liberalization and governance issues the situation has changed due to reforms introduced by the Government since the enactment of Cooperative Societies' Act (CSA) in 2004. The country has since witnessed a resurgence of cooperative growth indicated by registration of about 15,000 co-operative societies and a registered membership of 10.2 million. The co-operative movement had mobilized over Kshs493 billion in savings and deposits by 2012. The movement is a significant source of employment in Kenya, with over 500,000 employees charged with the responsibility of running co-operative enterprises. Further; the sector had indirectly generated 1.5 million jobs in the small-scale enterprises and informal sectors through provision of credit for investment. Its potential to create both direct and indirect employment through member investments is huge considering that co-operatives function in all sectors of the economy. Its multiplier effect is greatest especially in secondary chains of agricultural processing, investment ventures through loans from SACCOs, housing and acquisition of property.

The objective of this Sharia Compliant Cooperative Development Policy is to introduce reforms and expanding the range of cooperatives that can be formed and registered while at the same time encouraging Kenyans who profess the Muslim faith to participate in the cooperative movement. Many Muslims have not participated in cooperatives ostensibly because the available products are not in conformity with their faith. This called for rethinking the opportunities available for everyone and how to bring on board those who are not comfortable with current types and products offered by cooperatives. The overall goal is to enhance the accessibility of cooperative products and services and their global

competitiveness. The Policy outlines policies and reforms that the government will facilitate to enable co-operatives to undertake in order to realize this goal. The new policy approach calls for innovativeness in the way cooperatives do business and the need for inclusivity.

The main objective of the Policy is to facilitate potential members to improve their economic well being by joining existing co-operatives or forming new ones.

The Policy embraces the following strategic objectives:

- (a) To promote access to affordable financial services and inclusiveness;
- (b) To promote new co-operative ventures and development of innovative products and services;
- (c) To enhance good corporate governance and best business management practices in the sector;
- (d) To create an enabling policy, legal and regulatory framework for sustainable cooperatives;
- (e) To promote product development, diversification and marketing efficiency by co-operatives; and
- (f) To create employment opportunities within cooperative movement.

Although the Cooperative Societies' Act has undergone reviews over time, there is still a clear challenge of realigning the law to the emerging socio-economic environment and the Constitution and especially devolution of certain services. There is also need to encourage and promote self-regulation in the sector through internal operational and administrative guidelines, internal quality control systems, as well as improved application of information and communication technology.

Due to the need to promote new cooperative ventures, such as the Sharia compliant cooperatives, and more innovative products and services, the Policy recognizes the importance of capacity building for staff and other stakeholders. This is due to lack of expertise among field staff in entrepreneurship, post-production processing technologies, value addition, marketing and finance and general business development. This will involve creating awareness of existing opportunities and linking co-operatives to domestic, regional and global markets; scaling-up of appropriate technologies and promotion of value chain management.

This policy envisages a situation where stakeholders will optimise on Cooperative-Private Partnerships (CPPs) modules by creating the necessary business environment that would seethem partner with the private sector for injection of additional investment capital, technology and management services, through establishment of joint ventures. In sub-sectors requiring major investments, co-operatives will need to raise considerable funds to undertake the investment. Such co-operatives will be encouraged to amend their By-laws to establish partnerships with private businesses for additional resources.

The Sharia Compliant Co-operative Development Policy will guide the formation and registration of Sharia compliant cooperatives to be established on partnership (Musharaka) principles. Members will partner in pooling resources and capital together for their common good. The cooperatives will provide services such as marketing, engage in income generating activities and any surplus distributed for the benefit of all members. Several products and services have been identified which will form the basis of their registration. All the products proposed are Sharia compliant and have been developed based on international Sharia principles espoused by international bodies like the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI).

Evaluation of the impact of the Sharia Compliant Cooperative Development Policy will be carried out periodically with a view to identifying any gaps, challenges encountered and taking corrective measures. Monitoring will be based on the key performance indicators developed from the objectives.

# CHAPTER 1

## INTRODUCTION

### 1.1 Background

The cooperative business model is a time tested business approach in which cooperatives embrace prudent management and leadership styles and are guided by cooperative principles and values. While this model has succeeded in the cooperative movement over the years, the current structure, investments, products and services have not guaranteed inclusivity of some sections of the society. This therefore calls for a deliberate policy direction that will guide the cooperative movement in evolving structures that will ensure inclusivity regardless of nature of business, resource endowment, faith or religion.

The constitution in article 32 (3) and (4) provides that no person shall be discriminated on the basis of the person's belief or religion. This policy therefore is intended to ensure that all people in Kenya shall enjoy all services offered without regard to their faith or religion and are eligible to participate in their individual growth and that of the entire country.

In essence, the cooperative philosophy envisages participation of all. However, this has not been fully realised by the Muslim community due to their beliefs and practices. In order to address this concern it is necessary to introduce a policy which is geared towards addressing the missing link with regard to Musharakah (Sharia partnership) principles which share crucial features of cooperative financial structures. This policy therefore provides a framework for an alternative model to access financial and business opportunities for Muslims through cooperatives. The policy takes cognizance of the Government's efforts to financial deepening, poverty reduction, and social-economic empowerment through cooperatives.

### 1.2 Statement of the problem

The Government has been steadfast in providing an enabling business environment for the growth and development of the cooperative movement in Kenya through institutional, legal and policy framework. Through these efforts the cooperative movement has recorded tremendous growth in the number of registered cooperatives, membership, product diversity, wealth and employment creation. However, this growth has not been witnessed in the Muslim dominated areas and persons who subscribe to the Muslim faith. In pursuit of the principle of member economic participation, many cooperatives tend to engage in practices that are not in conformity with the Sharia principles.

Islamic law advocates for wealth creation through economic activities and prohibits engagement in business enterprises that generate or earn interest. Sharia defines interest as any excess benefit paid or received in a loan or a credit transaction, whereas, a return for trading in money as a commodity is acceptable in the conventional financial institutions. Consequently, Islamic principles of commercial transactions promote trade where cooperatives can employ sell of assets at a mark-up, partnerships for profit in income generating ventures or provision of services for a fee. The Muslim faith advocates for business models that are anchored on buyer-seller and partnership ventures. The Sharia

business model does not consider money as a commodity, and thus inhibits Muslims from effective participation in cooperatives which focus on the contrary. It is Muslim's belief that for these businesses transactions to be acceptable they should be guided by the Sharia provisions.

The Muslim faithful are yet to fully utilize the opportunities and often shy away from patronizing products and services offered by co-operatives. The existing cooperatives therefore experience low uptake in membership of Muslims, as they do not cater for the Sharia principles. This has often hampered the Government's efforts to reduce poverty in areas with significant Muslim populations. The problem affects over two million people (about 50% Kenyans of the Muslim faithful) who are eligible for membership in the existing cooperatives.

### **1.3 Objectives of the Policy**

This Policy seeks to create an enabling and conducive environment for the full participation of Muslims in the cooperative sector through the establishment of an appropriate legal and institutional framework.

### **1.4 Justification**

Cooperative societies develop, produce, and market products and services to satisfy the needs of their members for the purposes of earning higher income and register economic growth. An introduction of Sharia compliant cooperatives will provide opportunities for participation of over two million people of the Muslim community. The policy will support the establishment of co-operatives that embrace the principles of Musharakah and development of appropriate financial and commodity products and transactions that conform to Sharia business practices. Equally it will support existing co-operatives to realign their operations and develop products and services that attract and sustain full participation of members who practice Islamic faith. Indeed, inclusivity and participation of more Kenyans who were previously not catered for, will enhance effectiveness of Government efforts to create wealth, reduce poverty and broaden development to more Kenyans in all the regions and faiths.

## CHAPTER 2

### SITUATION ANALYSIS

#### 2.1 Introduction

Analysis from registration records and field reports show that the cooperative movement has a membership of over 12 million in 15,200 registered cooperative societies by 2013. Co-operatives which traverse most sectors of the economy have witnessed tremendous growth in membership, turnover, share capital and diversity of products and services. This notwithstanding due to the ever changing business environment, a number of these co-operatives have become dormant or have collapsed. A critical look at membership distribution across the movement indicates that about 5.8 million members belong to agricultural commodities cooperatives while 6 million belong to SACCOs; with the rest belonging to other types of co-operatives.

Current audited accounts from 1580 SACCOs indicate that the industry has mobilized an estimated Kshs. 416 billion and control assets estimated at over Kshs. 510 billion. Many SACCOs have rebranded and expanded their outreach to provide a wide range of financial products and services to their members, such as FOSAs and ATM services in partnership with other financial institutions. In addition some commodity based co-operatives are venturing into value addition for their primary produce to enhance members returns. Co-operative societies provide direct employment to over 300,000 employees and more than 1.5 million jobs indirectly. In contrast there are only three Sharia compliant SACCOs with a current membership of 1,210.

#### 2.2 Performance of Cooperatives in Financial Services

The primary objective of SACCOs is to mobilize savings for on lending to members while the share capital forms the basis on which co-operatives undertake investments. Over time SACCOs have diversified to offer quasi-banking facilities through the Front Office Savings Activity (FOSA).

In 2011 the savings mobilization was Kshs 318 billion which grew to 380 billion by the end 2012. By the end of 2013 SACCOs had mobilized deposits estimated at Kshs. 416 billion and extended loan facilities of about Kshs. 335 billion to members

#### 2.3 Performance of Commodity Marketing Co-operatives

Over the years the commodity marketing co-operatives have registered reasonable growth in terms of bulking, processing, and marketing of the members produce. However, due to the market dynamics they face many challenges that limit their market potential. These challenges and constraints (both internal and external) include governance, management, value addition, poor market access and information.

Co-operatives business largely involve commodity transactions with very little product differentiation. Inadequate market and product research has led to limited product development and market penetration. Most cooperatives have not embraced value addition and processing including packaging and branding, and thus lose out on potential returns and benefits. Agricultural marketing cooperatives are characterized by low capital investment as

capital formation has not been commensurate with the growth and the modern business environment. The scope and geographical coverage of market information is also limited due to underdeveloped infrastructure.

Marketing is further constrained by inefficiencies in the supply chain as a result of limited storage capacity and inadequate post-harvest handling technology. This has exposed members and their societies to exploitation by intermediaries who create distortions in the market. Many primary marketing cooperatives have lost business due to weak internal marketing capacity, weak capital base, inadequate trained personnel, limited value in addition to delayed payments for delivered produce. Another constraint has been the over reliance on a narrow external market for the co-operative products.

In order to address the above challenges there is need to strengthen the capacity of co-operatives to make them more competitive. This will involve providing education and training, improving governance and management, enforcing legal provisions, adopting prudential standards and, developing commodity-specific and appropriate marketing strategies. These require employment of the following interventions:

- Improving capacity for input supply, appropriate storage and marketing of agricultural products;
- Enhancing access to agricultural credit;
- Promoting value addition;
- Promoting internal and external trade;
- Improving governance and management; and
- Promoting franchising and networking with manufacturers and wholesalers on bulk purchases and stocking

## **2.4 Challenges Facing Sharia Compliant Financial Services Industry**

### ***a) Inappropriate legal regime and policy framework***

Many co-operatives offer homogeneous products (interest based) without regard for special needs and values of various segments of society and therefore face various challenges which reduce optimisation on their potential. This has the effect of excluding a segment of the society owing to lack of appropriate policies and guidelines.

### ***(b) Divergent Sharia compliance strategies***

There exist divergent views by Sharia experts on compliance strategies and views of different regions and Islamic Financial Institutions. The industry needs a standardization body to put instruments in place for effective coordination and compliance.

### ***(c) Nascent industry in the region***

Islamic Finance is a young industry in Kenya and therefore tends to have limited expertise on the part of the regulators, service providers and even the primary stakeholders. There is need therefore to develop skills and expertise in order to ensure success.

***(d) Limited information on Sharia compliance and requisite skills***

Lack of experience and limited information on Sharia compliance, Islamic contracts and institutional development poses a challenge for Sharia compliant financial institutions. This calls for concerted efforts to build necessary capacity for stakeholders and disseminate appropriate information.

***(e) Narrow investment opportunities for reinvestment of members' deposits (excess liquidity)***

Avenues for investing sharia compliant funds are few due to pervasive interest bearing instruments. Investment of surplus funds is limited to a few institutions and products. Sharia compliant enterprises are not allowed to invest in ventures dealing in alcohol, tobacco and gambling. Due to lack of sufficient Sharia compliant secondary markets, Islamic cooperatives will find limited options to invest their excess liquidity as they cannot operate accounts in conventional banks and investment in government securities is deemed to be non-Sharia compliant.

***(f) Inadequate consultation between the Muslims and regulators***

There is inadequate consultation between Muslims and the Government and as such this has led to low membership in the cooperative movement especially from the Muslim community. There is need for the Muslim Community to engage the Government on the importance of formulating policies conducive for membership in cooperatives and development of instruments for investment of Sharia funds. This engagement will encourage Muslims to join cooperatives and therefore enhance their economic participation for wealth and employment creation.



## CHAPTER 3

### KENYA'S DEVELOPMENT AGENDA

#### 3.1 Role of Kenya Vision 2030 in the Country's Development

Kenya's long term development agenda is set in the *Kenya Vision 2030*. The Vision defines the country's long term growth path, rooted on “*transforming the country into a modern, globally competitive, middle income country, offering a high quality of life for all citizens in a clean and secure environment*”. These tenets are anchored on a stable macroeconomic environment, sustainable governance reforms; enhanced equity and wealth creation opportunities for the poor; infrastructure and human resources development; as well as security. Macroeconomic stability is evidenced by low levels of underlying inflation, limited public sector deficits, a stable exchange rate, and low interest rates. This is the best way in which confidence among investors and ordinary Kenyans can be built and maintained. A stable economic environment also works in favour of the poor who stand to lose the most in periods of high inflation and wide fluctuations in the other macro-variables. All the programmes and projects proposed under the Vision 2030 ought, therefore, to be subjected to the parameters and criteria set under the macroeconomic stability framework.

Kenya remains committed to continuing and sustaining the wide range of governance reforms stipulated in various policy and legal instruments and the constitution. These reforms are considered necessary as a foundation for creating a better and conducive business environment.

#### 3.2 The role Co-operatives in the National Development Agenda

The Government recognizes the role of co-operative enterprises as critical players in the pursuit of the Kenya Vision 2030's social and economic objectives; namely rapid economic growth and equitable and sustainable development. Co-operatives are considered crucial vehicles for mobilization of domestic resources for investment in productive economic activities. The main objective of this sub-sector is to facilitate institutions to evolve efficient management systems and practices to enable them play their role in addressing the key national objectives namely savings mobilization, improved access to affordable credit and other financial services, improved productivity, processing, and marketing of value added goods and services.

The main sectoral agenda is to create an enabling policy, legal and regulatory framework; improving corporate governance, and tackling the production and marketing constraints facing the sector. This role will be achieved through the implementation of the following interventions:

- Creating an enabling policy, legal and regulatory framework for the subsector;
- Restructuring and strengthening key co-operative institutions;

- Exploiting opportunities in value addition to local agricultural produce and raw materials and services;
- Entrenchment of good corporate governance and best business management practices in the subsector;
- Strengthening regulatory, advisory and business support institutions to discharge their various mandates in the subsector.
- Promoting financial access and inclusion

### **3.3 Key Issues and Challenges in the Co-operative Development Agenda**

Kenya is still confronted with major developmental challenges as it transits to the 2<sup>nd</sup> Medium Term Plan (MTP) of the Kenya Vision 2030 (2013-2017). The identified key issues and challenges facing the sector fall into, economic, socio-cultural, technological, legal and environmental dimensions.

#### **3.3.1 Low domestic savings and investments**

Despite concerted efforts over the years, Kenya has not been able to achieve the desired levels of savings envisaged in the KV2030 and considered sufficient to finance desired levels of investments. Savings, as a percentage of GDP, declined from 14.4% in 2008 to a low of 11.9% in 2012, against the targeted 16.2% and 27.7% respectively. On the other hand, the share of investments of the nation's GDP has stagnated at around 20%, against the targeted 23.2% and 32.6% over the same period respectively.

#### **3.3.2 High cost of finance**

Financing investments, especially long gestation projects, requires huge upfront expenditure outlays and operational and working capital before these projects can start yielding returns. This has been a major challenge to many investors on account of:

- Limited access to long term financing instruments;
- Stringent bureaucracies and collateral requirements, especially for small enterprises; and
- High interest rates relative to returns on investments

#### **3.3.3 Competition to SACCOs from other Financial Institutions**

An emerging challenge is the potential exposure and subjection of SACCOs to the vagaries of the liberal financial system, especially systemic risks. Equally, the SACCO Act, which is intended to implement and institutionalise prudential standards and establish regulatory structures, poses a challenge to many stakeholders to comply, especially weak and small SACCOs. The rapid integration of all sectors of the economy portends more competition with other players in the traditional areas of co-operatives. For SACCOs, financial integration requires that they modernize their systems to offer competitive services obtaining in the wider financial system.

### **3.3.4 Market Access**

Most of Kenya's products are facing stiff competition in the local, regional and global market due to relative high domestic cost of production inefficient infrastructure services, non-compliance to international standards and non-tariff barriers (sanitary and phyto-sanitary measures).

### **3.3.5 Other generic domestic challenges are summarised below:**

- High dependence of the country on rain-fed agriculture as a source of raw materials;
- Low agricultural productivity;
- Insufficient technical skills and personnel;
- Poverty, inequality and unemployment; and
- Socio-cultural barriers to trade

## **3.4 Kenya Vision 2030 Flagship Projects**

The primary projects for implementation under the co-operative sector include the following:-inputs cost reduction, value addition and market access to agricultural commodities, financial services deepening and development of livestock Disease Free Zones for production of premium quality beef and other livestock products. Other projects and programmes to be implemented during the period include nurturing good corporate governance, restructuring and revitalization of key co-operative institutions and capacity development.

### **3.4.1 Corporate Governance and Management.**

Corporate governance remains as one of the most important challenges facing the management, stability, sustainability and growth of the cooperative sub-sector in Kenya. Inadequate management skills and safeguard measures have exposed the co-operative movement to leadership and management shortfalls that are manifested in disregard for norms of effective and efficient management practices. Gaps in instituting prudent management and safeguard measures have often led to sub-optimal performance of the subsector, reduced returns to affected co-operative society members, leading to reduced patronage of societies.

For a consolidated approach, the Ministry established an Ethics Commission for Co-operative Societies (ECCOS) as a specialized agency in recognition of the peculiar characteristics of the movement and the need to devise special intervention and effective sanction mechanisms. The objective of the initiative is to improve governance strategies, consolidate governance practices and ethical principles in the management of co-operatives.

### **3.4.2 Inputs Cost Reduction**

Increased productivity is one of the key drivers of a modern agriculture. However high cost of fertilizers is a key constraint in agricultural production. The KV2030 proposes a three tier fertilizer cost reduction strategy comprising of bulk procurement of fertilizer, domestic

blending and packaging; and support for establishment of a fertilizer manufacturing plant to meet national and regional fertilizer requirements.

Current fertilizer demand stands at 450,000 metric tonnes (all imported), and is projected to grow to over 1 million metric tonnes in the medium term. The newly established Kenya Farmers Cooperative Union (KFCU) is expected to handle bulk purchase and distribution of fertilizer and other farm inputs in order to make them affordable to farmers. Once on foot, the KFCU targets to be importing on a quarterly basis 125,000 metric tonnes of fertilizer.

### **3.4.3 Co-operatives Role in Disease Free Zones**

The Government recognizes the importance of livestock as a source of livelihood for communities living in ASAL areas. The Ministry has supported pre-investment activities in three co-operative society ranches in the ASAL areas (Witu in Lamu, Issa Godana in T/River and B2 Yatta in Kitui counties) to prepare the ranches get certification for quality premium livestock products – land tenure, bush clearing, quality breed restocking, pasture development, farm infrastructure and ecotourism facilities. While still working on more expansive zones to actualize this economic pillar, the three ranches provide a prime pilot scheme to serve as a demo for other ranches and designated pastoral areas to emulate.

### **3.4.4 Financial Services Deepening**

Financial integration requires that SACCOs modernize their systems to offer competitive services obtaining in the wider financial system. Other initiatives include development of appropriate financial products that conform to the needs of the co-operator; expand their size and business volumes to achieve lower transaction costs, thus increasing returns to members.

SASRA's brief is to ensure that proper financial procedures and prudential standards are established and maintained for the deposit taking SACCOs. For small societies with sub-optimal capital bases, the Ministry will encourage mergers to enable them form larger entities to reap the benefits of economies of scale.

In the absence of an active secondary market for members shares that would continuously revalue these shares according to the performance and prospects of the real underlying asset base of the society, the par value of the shares do not reflect their true current worth. The Government will encourage and support establishment of the requisite structures and guidelines for a secondary market outlet for members' shares, rather than the current case where members withdrawing or leaving their societies (after leaving employment for instance etc.) only receive reimbursement of their nominal share value, despite their society owning long-term yielding investment assets to which they ought to have a stake in. This flagship will endeavour to establish an active share trading counter or facility akin to the Nairobi Stock Exchange (NSE).

### **3.4.5 Promotion of Marketing and Value Addition**

Co-operatives have played a critical role in the production, processing and marketing of major agricultural commodities and services through agricultural marketing cooperatives. The limited degree and scope of value addition to agricultural commodities and direct penetration to markets leads to reduced net returns to farmers and loss of other multiplier benefits occasioned by further processing into higher value products and by-products (e.g. employment in processing, forward and backward linkages with other service and complementary raw materials suppliers etc).

The Directorate of Co-operatives prioritised and built skills capacity in product value addition in six value chains: coffee, horticulture, honey, fish, milk and mangoes. A few ventures in the recent past have demonstrated the potency of value addition in increasing societies' returns and other benefits to the local (rural) economy.

In the 2<sup>nd</sup> MTP the focal areas that individual co-operatives and the Government will need to intervene and implement are: -

- Conclude value addition initiatives embarked during MTP1
- Develop other specific value addition and marketing strategies for major products handled by co-operatives.
- Provide nominal Government capital injection in deserving co-operative societies or depressed industries and regions where the private sector has not shown any commercial interest; especially in the ASALs

### **3.4.6 Promotion of Co-operatives - Private Sector Partnerships (CPPs)**

The thrust of the Ministry's role in the concept of CPPs programme is to create the necessary business environment for the private sector to partner with co-operative societies for injection of additional investment capital, technology and management services, either partially or through establishment of joint ventures with cooperatives. In those sub-sectors requiring major investments (dairy, agro-food processing, and manufacturing etc.), co-operatives often have to raise considerable funds to undertake investments in new facilities, acquisitions, and modernization of production equipments. Hence such co-operatives will be encouraged to change their by-laws to establish partnerships with private businesses for additional resources.

In this context the Ministry will spearhead the cascading of the provisions of the Public-Private Sector Partnership Act to the movement and prepare model partnership instruments to enable co-operatives maximize their benefits and safeguard them from skewed partnership schemes.

### **3.4.7 Co-operatives Role in Wholesale/Retail Trade Hubs**

The Development of wholesale hubs is one of the key interventions under the KV2030 in which the Government will support and facilitate construction of 10 ultra-modern model Wholesale Hubs which are meant to be replicated country wide. The target is also to organize 1,000-1,500 Produce Business Groups. The Government will then play a collaborative role in mobilizing producer co-operatives to supply produce to these wholesale hubs. Organized wholesale trade will also make it possible for producers in one locality to establish market linkages outside their local areas.

## CHAPTER 4

### POLICY OBJECTIVES, INSTITUTIONAL AND LEGAL FRAMEWORK

#### 4.1 Vision

*Maximize the participation of Sharia observant Kenyans in the co-operative movement*

#### 4.2 Mission

*To facilitate the development of a robust and competitive Sharia compliant co-operative industry*

#### 4.3 Strategic Objectives

The overall objective of this policy is to institutionalize observance of Sharia compliance principles in co-operative development through the necessary legal and institutional reforms. The ultimate goal is to create a conducive business environment for Muslims to exploit the potential inherent in the co-operative business model to grow their economies and improve on the competitiveness of their enterprises.

Other objectives include:

- Facilitate development of appropriate products and services;
- Enhance mobilization of savings and investment resources from hitherto untapped potential of the Sharia observant communities;
- To create an enabling environment for capacity building on Sharia Compliance, financial and business models;

#### 4.4 Structure of the Kenya Cooperative Movement

The co-operative movement is organized into a four-tier system consisting of primary, secondary, National Co-operative Organizations (NACO's) and the Apex organization.

National Co-operative Organizations' membership consists of primary and secondary co-operative societies drawn from across the country and offer specialized services to their affiliates, which include; commodity processing and marketing, housing, transport and financial services such as Banking and insurance.

Co-operative unions (secondary societies) whose membership is drawn from primary cooperative societies were initially developed as focal points for co-operative activity within a county (previously Districts). Apart from marketing produce on behalf of affiliate primary societies, they offer centralized functions such as bookkeeping, accounting, bulk purchasing of farm inputs, training and extension services.

Cooperative institutions will be encouraged to embrace and introduce Shari compliant products to support the Muslim community who currently are not fully participating in the cooperative movement for lack of products and services that are acceptable to their faith. In

addition, new cooperative societies will be promoted and registered in order to specifically offer Sharia compliant products and services.

#### **4.5 Role of Government and Quasi Government Agencies**

Besides the cooperative movement the Government and quasi-government institutions play a key role in the cooperative subsector. There will be need to engage them and build their capacity to enable them deliver services according to their mandate. Government officers carry out inspections, inquiries and audit, which then require that they be trained on Sharia compliant products and services. SASRA whose mandate includes; oversight and carrying out inspections in withdraw-able deposit taking SACCOs will require its staff trained on Sharia related business services.

All stakeholders involved in the promotion of cooperatives need to appreciate the principles, values, legal and policy framework of Sharia Compliant cooperatives. In order to ensure that all players in the cooperative movement operate efficiently in the delivery of Sharia compliant products and services, there will be need to enhance institutional capacity.

#### **4.6 Professionalizing the Boards and Management**

In order for institutions to carry out the promotion, registration, auditing, supervision and inspection the sector must be prepared to engage professionals who are familiar with Sharia principles and values.

It is expected that all the organisations will provide for the engagement of Sharia experts in the Board of Directors and Sharia Supervisory Board. This calls for affirmative action as appointment or election of the management board members from the Muslim community will endear and enhance confidence, membership growth and investments.

#### **4.7 Regulatory and Oversight Functions**

The Commissioner for Co-operative Development has powers to order inquiries and inspections into the affairs of co-operative societies. The appointing authority will ensure that one or more of the inquiry officers is conversant with Sharia compliant products and services. This enforcement of the legal provisions relating to inquiries and inspections is intended to improve governance in Sharia compliant cooperatives. In order to have qualified persons from where the Commissioner would appoint officers to carry out that mandate, the Government must build the capacity of its own staff.

#### **4.8 Legal and Regulatory Framework**

The current legal framework accommodates any new products that will be developed under the Sharia Compliance Development Policy. For this reason therefore, cooperatives that intend to offer Sharia compliant products and services can do this without necessarily seeking exemption from the full application of the law. This in effect means that cooperatives will



only require to amend their By-laws in the normal process in order to offer Sharia compliant products and services. Amendment of By-laws for existing societies that are desirous of introducing Sharia compliant products will be expected to follow the procedures as provided in the Cooperative Societies Act and Cooperative Rules. Any cooperative society that intends to offer sharia compliant products and services should ensure that their By-laws are in accordance with this and any other relevant policy.

In order to ensure compliance with necessary laws and policies there shall be a National Sharia Co-operative Advisory Board whose mandate is to ensure that all registered Sharia compliant co-operative societies do comply fully with the tenets of Islamic faith in accordance with the provisions of the Holy Qur'an. Equally every registered Sharia compliant cooperative society will be required to appoint a Sharia Supervisory Board in accordance with this policy. For audit services a fully fledged Sharia compliant society, will select from a Sharia compliant pool of auditors. Where a co-operative society is offering Sharia compliant products and services it will be required to conduct quarterly Sharia compliance reviews and annual audits for purposes of compliance and enforcement of good corporate governance.

#### **4.9 Dispute Resolution Mechanism**

Disputes arising between members, past members and the society will be resolved for tranquility in the society. A mechanism will be established in accordance with Islamic dispute resolution mechanisms as shall be established at the Cooperative Tribunal. In the event a party is dissatisfied by the decision of the Cooperative Tribunal he may appeal to the High Court.

#### **4.10 Investment of Cooperative Funds**

The legal framework provides for many potential institutions in which cooperatives can invest their funds. This therefore means that Sharia compliant cooperatives can decide among those institutions where to invest without compromising the principles of Sharia. This policy therefore envisages ample opportunities to be exploited by Sharia cooperative societies.

#### **4.11 Auditing of Sharia Compliant Cooperative Societies and Products**

The Ministry in collaboration with the Institute of Certified Public Accountants of Kenya (ICPAK) will develop policies and procedures for auditing of Sharia compliant cooperative societies.

#### **4.12 Surplus Distribution Mechanism**

The Cooperative shall distribute net surplus realized from the Common Musharaka Pool (CMP). The By-laws of the societies shall clearly identify funds available for investment in the CMP. The total income from financing activities, fees and commissions from services shall be ascertained. Consequently, all expenses, direct and indirect, of the CMP shall be deducted to realize the Cooperative's net surplus. The By-laws shall clearly identify distributable surplus and any reserve to be maintained or retained.

#### **4.13 Surplus Equalization Reserve**

The Cooperative shall maintain a Surplus Equalization Reserve (SER). The cooperative can employ SER to appropriate surplus before any distribution in order to ensure certain level of cushion for member's returns. The Sharia Supervisory Board (SSB) shall advise and monitor transfer of funds from distributable surplus and the SER. The society's By-laws shall clearly stipulate these provisions.

## CHAPTER 5

### PRODUCTS, SERVICES AND FINANCING MECHANISM

#### 5.1 Introduction

Integrating Islamic finance in Kenya's co-operative movement is earmarked to support Government's efforts in wealth creation, development and poverty reduction. This Policy on Sharia compliant cooperatives seeks to establish an enabling environment for persons who may have been alienated from the cooperative movement by virtue of their religious beliefs. Financial deepening and inclusion is a key ingredient in achieving Kenya's Vision 2030.

Sharia compliant cooperatives will be established on partnership (Musharaka) principles. Members will partner in pooling resources and capital together for their common good. The cooperative shall provide services, such as marketing, engage in income generating activities and any surplus distributed for the benefit of all members. The following are the main liability, asset and service contracts to be employed by Sharia compliant cooperatives in developing their products:-

#### 5.2 Membership

The Cooperative shall register members and receive membership fees based on the Musharaka (partnership) principle. The By-laws shall clearly state the minimum number of shares to be held by a member. The aggregate shares held by the members shall form paid-up-capital which shall earn members dividends on pro-rata basis. The cooperative shall employ the Musharaka principle to mobilize deposits from members for savings and investment purposes.

#### 5.3 Liability Products (Accounts)

##### 5.3.1 Savings Accounts

Savings accounts shall be based on Musharaka principle. The Musharaka pool will be invested on behalf of all members (participating in the Musharaka pool) and any surplus (profit realized) distributed among members on pro-rata basis. In the event of a loss, the loss shall be shared between members on pro-rata basis unless the management caused the loss.

##### 5.3.2 Current Accounts

Current accounts shall be based on Wadi'a (trust) principle. The Cooperative Society can invest the Wadi'a deposits but guarantee the same. The depositors from the pool of current account funds shall not be entitled to any surplus. The Cooperative can charge for any services rendered to the account holders

### ***5.3.3 Investment Account***

Investment accounts shall be based on Wakala(agency) principle. The Wakala pool will be invested on behalf of principal members (participating in the Wakala pool) and any surplus (profit realized) distributed among members on pro-rata basis. In the event of a loss, the loss shall be shared between principal on pro-rata basis unless the management caused the loss.

## ***5.4 Asset Products (Financing Products)***

### ***5.4.1Mudharaba***

The Cooperative shall in line with Mudharaba principles avail hundred percent capital to a trustworthy member for either restricted or unrestricted viable business ventures. Upon realization of profit, the member will, vide a Profit Declaration Form inform the cooperative society of the profit and instruct the society to debit his account with agreed percentage of profit or pay the profit directly. In case of a partial or total loss caused by reasons beyond the member's control the cooperative society shall bear all the monetary loss alone without recourse to any security or collateral provided or guarantor.

### ***5.4.2 Investment Musharakah***

The cooperative shall in line with Investment **Musharaka** principles avail a fraction of the Musharaka capital to a trustworthy member for either restricted or unrestricted viable business venture. Upon realization of profit, the member will vide a Profit Declaration Form, inform the cooperative of the profit and instruct the cooperative to debit his account with agreed percentage of profit or pay the profit directly. In case of a partial or total loss caused by reasons beyond the members control the cooperative shall bear a proportion of the loss equal to its capital contribution in the venture or business without recourse to any security or collateral provided or guarantor.

### ***5.4.3 Musharaka Ending With Ownership (Diminishing Musharaka)***

The cooperative society shall in line with Diminishing Musharaka principles acquire assets in partnership with the respective members for the ultimate benefit of the members. Subsequent to the co-ownership, the cooperative society shall gradually sell its shares in the financed asset to the member at a pre-agreed price for each repayment period. During the currency of the Diminishing Musharaka facility the cooperative society shall bear any major maintenance costs, Takaful (Sharia compliant insurance) and any applicable costs under Sharia.

### ***5.4.4 Murabaha***

The cooperative shall in line with Murabaha principles acquire assets/goods for the benefit of the member and after assuming physical or constructive possession sell the same to the

member, declaring acquiring costs and its profit amount. The cooperative society may contract the member as its agent for the purpose of acquiring the **Murabaha** assets/goods.

#### ***5.4.5 Ijarat-alkhadamat (Service Provision Contract)***

The cooperative shall in line with ***Ijarat-alkhadamat*** principles provide services for the benefit of its members at a fee. The cooperative may sub-contract a service provider to provide the services on its behalf without but maintain ownership risk or remain legally responsible for the provision of the contracted services. The Cooperative Society may contract the member as its agent for the purpose of contracting a service provider.

#### ***5.4.6 Tawarruq (Monetization)***

The cooperative society shall in line with Tawarruq principles and in instances where there is no other applicable contract, finance by way of Tawarruq. The Society shall acquire Tawarruq asset/commodity from a third party assume ownership and possession, then sell the Tawarruq asset to the member at a profit on deferred payment basis. The cooperative shall not under any circumstances act on behalf of the member to dispose the Tawarruq asset/commodity.

#### ***5.4.7 Salam (Forward Sale)***

The cooperative society shall in line with Salam principles purchase from its members on cash basis for future delivery Salam assets. The Society shall employ a parallel Salam by engaging and selling the Salam asset to buyers thereby creating a value chain for its members.

#### ***5.4.8 Qardh hasana (Interest Free Loan)***

The cooperative society shall in line with Qardh (loan) principles award its members interest free (cash loans). The Society shall charge actual cost incurred in processing and awarding the cash loan. The Cooperative shall not charge or receive any interest at any time.

#### ***5.4.9 Marketing and other Services***

The cooperative Society shall in line with Ijara (service provision) principles provide needed services and charge and receive services fee. The service charge levied will be adequate to cover the cost of administering the facility provided and any excess funds will be available to be shared out between the cooperative society and the member.

#### ***5.4.10 Ijara (Financial Lease )***

The cooperative society shall in line with Ijara (Islamic lease) principles acquire assets and lease the asset to the member at a pre-agreed lease amount. During the currency of the Ijara facility the cooperative society shall bear any major maintenance costs, Takaful (Sharia compliant insurance) and any applicable costs under Sharia.

#### ***5.4.11 Ijara wa iqtina (Lease Ending with Ownership)***

The cooperative society shall in line with Ijara (Islamic lease) principles acquire assets either solely or in partnership with the respective members for the ultimate benefit of the members. Subsequent to the acquiring the Ijara asset, the cooperative society shall lease the asset to the member at a pre-agreed lease amount. During the currency of the Ijara facility the cooperative society shall bear any major maintenance costs, Takaful (Sharia compliant insurance) and any applicable costs under Sharia. On expiry of the facility period, the cooperative will sell the Ijara asset at a nominal price to the member and execute transfer of ownership of the Ijara asset.

### **5.5 Financing Mechanism**

Capacity building and sensitization is critical for the successful implementation of this policy and uptake of the Sharia compliant products and services. New institutions will need to be established to develop and facilitate the growth of this subsector, including an inclusive dispute resolution organ, and a national Shari'ah Supervisory Board whose functions will be funded by the stakeholders.

It is therefore obvious that this process and activities therein will require funding from the Government, Cooperators, the Private sector and other partners. All potential partners will be encouraged to finance and support the Government and the cooperative movement to attain the objectives set out in the overall Cooperative Development Policy and the Sharia Compliant Cooperative Development Policy.

The role of NACOs in the growth and development of cooperatives is important and must be recognised and appreciated. In this case therefore NACOs are expected to take an active part in implementing necessary institutional reforms within their own organizations. New systems to accommodate Sharia compliant products and services will need to be developed. This calls for the NACOs to prepare adequately for this eventuality. Under their corporate social responsibility they will be called upon to support financially in this process.

One of the new areas of cooperative business is Joint ventures and Cooperative-Private Partnerships. With the introduction of Sharia Compliant products partners who appreciate these products are expected to seek partnerships with the cooperative movement. The new partners will provide necessary resources for the establishment of the partnerships including relevant skills and technology which may be lacking within the current cooperative leadership. Structured partnerships and joint ventures is what this policy advocates for, for the mutual benefit of all partners.

Development partners have in the past done well in terms of support in the growth and development of cooperatives. The Sharia compliant model of doing business in cooperatives is expected to attract partners whose intent is uplifting the living standards of the Muslim community. The need to create wealth and generate employment opportunities for the Muslim community will most likely encourage organizations and individuals to focus their efforts to the cooperative movement. All the stakeholders should find ways of supporting this

nascent model to ensure its success. This support will come in handy in the implementation of this policy and in the realization of the objectives set out.

## CHAPTER 6

### MONITORING, EVALUATION AND REPORTING

#### 6.1 Monitoring, evaluation and reporting framework

Monitoring, evaluation and reporting will form a critical feature of the implementation of this policy. The key players in implementation will be the Ministry's departments and its State Corporations along with co-operative institutions. This will entail regular data collection and analysis on the progress made in the implementation of the policy. The output of the process will be used to inform decision-making, including taking corrective action from the lessons learnt.

The Central Planning and Project Monitoring Unit (CPPMU) is expected to coordinate the monitoring and evaluation of the implementation of all projects under the Ministry and relay the information in line with the National Integrated Monitoring and Evaluation System (NIMES) requirements. The monitoring indicators will be based on the key performance indicators developed from the objectives of the Ministry. For this noble role to be achieved, the Ministry will develop and maintain a baseline data of key indicators under its programmes, projects and activities.

The evaluation of the impact of this Sharia Compliant Cooperative Development Policy will be carried out periodically with a view to establishing any gaps and take corrective measures. All stakeholders are expected to be actively involved in this exercise in their own organizations and the various cooperatives that they are engaged in. Appropriate recommendations will often be provided by those responsible and necessary interventions made.

Table 6.1. Monitoring, Evaluation and Reporting Responsibilities

No	TASKS	RESPONSIBILITIES
1.	Policy formulation, resource mobilization, and collaboration with other stakeholders and taking action	Cabinet Secretary, Principal Secretary, CCD
2.	Design M & E tools and coordinate and Supervise data collection, analyze data, generate M&E reports	CPPMU
3.	Implement Policy, collect data, receive feedback, and implement decisions and prepare reports.	HoDs,



## ANNEX 1: Sharia Compliant Cooperative Development Policy Implementation Matrix

**PURPOSE:** To create a vibrant policy environment for development of Sharia

Compliant co-operative industry

### **Strategic Objectives**

- (a) To promote access to affordable financial services and inclusiveness
- (b) To promote new co-operative ventures and development of innovative products and services
- (c) To enhance good corporate governance and best business management practices in the sector
- (d) To create an enabling policy, legal and regulatory framework for sustainable cooperatives
- (e) To promote product development, diversification and marketing efficiency by co-operatives
- (f) To create employment opportunities within cooperative movement

### **Strategic Interventions**

- i. Enact requisite Model By-laws
- ii. Streamline/strengthen co-operatives regulatory framework
- iii. Institutional capacity building for a Sharia compliant co-operative industry
- iv. Improving market access and efficiency;
- v. Building the capacity of co-operatives to undertake value addition

Exploration of new financial and investment opportunities for co-operatives.

<b>POLICY OBJECTIVE</b>	<b>EXPECTED OUTPUTS</b>	<b>TARGET 2013/14</b>	<b>TARGET 2014/15</b>	<b>Budget 2013/14</b>	<b>Budget 2014/15</b>
To strengthen legal, policy and regulatory Framework for cooperative development	Sharia Compliant Policy and Model By-laws	Finalize, launch and implement Policy and By-laws		2,000,000	
	Establishment of Sharia compliant Registration, Inspection and Audit framework	Streamline Registration of societies, Designate Sharia Compliant Audit, Inspection and inquiry Units in Government and the Private Sector			1,000,000
	Capacity build for Sharia compliant extension staff	Train at least 2 officers in each county with high concentration of Muslims on Sharia compliant business Practices	Strengthening the capacity of NACOs to accomodate Sharia compliant business practices and ethics..		1,000,000
		Train at least 2 officers in each county with high concentration of Muslims on Sharia compliant business Practices	Strengthening the capacity of NACOs to accomodate Sharia compliant business practices and ethics..		1,000,000
			Retrain the technical staff charged with the responsibility of regulating the sector on sharia compliant business practices .		2,000,000
To improve access to financial services and credit through co-operatives	Partnerships and protocols entered into between co-operatives and other Institutions		Develop linkages between SACCOs and other types of co-operatives for sustainable financing of Sharia compliant co-operative investments		500,000
	No. Of Sharia Compliant financial products		Develop Sharia compliant financial products and instruments		500,000
To improve market access and marketing efficiency by co-operatives	2 regional Training workshops	Undertake marketing training programmes to improve the marketing functions in Sharia h compliant products	Undertake marketing training programmes to improve the marketing functions in Sharia h compliant products		1,500,000
	Report on new Sharia compliant investment opportunities		Exploration of new investment opportunities for co-operatives		500,000
Institutional capacity building for the co-operative movement to meet the challenges of a competitive market economy	Trained management committees on Sharia h Compliant busienss services/practices	Train management committes on Sharia h Compliant busienss services/practices	Train management committes on Sharia h Compliant busienss services/practices		900,000
To strengthen underperforming Sharia h Compliant cooperative societies	3 shariah compliant societies operating optimally	Re-launch the societies under the new legal regime	.		400,000
		Launch aggressive registration of new members			500,000
Build institutional Capacity for Monitoring & Evaluation of Shariah Compliant co-operatives	Trained Minstry& NACOs staff on M&E	Train 30 staff on M&E of Sharia compliant business activites			500,000
<b>TOTAL BUDGET</b>				<b>2,00,000</b>	<b>10,300,000</b>