



SACCO STANDARDS OPERATIONS MANUAL (SSOM)

August 2024



NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT
PROJECT (NAVCDP)

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ACRONYMS AND ABBREVIATIONS

AGM	Annual General Meeting
AOB	Any Other Business
CAFO	County Agriculture Finance Officer
CAN	Client Needs Assessment
CBO	Community Based Organisation
CCD	Commissioner for Cooperative Development
CDDC	Community Development Driven Committee
CEC	Chief Executive Committee
CECM	Chief Executive Committee Member
CGMC	County Grievance Management Committee
CIGs	Common Interest Groups
CO	Chief Officer
CPCU	County Project Coordinating Unit
CPSC	County Project Steering Committee
CTAC	County Technical Advisory Committee
FIMG	Financial Inclusion Matching Grant
FLID	Farmer Lead Irrigation Development
FPO	Farmer Producer Organisation
GBV	Gender based violence
GM	General Meeting
HR	Human Resource
ICT	Information Communication Technology
KALRO	Kenya Agriculture, Livestock & Research Organisation
KCSAP	Kenya Climate Smart agriculture Project
M&E	Monitoring and Evaluation
MC	Management Committee
MCM	Monthly Committee Meeting
MIS	Management Information System
MIS	Management Information System
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
NAFO	National Agriculture Finance Officer
NARIGP	National Agricultural and Rural inclusive Growth Project

NAVCDP	National Agricultural Value Chain Development Project
NGMC	National Grievance Management Committee
NHIF	National Hospital Insurance Fund
NPCU	National Project Coordination Unit
NSSF	National Social Security Fund
P.A.Y.E	Pay As You Earn
PICD	Participatory Integrated Community Development
SACCO	Savings and Credit Cooperative
SCM	Sub Committee Meeting
SEAH	Sexual exploitation, abuse and Harassment
SGM	Special General Meeting
SMEs	Small and Medium Enterprises
SSOM	Sacco Standards Operations Manual
TA	Tripartite Agreement
TIMPs	Technologies, Innovations and Management Practices
TNA	Training Needs Assessment
VAT	Value Added Tax
VMGs	Vulnerable Marginal Groups



1.0. INTRODUCTION

1.1 OVERVIEW OF NAVCDP

The National Agricultural Value Chain Development Project (NAVCDP) is a Government of Kenya project with co-funding from the World Bank, National and county Governments. The project is being implemented in 34 counties targeting to increase market participation and value addition for farmers in select value chains prioritized for NAVCDP and coordinated by the NPCU. This is a 5-year project whose implementation commenced in September 2022 and it is expected to close in December, 2027.

The development objective of NAVCDP is to “increase market participation and value addition for targeted farmers in select value chains in project areas.” NAVCDP will build on the strong foundation laid by previous projects namely National Agricultural and Rural inclusive Growth Project (NARIGP) and Kenya Climate Smart agriculture Project (KCSAP). The project will deepen investments in existing interventions around productivity enhancement, community-led farmer extension, water management investments, and data-driven value chain services. Additionally, the project will introduce intensified infrastructure investments into select value chains to support aggregation and commercialization, scale up value addition and market linkages with agribusiness off-takers and SMEs, support FLID, enhance access to credit and financial services and develop proof of concept around Urban Food Systems and peri-urban agriculture in select clusters. Project investments such as access to credit, climate information services, and development of irrigation and market infrastructure are envisaged to be value chain neutral and will universally support smallholder transition towards commercial agriculture.

1.2 NAVCDP COMPONENTS

Component 1: Building Producer Capacity for Climate Resilient Stronger Value Chains.

Interventions and activities in Component 1 are geared towards building producer-level capacity for enhanced market participation and transition towards commercial agriculture with farmer groups and Farmer Producer Organizations (FPOs) as primary platforms for program delivery. Linkage of CIGs to FPOs are universalized for stronger market participation and high-quality technical assistance support will be extended to FPOs for building long-term agri-business capacity.

Component-2: Climate Smart Value Chain Ecosystem Investments-

This component focuses on supporting enabling ecosystem investments identified as part of county level, regional level (spanning several counties), and national value chain development plans. These ecosystem investments, aimed at improving access to irrigation, boosting market participation of smallholder farmers, and catalyzing higher value addition, include; a) Water resource management interventions comprising of Farmer-led Irrigation Development (FLID) interventions and investments including those related to water harvesting and water use, b) Investments into market support and value addition infrastructure at county level, c) Investment support for wide-scale adoption of Digital Agriculture Technologies and integration of Big Data platform for farmer services, and d) Investment support for active linkages with agriculture research institutions, technical assistance and private sector linkages.

Component 3: Piloting Safer Urban Food Systems- The overall objective of this component is to strengthen: (i) urban and peri-urban agriculture, (ii) urban market infrastructure and (iii) Policy and institutional strengthening. The component supports the rollout of Urban Food System pilots in Nairobi and parts of Kiambu, Kajiado and Machakos as the peri-urban areas. The focus is to demonstrate proof of concept of an efficient, climate-smart, and safe urban food system. The component supports the development of safer food production systems, enables stronger linkages between peri-urban clusters and urban markets, improves direct farmer-to-urban consumer linkages, build higher consumer awareness around food safety and nutrition, and facilitates improved institutional coordination and policy environment for urban food safety.

Component 4: Project Coordination and Management-This component finances activities related to national and county-level project coordination, including planning, fiduciary (financial management and procurement), staffing and human resource (HR) management at the national level, environmental and social safeguards implementation, monitoring and compliance, development of the MIS and ICT, regular M&E, impact evaluation, communication, knowledge management, and citizen engagement. In addition, in the event of a national disaster affecting the agricultural sector, resources will be reallocated through this component.

1.3 OBJECTIVES OF SACCO FORMATION

The objective of SACCOs formation is to support enhanced and inclusive access to credit, savings, and other financial services to small-farmers, enabling adoption of resilience building technologies, innovations, and management practices (TIMPs)

SACCOs to be supported under NAVCDP will:

- Function as inclusive community based financial institutions to deliver a range of savings, credit and financial services to members or shareholders
- Integrate principles of inclusion and equity in its operations to ensure that vulnerable

groups especially women, small farmers and young entrepreneurs can access affordable credit.

- Deliver customized financial products suited to local context and value chain
- Support digitally enabled financial service delivery to maximize transparency, accountability, and member awareness
- Contribute to building digital credit histories for members or shareholders and leverage additional formal financing at institutional and individual level.
- Build digital and financial literacy for members or shareholders for sustainable financial inclusion.

1.4 ACCESS TO AFFORDABLE CREDIT THROUGH SACCO'S

Access to affordable credit for small-scale farmers can accelerate value chain development through TIMPs adoption to enhance commercialization and upscaling of value chains. NAVCDP uses community driven and value chain development approach. The project targets about 4.5 million farmers to be mobilized and organized into Common Interest Groups (CIGs) and Vulnerable and Marginalised Groups (VMGs) both to be linked to SACCOs and Farmer Producer Organizations (FPOs).

NAVCDP will provide a one-time inclusion grant for the support of SACCO institutional set up, hiring of a bookkeeper and for member mobilization. Each SACCO will be digitized at registration stage to enhance efficiency, minimize costs, provide data analytics for informed decisions and improved transparency. Initial SACCO capitalization will be enhanced through a matching grant from the project based on member shares/savings to be revolved to members through value chain specific short-term loan products at affordable interest rates.

The project will adopt a saturation approach in the mobilization, establishment and registration of 1,095 SACCOs in all the wards of 34 project counties. Collectively, these SACCOs will be expected to register approximately 4.5 million farmers as SACCO shareholders, mobilize Kshs.3.2.million in shares/savings and revolve approximately Ksh 95 billion in affordable credit to an estimated 2 million smallholder farmers.

1.5 PURPOSE OF THE SACCO'S STANDARD OPERATION MANUAL (SSOM)

The purpose of this operation manual (SSOM) is to provide standard operational guidance to community institutions stakeholders including; Sacco's members, SACCO leaders, CPCUs, CDDCs and other project stakeholders in the implementation of the financial inclusion grants.

This manual shall be applied alongside the approved Community Financing Manual in conjunction with the standard By-laws adopted by the SACCO ,CIG/VMG groups constitutions and the Co-operative legislation and Rules governing the Sacco sub sector in Kenya.

The manual seeks to provide;

- Standard operations framework for running the SACCO business
- Standardized procedures in the selection process of existing SACCOs and registration of new ones at the ward level to participate in the project
- Pre-requisite procedures for project beneficiaries to be enrolled in a SACCO.
- Procedure for eligible SACCO to access inclusion and matching grants under the project
- Framework for administration of grants and revolving loans to project beneficiaries
- Internal controls and compliances required for a sound operating SACCO
- Grievances & redress mechanism including conflict resolution among SACCO stakeholders

2.0. FORMATION AND SELECTION OF SACCO AT WARD LEVEL

The project is undertaking a saturation approach to onboard at least one SACCO in every project ward. Within a ward, the project will identify either a suitable existing SACCO or promote and register a new SACCO to which the project beneficiaries (CIGs/VMGs and FPOs) will be linked. The SACCOs as they fulfill eligibility milestones, will be supported with inclusion grant to expand the member base and a matching grant to create a revolving fund to be advanced to members as loans. In each ward, the CPCUs will undertake a diagnostic mapping and grading of all existing SACCOs to determine whether a new or an existing SACCO will be leveraged upon. The project has developed digital mapping tools and grading criteria to guide the process. The qualifying existing SACCO as per the grading will also be vetted before it is selected. The vetting criteria checklist is annexed in the Community Financing Manual.

Once finalized, both the existing as well as newly formed SACCOs will undergo a structured capacity building process with specialized and or refresher trainings based on the SACCO lifecycle. The newly registered SACCOs' area of operation shall be the ward in which it is registered, which shall constitute its common bond. There are advantages and drawbacks in selecting existing SACCO for the intervention and vice versa. The table below outlines some of the key areas where existing SACCOs maybe better suited for the intervention and, scenarios where formation of a new SACCO maybe preferable.

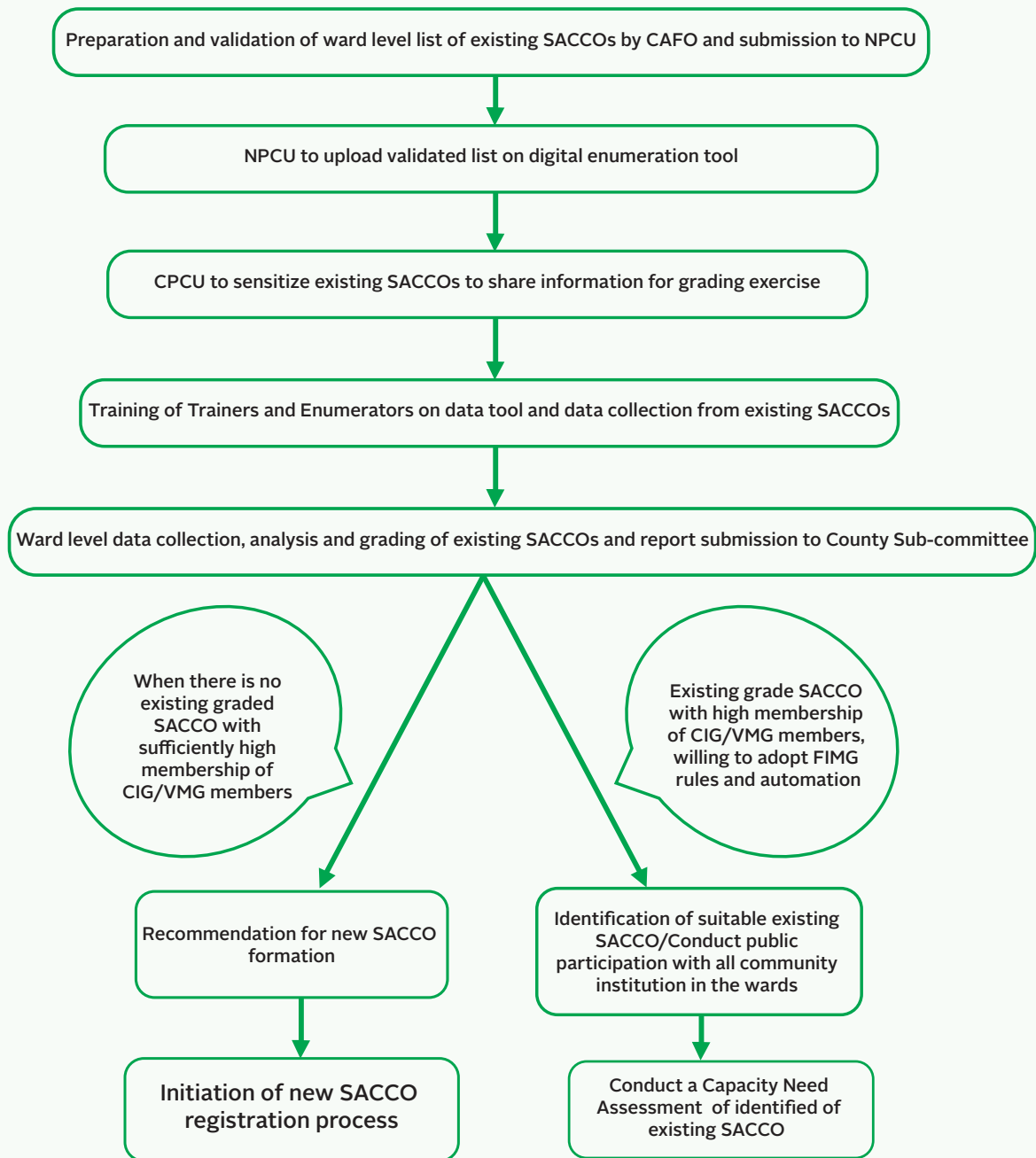
Table 1:xxxxxx 1-

When to form a new SACCO	When to select an existing SACCO
<ul style="list-style-type: none"> • If there are no eligible existing SACCOs interested in taking up FIMG • If there is no qualifying existing SACCO as per the project vetting and selection Criteria • There are a large number of CIG/VMG members unable to access credit from existing SACCOs. • When the existing SACCO is unwilling to open a common Bond to register CIG/VMG members 	<ul style="list-style-type: none"> • Where large number of CIG/VMG members are already members of the existing SACCO, • The existing SACCO is offering or willing to start offering credit to farmers in multiple value chains • The existing SACCO is or willing to adopt process automation, • The SACCO is willing to adopt operations manual and guidelines for FIMG loans, • The SACCO has qualified to work with the project CDDC as per the selection criteria as annexed in the Community Financing Manual.

Advantages of a new SACCO	Advantages of an existing SACCO
<ul style="list-style-type: none"> • New idea to new members is easily and well embrace. • No pre-existing norms and rules that may conflict with FIMG principles. • Ease to offer clarity on FIMG for all members which can be modelled as value chain agnostic. • Higher capacity to absorb fresh membership, automation from Day-1 	<ul style="list-style-type: none"> • Faster startup of operations and lesser time needed for capacity building • Ready member base and trust with the institution • Existing linkages with private sector and financial institutions can be leveraged. • Ease in getting guarantors who have built deposits and are known to them • Existing structures and systems in place

2.1 WARD LEVEL PROCESS FOR SACCO SELECTION

Each of the project supported ward under NAVCDP will support a new or existing SACCO to deliver a range of financial services to CIG/VMG members. To ensure minimal duplication and to leverage existing institutions, CPCUs will support ward level mapping, and grading of existing SACCOs and either select an existing SACCO or chose to mobilize a new SACCO based on predefined criteria. The process flow for the same is illustrated below.



Based on the decision taken, whether to form a new SACCO or leverage on an existing one, the CPCU will coordinate the subsequent processes; either selection of an existing SACCO or registration of a new one.

2.2 GUIDELINES FOR SELECTION OF EXISTING SACCOS OR FORMATION OF NEW SACCOS AT WARD LEVEL.

Selection of existing SACCO's or establishment of new ones will be undertaken in all the participating wards of the 34 NAVCDP Counties. The process of selection of existing SACCOs

and formation of new ones will follow the below outlined process;

Step 1. Development of a digitized tool for data collection: The NPCU will develop a SACCO mapping tool that addresses key parameters such as; the SACCO profile, total membership including project target groups, coverage, governance structures in place, wards, saving/shares mobilized, business performance and value chain supported and key governance requirements among others. The tool will be digitized and hosted on KARLO website. The collated data will be available on <https://koboee.kalro.org/x/IGAngjDK> and shared with only the authorized data personnel.

Step 2. Sensitize and train TOTs;- NPCU will sensitize and guide the Counties (CCIDO/CAFO/M&E CIDAL) as lead "Training of Trainers" (ToTs) on application of the tool in data collection in all project wards. The training will also act as a validation exercise of the tool.

Step 3. Listing, sharing and validation of the list of all registered SACCO's per ward;

The NPCU will avail the list of all registered SACCOs by the State Department for Cooperatives to the Counties. The CAFOs will validate the list and classify them either as active or dormant, and then send them to the NAFO in the prescribed format. The NAFO will oversee the uploading of the list of validated SACCOs on the tool indicating counties and wards where the SACCOs are domiciled. The CPCU in collaboration with the Cooperative Officer in charge of the County will sensitize the management committees of identified SACCOs on project objectives and request their concurrence on the required information and supporting documentation.

Step 4. Training of enumerators on digital tools

The NPCU will train the County ToTs constituted of the (CAFO/M&E/CIDAL/CCIDO) on the digital tool and guidelines. The County will subsequently select enumerators and agriprenuers through a 2-day training and sensitize them on the digital mapping/grading tool and data collection methodologies. The team will also be provided with relevant gadgets and directed on how to access the digital portal.

Step 5. Data collection, cleaning, analysis/Grading and report writing.

The objective of the mapping and grading exercise is to analyze the status and performance of existing SACCOs that have potential of working with project beneficiaries. This initial mapping would avoid duplication or establishment of new SACCOs where potential SACCOs already exist as well as leverage on existing infrastructure, systems and personnel for project sustainability. The exercise will also identify areas where new SACCOs will be formed with a view of achieving the project objective of saturating SACCOs in all wards for increased financial access for TIMPs adoption. The exercise will also identify gaps for capacity building to inform the development of tailored technical assistance and training to SACCOs.

Each CPCU will conduct the SACCO mapping within their respective counties. The CPCU will deploy the services of enumerators to collect data. The SACCO Management Committee (MC) will provide the enumerators with all required information. The enumerators shall undertake actual mapping including SACCO geo-referencing within the timeline allocated.

Each CPCU in collaboration with CPSC/NPCU will constitute a team to analyse the data collected for at least five (5) days to establish the status and potential of existing SACCOs to participate in the project. The mapping exercise using a scoring tool will grade the SACCOs into 3 grades: A, B and C (Grade A should have marks equal or greater than 70%, Grade B 50-69% and grade C below 50%). The constituted team will compile the report that clearly shows the number of SACCOs mapped, their areas of operation, total membership, business volumes and the SACCO grade among other variables.

NPCU will guide on the type of reports to be generated after data collection and establish a national database for all farmers mapped in all wards. The CPC will submit the final report to the NPCU/NAFO upon approval by CPCS.

Step 6:- Selection of SACCOs to participate in the project.

The following criteria will apply when selecting existing SACCOs to participate in the project:

- Where large number of CIG/VMG members are members in the existing SACCO,
- The SACCO is offering or willing to start offering credit to farmers in multiple value chains,
- The SACCO is or willing to adopt process automation,
- The SACCO is willing to adopt operations manual and guidelines for FIMG loans,
- The SACCO has qualified to work with the project CDDC as per the selection criteria annexed in the Community Financing Manual.

Step .7. Conduct of Due diligence

The SACCOs that have been mapped and categorized under grades A, B & C will be considered to participate in the project after further due diligence is undertaken by the county team. While priority will be given to the SACCOs ranked on a higher grade, each of them must demonstrate willingness and commitment to work with the project. SACCOs under Grade C will undergo a capacity Need Assessment (CNA) and capacity building in order to meet the minimum threshold before they are considered eligible. If there is more than one SACCO in a ward that qualifies to participate in the project, a further analysis will be undertaken on the SACCOs to determine which one will participate. The criteria for **second ranking** will check on the following parameters:

- a. Existing SACCO mobilized under NARIGP/KCSAP will be prioritized
- b. Total membership: SACCO with higher member base will be prioritized

- c. No. of CIG/VMG affiliated to SACCO: SACCO with higher number of CIG/VMG members will be prioritized
- d. Saving mobilized: SACCO with higher savings base to be prioritized
- e. Sound governance structure
- f. Automation readiness
- g. Availability of Staff/bookkeeper
- h. Availability of electricity
- i. Have up to date audited account
- j. Existence of agricultural loans products
- k. Loaning to members has been initiated
- l. Willingness to work with the project /opening of the common bond

The selection committee will finalize their report with recommendations on the SACCOs selected, specifically, indicating their regional distribution. The report should also highlight the wards that are not currently served by any SACCOs and recommend mechanisms to be put in place to initiate formation of a New SACCO.

Step 8. Conduct of Public Participation

The selected SACCO in each ward must be subjected to public participation with key stakeholders, including, CIGs/VMGs /CDDCs/IUWAS/IPs and FPOs members for ownership. The process must be well documented with evidence of the participants, agenda items, date, time and meeting resolutions.

Step 9: Approval of the selected existing SACCO and formation of new SACCOs

The CPC shall submit the report on the selected existing SACCOs with the recommended wards for New SACCO formation to the CPSC for concurrence, ownership and approval. The CPC shall varnish a copy of the approved report to NPCU-NAFO as well as inform the selected SACCOs. Upon approval of the report, the CAFO will undertake Capacity Needs Assessments (CNA) of the selected SACCOs to identify capacity and training gaps and develop strategies to implement a need-based capacity building program for business development and growth.

Step 8; Compilation of the national report

NPCU shall compile a report from all the participating counties and submit the report to NTAC for information and ratification. Where the project decides to work with an existing SACCO operating several branches, the branch to be selected shall be the one that has affiliated more CIGs/VMGs. Unless under special consideration and as guided by NPCU, No existing SACCO shall be selected in more than one ward.

2.3 SACCO MAPPING AND SELECTION COMMITTEE;

Counties will be actively involved in the screening and selection of SACCOs/FPOs in conjunction with the CPCU team. A transparent and fair selection process will be conducted in line with the set guidelines.

The CPCU through the CPSC will appoint a temporary SACCO/FPO selection sub-committee (5 members) composed of representatives from the CTAC. Below is the proposed **composition of the subcommittee.**

1. Chief Officer (CO) – Chair who will provide overall leadership and guidance
2. CPC- Member – Secretary
3. Director Agriculture
4. Director Livestock
5. Director Cooperatives

TORs for the sub committee

- Validate and profile the potential SACCOs as per inventory from step (iii) above
- Scrutiny and shortlisting of potential SACCOs for further consideration on whether to register new or use existing SACCO
- Review and discuss the selection criteria shared by the National Value Chain Development Lead and fine-tune it for adoption
- Review the grading of SACCO status obtained from the mapping exercise. This information will be used to prepare a ward wise inventory of potential SACCOs for project support.
- Shortlist 3 – SACCOs per ward which pass the scoring ranking thresholds (A, B & C Category).
- In collaboration with the CPCU ,validate the public participation report on the selected SACCOs with the respective wards
- Communicate the grading results with the existing SACCO management committees and highlight areas for improvement.
- In collaboration with CPCU, undertake screening/due diligence of shortlisted SACCOs premises using the second grading evaluation template /parameter provided under Step 6
- Table the final selection list of SACCOs per ward to the CPSC committee for approval.
- The CPSC shall approve the list of the selected SACCOs to be supported by the project

and submit to the NPCU.

- Approve the list of wards upon which new SACCOs will be promoted/registered.

2.4 PROCESS OF REGISTERING A NEW SACCO

The steps for formation of new SACCOs in project wards is outlined as follows:

I. Outreach and Promotion of SACCO formation

- The CDDC together with the County Cooperative Officers will carry out pre-cooperative training to all CIGs/VMGs members with the support of the CPCU.
- They will create awareness and familiarize all CIG/VMG members on the importance of cooperatives in social and economic empowerment, SACCO formation processes, the rights and obligations of a member and how to attain membership. This shall be done before completion of the SACCO registration process.

II. Identification of Promoters

- A meeting shall be convened by the CCIDO/CAFO and the Sub County Cooperative officers to sensitize the CDDCs and 3 leaders from every CIG/VMG on their role and responsibility in the SACCO registration process.
- During the meeting, 10 promoters will be appointed. These will comprise 7 CDDC members and three (3) active CIG/VMG members. The 3 CIG/VMG members will be drawn from the zones with the highest number of members. At least 4 out of the 10 promoters will be women farmers.
- An interim executive committee consisting of a chairperson, vice chairman, treasurer and secretary will be selected/elected from among the promoters. At least 1/2 of the office bearers will be women farmers. The 4 will complete and sign the SACCO legal registration forms including the By-Laws.
- The SACCO promotion and mobilization of CIG/VMG members into the SACCO will continue concurrently with the SACCO registration process.

III. Application for registration of SACCO

- Within 3 days of selection of the promoters, they shall make a formal request in writing with intent for the formation of a SACCO to the Cooperative department at the County.
- They shall submit three (3) proposed names for the SACCO for search and reservation by the Commissioner for Cooperative Development (CCD).
- Preparation and submission of detailed By-laws that combine standard cooperative guidelines with operational guidelines for FIMG
- At least 10 "promoters" will duly fill the formal application form for SACCO registration.
- The interim Chairperson, Vice chair, Treasurer and Secretary will fill their details in the Supplementary information forms and ensure all the other documents are filled

and submitted to the County Cooperative officer. The submission of all necessary registration documents shall be done not later than 14 days after the election of the promoters. Upon receipt of the above documents, the County Cooperative Officer shall convene a meeting with the proposed members to validate and confirm and adopt the By-Laws of the SACCO. The quorum of this meeting will be at least 10 potential SACCO members. The County Cooperative officer will thereafter forward the registration documents through the County Cooperative Director/Commissioner to the CCD for processing not later than 7 days after the meeting.

Requisite registration documents

1. The proposed By-Laws in four (4) copies, the model By-laws are annexed to the Community Institutional Manual and can also be downloaded from the SDC website *www. ushirika. go.ke*.
2. Duly completed application for SACCO registration form in four (4) copies.
3. Supplementary information form in four (4) copies.
4. Economic appraisal forms in four (4) copies.
5. These forms are found at the County Cooperative office and are also annexed to Cooperative Societies Act which can be downloaded from SDC website - *www. ushirika. go.ke*.
6. Commitment letters from the affiliated FPOs to undertake check off deduction from their members' sales to the SACCO. This letter will be replaced with the Tripartite agreement once the SACCO is registered.
7. Minutes of the pre-co-operative SACCO meeting attached to the list of members who attended and with an agenda on SACCO registration.
8. Registration fees of Kshs. 3700 in addition to the specific CounForwarding letter by the County Cooperative Director/County Cooperative Commissioner to the CCDH

1st General Meeting (GM), notice and agenda

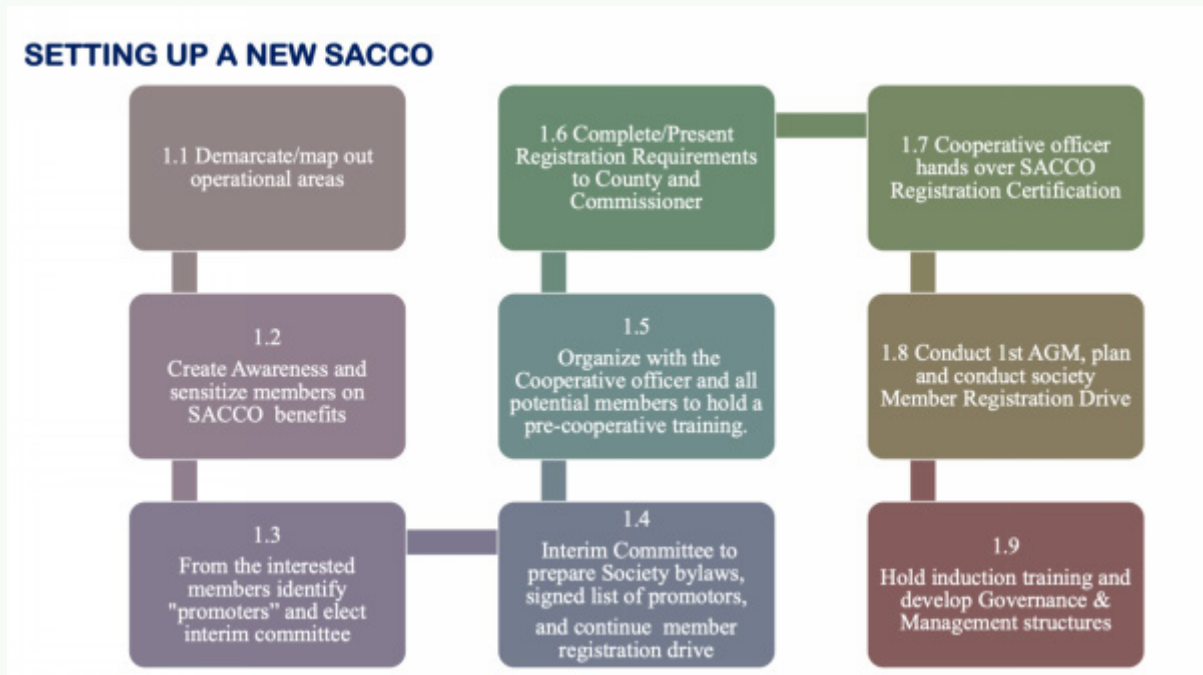


Figure 1:xxxxxx

1. Once the registration steps are completed at the Commissioner for Cooperatives Development (CCD) office, the SACCO will receive a Certificate of Registration and a copy of the signed By-Laws through the County Cooperative office within thirty days.
2. The newly registered SACCO society is required by law to convene the 1st General Meeting within 30 days after receipt of the registration certificate. A 15-days' notice of the 1st general meeting will be issued by the interim officials through the advice of the Sub-County cooperative officer.
3. The interim officials of the proposed Cooperative will open a joint account with any commercial bank of their choice for the purpose of depositing their members' Entrance fees, Shares and Deposit contributions while the registration of the SACCO is being awaited.
4. The money deposited in these account shall be transferred wholly to the SACCO bank account once registration and opening of the account under the SACCO name is done. No amount of money, whether in part or all, shall be withdrawn otherwise from the joint account.
5. The interim officials shall give a legal undertaking in writing to transfer the cash in the joint account to the new SACCO account once opened.
6. The indicate agenda for the 1st general meeting will be as follows:
 - i. Formal presentation of Registration certificate: this brings confidence to the

members that their organization is formally registered.

- ii. Presentation for approval of the Budget by Interim officials: Every society should operate on an approved budget by the members during the General Meeting in accordance with the Law.
 - iii. Appointment of Bankers: This is the bank the Sacco will be transacting with.
 - iv. Fixing of Maximum Borrowing powers: This is the maximum amount to be allowed in the event that the SACCO is in dire need of finances but at favorable rates.
 - v. Fixing Indemnity. This is the amount that each official should be surcharged in case of any omission or commission but not limited to the specific amount.
 - vi. Appointment of Auditors: The Society should either appoint the County Cooperative auditors who are fairer in charges or a private auditor who should be within the approved list of auditors by the CCD.
 - vii. Election of bona fide SACCO officials whose $\frac{1}{3}$ should retire every year subject to re-election to allow for continuity. Retirement is determined through balloting for all the committee members except for the chairperson and the vice chairman who should be in office for three years unless otherwise.
 - viii. The committee should only comprise of either 5, 7 or 9 members and a supervisory committee which should comprise of 3 persons (Chair, secretary and member)
 - ix. The two (2) committees are independent but complementary and must meet every quarter to discuss their reports.
- 7.** The Sub -County Cooperative shall be the presiding officer during the elections.
- NB: Any CDDC official elected to the SACCO leadership shall automatically cease to be a CDDC official

2.5 SACCO MANAGEMENT STRUCTURE

The SACCO formal operations starts after the 1st GM which gives the elected officials a mandate to start managing and guiding the operations of the SACCO. The committee will reconstitute themselves into different Sub-committees including but not limited to:

- 1.** Executive committee (Finance and Administration) The Chairman, Vice Chairman, Secretary and the Treasurer are the members of this Committee. They are the official signatories of all documents on behalf of the SACCO. They are the mandatory signatories of the SACCO bank account. They can get into contract on behalf of the SACCO and they should represent the SACCO in all legal matters. However, whatever they transact must

be adopted by the whole management committee. At least one (1) out of the 4 members in the executive committee must be female members.

2. Education and Training Committee - The Committee consists of 3 members of which the Vice Chairperson of the SACCO is the Chairperson of the Sub- Committee. Their role is to ensure the officials and the members are continuously informed on the cooperative matters through training and education.
3. Credit committee - The committee consists of 3 members who should be separate from the executive committee. Their role is to appraise the loan applications from the members and recommend either approve or decline the loan for disbursement. They are also responsible in ensuring a healthy credit portfolio by continuously monitoring the loans repayment status and giving recommendations to the entire Management committee.
 - The Sub County Cooperative officer will ensure that the elected officials sign Indemnity forms within 14 days after their election and Wealth Declaration Forms within 30 days.
 - The elected officials will establish a physical office for the SACCO. The office rent shall be affordable in consideration that the SACCO do not have any income other than the members registration fees; they should enter into contractual lease agreement on the premises acquired. The leased office premises must not belong to any of the SACCO board members to avoid conflict of interest.
 - Officials through the guidance of CAFO will acquire all basic records for the SACCO, e.g. Members register, Cash book, Payment vouchers, Receipt books etc. within 7 days of GM.
 - The Executive Subcommittee shall within 14 days after 1st GM open the SACCO bank account where all SACCO monies should be deposited. The Sub County Cooperative officer will introduce the signatories to the bank through a letter, certifying the minutes of the 1st GM when they were elected.
 - The Executive Sub - Committee will employ all relevant strategies to ensure ease of access for members to make their contributions including acquiring mobile banking facilities - Pay Bill Number as well as API integration for bulk payment posting and digital appraisal of credit applications.
 - The initial task for the elected officials is to undertake membership recruitment,



these members will assist in mobilization of:

- Entrance/ registration fees
- Member shares as shall be fixed by the General Meeting
- Deposits from members- daily/weekly/monthly savings
- Loans uptake
- Interest on loans
- Grants from the project (e.g. inclusion grant, FIMG)
- Administration fees and penalties
- Statutory reserve fund and any other reserve fund
- Any surplus resulting from operations of the society
- Any donations, gifts from other bodies, organizations and individuals
- Funds obtained from lawful miscellaneous sources
- Penalties and fines

2.6 ORIENTATION PROCESS FOR NEW SACCO

This section describes the initial activities and processes to be undertaken prior to disbursement of the inclusion grant for a new SACCO being formed.

- a. The SACCO will be sensitized on the project objectives and project financing windows during the 1st GM by the CAFO
- b. The CAFO and other County Cooperative officers shall within 30 days after the 1st General meeting induct the newly elected management committee on the following areas:
 - *Basic cooperative management skills*
 - *Roles and responsibilities of the Committees and different sub committee*
 - *Record keeping*
 - *Membership, savings and deposits mobilization strategy*
 - *SACCO operations manual*
 - *Use of automation system*
- c. The SACCO together with the CDDCs will identify FPOs which farmers can use to aggregate and market their produce. The FPO to be identified shall be for the project identified value chains within the ward.
- d. The CPCU will facilitate tripartite meeting and communication arrangements between CIGs/VMGs, SACCO and FPO to sign MOAs. The content of the MOA will include a commitment by the CIG/VMGs members to sell their produce through the FPO, it will also indicate the commitment of the FPO to deduct savings contributions and loan repayments from the members farm produce sales.
- e. The CIG/VMGs and SACCO may have several MOAs with different FPOs dealing with several value chains within the ward.
- f. The SACCO shall develop credit in kind products and partner with the FPOs which will offer farm inputs provision services to the members. The FPO will benefit as they will increase their sales through this arrangement.
- g. The SACCO officials through guidance from CAFO will undertake recruitment of book-keepers within 3 months after the 1st GM. The SACCO will come up with the recruitment criteria and the minimum qualification requirements. They shall advertise for the position, conduct shortlisting and interviews. Till the time that a trained book-keepers is placed in the SACCO, the executive committee will ensure proper recordkeeping in line with SACCO rules and operating procedures.
- h. The SACCO Management Committee shall disclose any conflict of interest in case there is any of their close relatives who had applied for the position. That committee member should

withdraw him/herself during the interview for that particular candidate.

- i. Regular updating of members register, recording of member savings and share capital,
- j. Daily posting and balancing of cash books and monthly bank reconciliation.
- k. Any other steps as agreed

2.7 ORIENTATION AND HARMONIZATION PROCESS WITH EXISTING SACCO

This section describes the initial activities and processes to be undertaken prior to disbursement of inclusion grant to an existing SACCO selected for FIMG disbursement. After the mapping exercise, a SACCO that has been selected as per the set criteria can apply for the FIMG grants to boost its loaning capacity to CIGs/VMGs and its members.

These following activities should be undertaken:

- a. The CPC will write to the qualified SACCO and inform them on the Project intent to work with them.
- b. The willing existing SACCO should acknowledge and accept to work with the project.
- c. The CAFO will organize orientation meeting with the existing SACCO leadership regarding the purpose, rules, and policies on FIMG
- d. The potential SACCO will be notified in writing and a consultative meeting scheduled between CDDC members, CPCU and the Board of Directors of the existing SACCO
- e. During the consultative meeting, the FIMG funding model agenda, automation process, and key non-negotiables including automation and reporting, will be discussed and if acceptable to the SACCO, its management committee will develop loan products targeting the CIGs/VMGs members.
- f. The SACCO management committee and the CDDC with the CPCU support will then visit CIGs, VMGs to sensitize them on the FIMG financing model.
- g. Selected SACCO will be trained on the operations manuals, especially credit policy detailing the loan tenure, maximum amounts, CIG membership, interest rates, automation, etc. will be done.
- h. The SACCO shall sign Tripartite agreement with CDDC and FPOs to clarify roles, expectations, and signing of MoAs if needed will be undertaken.
- i. Existing SACCOs with an existing MIS shall be given an API documentation to be able to share relevant data with the service provider
- j. The project service provider will install an MIS for any existing SACCO without one to enhance their business operations.

3.0. SACCO MEMBERSHIP

Members are very critical stakeholders in a SACCO as they are the owners and consumers of services and products. Membership to a SACCO shall be drawn from members residing or farming in the ward. Membership shall comprise of (i) Individual persons, (ii) Individual farmers affiliated to a CIG/VMG and (iii) Corporate members such as CIGs/VMGs and FPOs among others who meet the eligibility criteria as set out in the SACCO By-laws. The eligibility criteria that the management committee will use for each of these members categories shall be as follows: -

1. Individual Persons

An individual person shall be eligible for membership of a SACCO if they possess the following qualifications: -

1. Is within the field of membership consisting of the agreed common bond and any further category as approved by the general meeting from time to time
2. Has attained the age of 18 years
3. Is of good character and sound mind
4. If one is a member of a CIG/VMG, provide a confirmation letter from officials
5. Does not belong to more than one SACCO having similar objectives (the membership application shall be used for disclosure)
6. Has applied for admission using the prescribed application form

2. Membership as a group

Table 2:xxxxxx

Parameters	CIGs/VMGs	FPOs (corporate)
Registration status	Valid registration certificate from department of social services	Duly Registered by relevant agency or department
Office bearers	Duly elected officials whose election is certified by department of registration	
Area of operation	Operations must be in the SACCOs operational area	
	Physical address of where meetings are held	Has a physical office
Membership	At least 20-25 members who meet regularly	At least 250 members
Activity	Members saves regularly or have an income generating activity	Bulking and aggregating of produce or undertaking an economic activity
		Up-to date audited accounts
Support documentation	Minutes of the General Meeting authorizing membership to the SACCO	
Application	Applied for admission using the prescribed application form	

3. Members Admission Process

The Management Committee (MC) will during their monthly meetings;

1. Review all the applications forms, based on the eligibility criteria threshold and their due diligence they will either admit or reject the applicants request and record the deliberations in minutes of the meeting.
2. The MC will then notify the applicants in writing and/or digitally of the outcome of their meeting giving reasons where necessary. Applicants not admitted to the SACCO can appeal to Management Committee. However, if they fail to meet the threshold, or have given false information or do not meet the requirements of chapter 6 they can only appeal to the AGM through an existing SACCO member
3. Qualifying applicant will be requested to pay entrance fee, share capital, savings and submit a duly completed nominee form in case of individual members
4. The member shall sign a prescribed acceptance form which shall be witnessed by two members of the committee to indicate his/her acceptance of the SACCO by-laws.
5. Upon payment, the members details shall be entered into the membership register and on the digital SACCO system by the Hon. Secretary or the Manager
6. The details of the nominee shall be held under confidential cover by the Hon. Secretary unless explicitly permitted by the member.
7. The member shall be issued a share certificate as proof of membership and a copy of the bylaws (at cost).
8. The management shall maintain a hard book register
9. Members shall be admitted by the committee subject to ratification by the next general meeting

4. Membership Register

The Management will ensure a hard copy and automated membership register is maintained as it provides the primary (prima facie) evidence of memberships

5. Membership application form

The SACCO leadership must develop an application form which must contain society name logo, motto, address

Personal particulars:(Name: (As per I/D Card), Date of Birth, Gender, I/D No, Postal Address, Email address, Mobile No, County, Sub-County, location, village,

Next of Kin and address

- (Name, I/D No, Mobile No, Postal Address, Email, Relationship,

- Applicant signature
- Entrance fee payment
- Management committee meeting for approval or rejection
- Member is notified and pays the shares

Date and signature indicating Management committee/manager enters membership details in the register

Register for Natural person

Table 3:xxxxxx

Unique society identifier cs/0001	Name	Gender	Address Contact email	Challenged	I/D	Date					contact Person & cell
						Birth	Entrance was paid	share capital paid	Registration	Cessation	

Register for Corporate person

Table 4:xxxxxx

Unique society identifier cs/0001	Name of CIG/FPO	CIG/FPO registration number	Form of registration	Address Contact email	Date of GM resolution	Entrance was paid	Date share capital paid	Date of Cessation

6. Maintaining an updated members register

An active SACCO member is one that has paid the entrance fee and minimum shares contribution as defined in the society By-laws and **must be paid within one year** in addition to monthly savings. The Management Committee must make sure that;

- All registered members are abiding by the By-laws and the laid down policies and regulations.
- Members who are not in good standing maybe denied some rights as provided in the

bylaws or in the policies or be removed from the membership register

- iii. MC can remove members from the membership register in case of death, expulsion for misconduct, one becomes of unsound mind, becomes dormant, does not abide with the By-laws and other policies or withdrawal from the society.
- iv. The MC will strike off the members from the register and communicate the same to the affected member and the general meeting (GM).

7. Process of a member withdrawing from a SACCO.

- i. A member will write to the society giving a 60-day notice.
- ii. On receipt of the application, the management committee during their monthly meetings will ascertain the reasons for the decision, determine any outstanding loans and existing loan guarantees
- iii. In case the member has outstanding loans more than savings, the application will be rejected until the loan is fully cleared
- iv. In case the member had guaranteed another member, the borrower will be required to offer alternative guarantors to allow the discharge of the withdrawing member
- v. If the member has cleared own loans and provided alternative guarantors on the loan guaranteed/loan cleared, the withdrawal will be approved
- vi. After the approval, the process of savings refund and disposal of shares will commence.
- vii. The refund shall be completed within a period of not more than 60 days from the date the application is received.
- viii. They will also advise the member to look for a member who can take over the members share capital.
- ix. The MC will then discharge the member from the members register once the share capital is transferred to another member.

The management committee shall hold members education days to ensure members understand their rights and obligations. These meetings can be undertaken during members education days or ride on trainings organized by collaborators and partners. The key trainings focus areas would;

- **Members rights;** This is to ensure members understand their role in guiding the strategic directions for their benefits as owners, importance of attending and participating in decision making at all general meetings and vote; eligibility for being elected to organs of the society, subject to the by-laws; how to access and use of all facilities and services of the society subject to the by-laws; and requirements to receive all legitimate information relating to

the society, including, internal regulations, minutes of general meetings and supervisory committee reports, annual accounts, inventories and investigation reports, and inspect registers, at the society's registered office.

- **Obligations of a Member;** Every member must be made to understand their obligation which include;
 1. Pay necessary contributions towards the SACCO as provided in the By-laws and resolutions of the general meeting and the management committee
 2. Participate and make use of the services and products provided by the SACCO
 3. Abide by the By-laws, policies, general meeting resolutions & signed agreements
 4. Make timely repayment of loans, interest and any penalties as required by the management committee
 5. Give accurate information and build the image of the SACCO to other members and the general public

8. Automation of Members Details;

The Management committee will ensure members details will be automated for ease of access, accountability and transparency. Any member transactions especially those pertaining to accessing credit can only be initiated via the digital system after a member ID has been generated. Automation will cover all members contributions, their loans, and repayments, ensuring members can access their statements digitally. To that extent, the project will support development of a mobile app for each SACCO.

9. Termination/Cessation of Membership;

Termination of membership occurs when the member ceases to remain in the membership and should therefore be struck out from the register. Membership in the SACCO shall cease or deemed to have ceased to any member from the date of:

- i. Member's Death
- ii. Voluntary withdrawal in accordance with laid down procedures in the By-laws and resolutions of the general meeting
- iii. Expulsion for misconduct as shall be provided in the By-laws
- iv. Being certified to be of unsound mind and therefore not having the capacity to enter into contracts.
- v. Transfer of shares to another member or refund as may be decided by the management



depending in accordance with the general meeting resolutions

- vi. Failure to remit share contributions and loan repayments for a continuous period of six months without valid reasons or leave of the SACCO therefore rendering the member dormant.
- vii. Ceasing to hold qualification for membership as specified in the By-laws; if members who have lost the common bond may retain their membership if they show willingness to do so.

4.0. SACCO INCLUSION GRANT

Inclusion Grant (IG) under the NAVCDP is meant to support initial start-up needs of SACCOs in order to prepare them for mobilization of shares and savings and granting of affordable credit to members. For existing SACCOs, inclusion grants are to be utilized for expansion of membership to maximize inclusion of CIG/VMG members .

4.1 RATIONALE FOR INCLUSION GRANT

In order for the SACCO to jump-start operations, the project will support with a Start-up Kit and build the SACCOs' capacity to deliver on their mandate in mobilization and recruitment of new members, setting up governance structures, leadership, management skills, ICT infrastructure, and cooperative legislation including cross cutting issues. Inclusion Grant has the following two objectives:

1. To provide SACCOs with resources for mobilization of membership, savings and shares within the ward, as a foundation for their sustainability.
2. To equip SACCOs with basic equipment/infrastructure such as office space, fireproof safe and computer and printer, solar power where necessary as well as support for one (1) personnel (bookkeeper) for a period of one year (see the 'Establishment Costs' table below).

Inclusion grant will be provided to the following categories of SACCOs:

1. *For newly registered SACCOs*, the grant will cover the initial set-up costs such as basic office furniture, stationery, computer, printer, rent, salary for hiring a bookkeeper for one year and mobilization of CIG/VMG into SACCOs by CDDCs' promoters.
2. *For existing SACCOs that have capacity constraints* the fund shall be utilized to enhance capacity gaps that will have been identified after capacity needs assessment (CNA).

4.2 ELIGIBILITY CRITERIA FOR INCLUSION GRANT

The management committee will ensure that the SACCO is eligible for the Inclusion Grant upon meeting the criteria set out by the project:

Table 5:xxxxxx

Newly Registered SACCO	Existing SACCO
<ul style="list-style-type: none"> • A certificate of registration • registered By-laws • governance structure • inducted management committee members. • mobilized and registered at least 60 members. • have a target to recruit an additional 500 members after implementation of the inclusion grant • willingness to open the common bond to accommodate project CIG/VMG members • Must be ready to admit both individual and corporate members (e.g. CIGs/VMGs/POs) • conducted the first AGM • committee members signed wealth declaration forms • been in operation for at least six months • opened an operational bank account • opened a designated bank account for the project. • signed an MOA with CDDC. • Willingness to provide the CDDCs with office space and bookkeeping services. 	<ul style="list-style-type: none"> • A certificate of registration and By laws • Have been in existence for not more than three years • Have at least 3 key SACCO policies • Have a sound management committee structure and induction training done. • Have at least 250 active members at least 80% of whom belong to CIG/VMGS. • Have held AGM and conducted at least one financial audit • Have conducted a CNA and have a report of the findings. • Committee members have signed and filed wealth declaration and indemnity forms. • Have an operational SACCO bank account. • Be ready to open a designated bank account for the project. • Be willing to open the common bond to accommodate more CIG/VMG members. • Have signed a relevant MOA with CDDC

4.3 INCLUSION GRANT APPLICATION PROCEDURE

Having met the above eligibility criteria, the SACCO management will:

- a) Apply for inclusion grant using the prescribed application template in three (3) copies, and attach the following documents to the proposal:
 - i. Registration certificate
 - ii. SACCO bank account details
 - iii. Certified minutes of General Meeting approving request for IG
 - iv. Document to show proof of CIG/VMGs affiliation to the SACCO
 - v. Document to demonstrate SACCO contribution of at least 10% of the IG amount

vi. Minutes of a Management Committee meeting with an agenda of applying for an inclusion grant.

- b) Forward the proposal to the CDDC for screening
- c) CDDC will forward the application with recommendation to CPCS for approval
- d) CPCS will approve or reject the application

The eligible SACCO (both new and or existing) will qualify for inclusion grants not exceeding Kshs 1 million based on their identified needs. The proposed inclusion grant will be applied to fund any of the following items.

4.4 THE INCLUSION GRANT (STARTUP KIT) ESTABLISHMENT WILL BE APPLIED FOR THE FOLLOWING;

Member mobilization (Refer to Table 1 below) · Stationery · Office bookkeeper (salary for 12 months) · Office furniture (executive table, chair) · Fire proof/burglary cabinet · Automation: Computer & Printer, · API integration /internet connectivity/Bulk SMS · Office rent (12 months)

4.5 PROCUREMENT OF COMPUTER/PRINTER, OFFICE FURNITURE AND FIRE PROOF CABINET.

The office furniture, computer/printer/cum scanner, office cabinet will be procured centrally by the CPCU as per the specification provided by NPCU. The sum procured amount will be deducted from the sum total of the inclusion grant budget.

4.6 MEMBER MOBILIZATION FUNDS WILL BE ADMINISTERED AT CPCU LEVEL

This amount will also be retained at CPCU level for coordination and must be deducted from the sum total inclusion grant budget before disbursement to the CDDC and then the SACCOs. Member mobilization and registration into the SACCOs will adopt the communitization approach where all the other project community institutions and stakeholders, including; existing SACCOs and FPOs committee members, CDDC leaders, lead farmers, CIG/VMG leaders and members will be engaged in the process.

4.7 INCLUSION GRANT ITEMS TO BE DISBURSED TO SACCO THROUGH CDDC

The balance of inclusion grant amount will be allocated to cover the office rent and bookkeeper salary for a year, respectively; API integration /internet connectivity/SMS bundles and stationery and will be disbursed to the SACCO project account by their respective CDDC.

4.8 OWN CONTRIBUTION:

The SACCO will be required to contribute 10% of total budget. The contribution will either be

Table 7: Member mobilisation budget guide

S/N	Activity	No. of mobilizers / officials	Facilitation (Ksh)*	No. of Days	Total (Ksh)	Remarks
1	Mobilization by the management committee and promoters, CIGs/ VMG leaders/leader farmer/CDDC's	22	1000	12	264,000	Comprehensive programme for members recruitment per subcounty
2	Evaluation meetings for the management committee and the County crack teams/ CAFO/CCIDO	11	1,550	5	85,250	Comprehensive programme for members recruitment per subcounty
Total					350,000	

*Facilitation (Meal & Transport)

4.9 INCLUSION GRANTS FUNDS FLOW

The successful Inclusion Grant proposals shall be funded through a CDDC designated project account. The CDDC will subsequently disburse the funds to the SACCO within a period not exceeding three (3) working days.

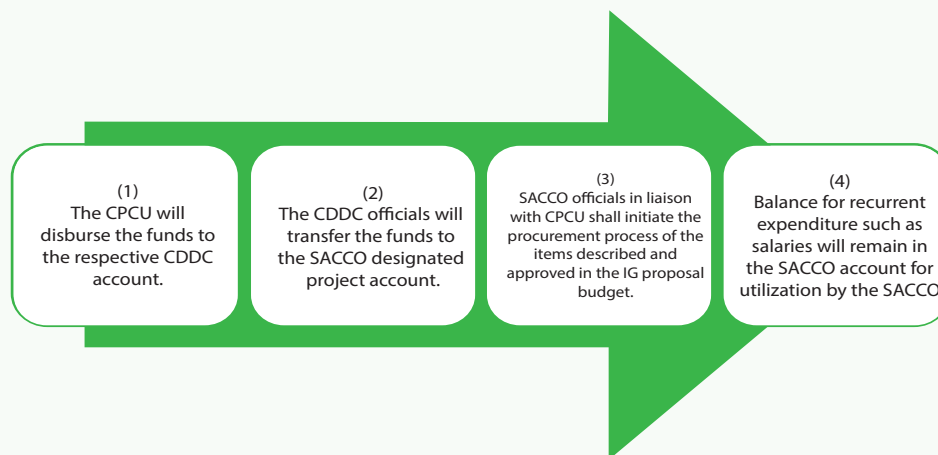


Figure 2: Inclusion Grant Fund Flow



4.10 INCLUSION GRANT IMPLEMENTATION PROCEDURES

Once the Inclusion Grants funds are disbursed, the SACCO management shall:

- a. Avail an approved work plan showing the items to be procured and their budget.
- b. In liaison with CPCU, undertake procurement.
- c. Adhere to good practices in line with the procurement Act/regulations and the World Bank guidelines.
- d. Record the procured items into the inventory/asset register.
- e. Prepare and submit a procurement report to CPCU and the general members.
- f. Cause the tangible asset(s) to be insured.
- g. Cause the preparation of books of accounts in order to account for the funds

4.11 GUIDE FOR INCLUSION GRANT FUNDED MEMBER MOBILIZATION

Members mobilization targeting CIG/VMG members to join the SACCO is the most important activity requiring prioritization in the planning and budgeting of the inclusion Grant. This activity should be scheduled to take a maximum of four (4) months from the date of Inclusion Grant disbursement. The target at the end of the activity is 600 CIG/VMG members having joined the SACCO and actively participating in regular savings and credit activities.

The SACCO executive committee, in consultation with the CPCU crack team shall cause there to be a budget for targeted membership mobilization and a detailed work-plan covering a period not exceeding 4 months.

5.0. SACCO FIMG MATCHING FUNDS

Financial Inclusion Matching Grant is a fund under the NAVCDP meant to support SACCOs to enhance/increase their loan capital in order to provide affordable credit to their members who are smallholder farmers participating in different value chains. Rationale for FIMG

Lack of access to credit by farmers has been a major contributing factor to the relatively low adoption of TIMPs. Further, smallholder farmers have been negatively impacted by the COVID-19 pandemic, drought and most recently floods, which has severely affected investment capabilities. The need therefore to support credit needs of the targeted project beneficiaries cannot be understated. The FIMG, to be implemented through newly established or existing SACCOs, has the following objectives:

1. Promote the mobilisation of share capital and member savings, and Incentivize investments into adoption of TIMPs, and boost the initial capital base of SACCO
2. Support communities to build resilience against climate shocks and events like COVID.

The project will support all eligible farmers/beneficiaries that are linked to the mobilised SACCOs in accessing affordable credit. To achieve this, funds will be disbursed through CDDCs to eligible SACCOs that meet the minimum thresholds as provided for in the FIMG guidelines. The grant aims at increasing the liquidity of the SACCO for lending to individual CIG/VMG members for adoption of TIMPs.

The project targets the following groups to access Financial Inclusion Matching Grant;

1. CIGs/VMGs affiliated to a SACCO
2. CIGs/ VMGs affiliated to FPO
3. FPOs affiliated to a SACCO

FIMG should potentially trigger after four (4) months from disbursement of the Inclusion Grant start-up kit to SACCO. To access FIMG, the SACCO management committee will ensure that their SACCO satisfactorily meets the eligibility criteria within four (4) months after receiving the Inclusion Grant;

1. Have a registration certificate
2. Have held 1st General Meeting
3. Show evidence of AGM/SGM resolution for the acquisition of FIMG funds
4. Have a physical office and operational systems in place
5. Have automated their process and have been trained on SACCO MIS
6. Have been in operation for the last 12 months
7. Has enrolled at least a minimum of 500 CIG/VMG members

8. Management committee and key sub committees are in place;
9. Committee members have declared wealth and filed Indemnity as stipulated.
10. Have up-to-date audited accounts
11. Have relevant human resource structure (bookkeeper is mandatory)
12. Have a governance structure (management committee, supervisory committee, sub-committees – finance and administration, credit, education).
13. Have operational policies in place (credit, finance, human resource management and procurement).
14. Have designed specific value chain loan products and embedded in the credit policy
15. Have an operational bank account for IG/FIMG
16. Key SACCO personnel has been trained on the Operations Manual and the same has been formally adopted as the operational norms for the SACCO.

5.1 ELIGIBILITY THRESHOLD FOR FINANCIAL INCLUSION MATCHING GRANT

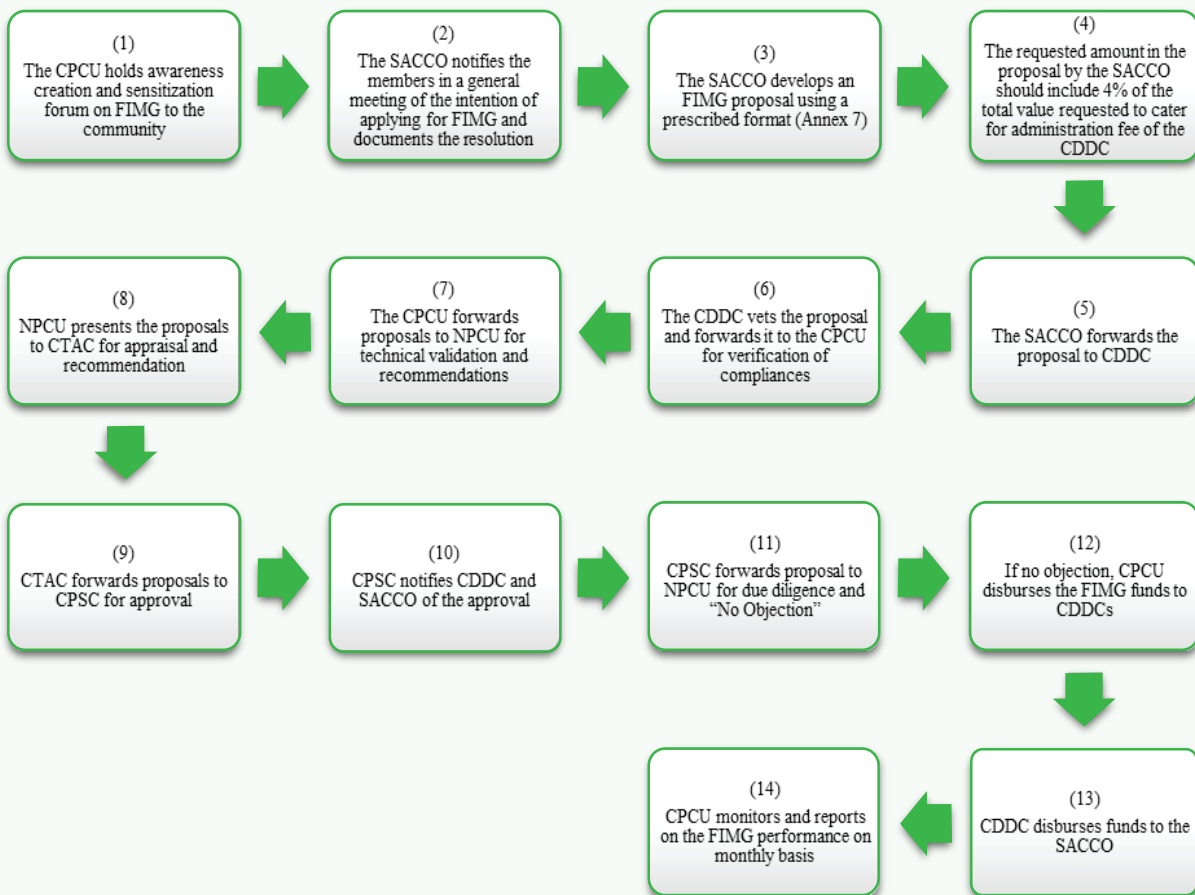


Figure 3:xxxxxx

The eligibility threshold for a financial inclusion-matching grant is a minimum of KES 500,000 in member savings and share capital for the first disbursement to a maximum of KES 3,000,000 by year 5. These amounts are inclusive of CDDC administration fee of a maximum of 4% charged on the total funds disbursed. The subsequent disbursements will depend on the individual SACCO performance based on how they have mobilised member savings to ensure growth of their membership and loan capital.

The loan products offered under the FIMG will be short-term loans of 3-12 months, and members can start accessing the loan at the rate of 1:1 on their savings to a maximum of an FIMG loan of KES 10,000 for the first loan. The Interest on loans shall be at a maximum of 12% per annum on straight-line method and the SACCO shall develop loan-processing fee as per their By-laws and credit policy.

On annual basis, the SACCO management shall disburse 1% of the realized annual interest income from the FIMG loans to the CDDC and retain the remaining 11%. The 1% interest income release to CDDC is revenue for their facilitative role to the SACCO.

$$11\% \text{ (for SACCO)} + 1\% \text{ (for CDDC)} = 12\% \text{ Interest Rate}$$

Illustration: Assuming Ushindi SACCO had realised annual interest income amounting to Ksh 50,000, what would be the CDDC portion of the interest income?

$$12\% \text{ (Realised Interest Income)} = \text{Ksh } 50,000$$

$$1\% \text{ (Realised Interest Income)} = 4,167$$

In other words, if Ksh 50,000 is the whole (100% of the realised annual interest income), what would be the percentage of the CDDC portion derived from the whole?

$$\text{SACCO portion: Ksh } 50,000 \text{ less Ksh } 4,165 = \text{Ksh } 45,835$$

$$\text{CDDC portion: Ksh } 4,165$$

$$\text{Percentage equivalent: } (4,165/50,000) * 100 = 8.33\%$$

Therefore, for any realized annual interest income from FIMG loans, the SACCO system will automatically subject the same to 8.33% in calculating and process the CDDC portion. Once the amount has been determined in the system, the SACCO management will prepare a cheque of the specified amount and submit it to the CDDC on an annual basis.

5.2 APPLICATION PROCESS, APPRAISAL, AND DISBURSAL OF FIMG FOR SACCOS

To apply for the FIMG, the SACCO management will ensure the SACCO observes and abides by the

following procedure and process:

5.3 WHAT ARE THE SPECIFIC ROLES FOR DIFFERENT OFFICES IN THE PROCESSING OF FIMG?

Each of the parties, to ensure the appraisal, approval and disbursement of the FIMG to the SACCO will play the following roles and responsibilities:

Role of SACCO leadership as signatories

Each of the newly registered and or existing SACCO will open a project-designated bank account through which they will receive the FIMG grants.

Four (4) executive subcommittee members including the Chairman, vice-chairman, secretary and treasurer are mandated by the Annual General Meeting (AGM) to open and operate the SACCO bank account on behalf of the shareholders.

Any three (3) of the signatories are authorized to sign for withdrawals.

The Role of CDDCs

The Community Development Driven Committee (CDDC) is the community institution through which both the inclusion and financial matching grants are channeled. The elected CDDC is comprised of 7 members, four (4) value chain representatives from each zone of the 4 ward zones, a VMG representative, FPOs representative and either a ward administrator or chief.

Under the FIMG grant, funds are disbursed through CDDCs to eligible SACCOs to increase their liquidity for on-lending to individual members through their CIGs/VMGs for TIMPs adoption and FPOs affiliated to a SACCO. The following are the CDDCs roles pre and post FIMG disbursement:

Pre-FIMG disbursement

- a) Create awareness and sensitize CIGs/VMGs leaders and members on SACCO business model and benefits
- b) Assist in the identification of promoters, election of interim committee and in the set up and registration of new SACCOs
- c) Encourage both CIGs/VMGs and individual members to join both SACCOs and FPOs
- d) Educate CIGs/VMGs leaders on the financial inclusion grant
- e) Support the coordination between SACCO and the ward FPO(s)

During & Post-FIMG disbursement

- a) Vet SACCO FIMG proposal as per the set criteria (*Annex—*) and forward it to the CPCU for

compliance verification

- b)** Keep records of all proposals forwarded to County Program Coordinating Unit (CPCU)
- c)** Receive FIMG grant from CPCU and disburse to qualifying SACCOs
- d)** Regular follow-ups to ensure CIGS/VMGs members' are actively participating in savings, loans uptake, effective loan repayment and TIMPs adoption.
- e)** Support in recovery of defaulted loans in collaboration with SACCO, CIG/VMG leadership, FPO, and the agripreneur.

The CDDC receives an administration fee amounting to 4% charged on the total FIMG funds disbursed to a SACCO. A further 1% out of 12% of realised interest income on FIMG loans per annum is remitted to the CDDC by SACCOs (Refer to section 5.3 above).

The Role of CPCU

The County Project Coordinating Unit (CPCU) is responsible for creating awareness on the FIMG among project SACCOs, processing and recommending the FIMG disbursement to the NPCU for verification and compliance. It is also responsible for ensuring that both the CDDCs and SACCOs undertake their respective roles effectively during pre and post FIMG disbursements. The specific roles of the CPCU include;

- a) Create awareness on availability of funding and sensitise project SACCOs on the FIMG terms and conditions
- b) Guide SACCOs on FIMG application and supporting document requirements
- c) Build capacity of CDDCs on their role in vetting SACCO proposals as per set criteria
- d) Receive SACCO applications from CDDCs and verify for compliance (*Annex --*)
- e) Forward FIMG proposals to NPCU for technical validation and recommendations
- f) Present the proposals to CTAC for appraisal and recommendation
- g) CTAC forwards proposals to CPSC for approval
- h) CPSC notifies CDDC and SACCO of the approval
- i) CPSC forwards proposal to NPCU for due diligence and "No Objection"
- j) CPCU disburses the FIMG funds to CDDCs
- k) CPCU monitors and reports on the FIMG performance on monthly basis

The Role of NPCU

The National Project Coordinating Unit (NPCU) plays both supportive and oversight roles pre and post FIMG disbursement. The NPCU is responsible for sensitising County leadership (Governor, CEC, CEOs and Directors) on the availability of FIMG, training of CPCU on FIMG operations, policies and guidelines and providing oversight on compliance and the revolving fund performance. The



specific roles of the NPCU include;

1. Capacity building of the Counties on project grants
 - a. Sensitization of County leadership on both inclusion and FIMG grants
 - b. Training of CPCU on the FIMG policies and procedures; terms and conditions

2. Technical validation and recommendations of FIMG proposals submitted by the CPCU
3. Conduct due diligence of proposals and give “No Objection” for FIMG disbursement
4. Monthly monitoring of the FIMG revolving fund performance
5. Provide technical backstopping to the County team supporting the SACCOs
6. CDDC Vetting Criteria

The CDDC will apply the following criteria to vet and confirm whether the SACCO has met FIMG Terms and Conditions. These include but are not limited to;

1. The SACCO has a minimum of 500 CIG/VMG members
2. At least 80% of the CIG/VMG members attend meetings and save regularly
3. Presence of other stakeholders/partners willing to support the FIMG
 - The amount of FIMG applied for is equivalent to CIG/VMG total share capital and savings contribution that time of request, verified through bank account statement.
 - A minimum of Kshs.500,000 as savings equivalent to their FIMG loan, first request
 - A minimum of Kshs.1 million as savings, equivalent to their FIMG loan in subsequent request.
 - For the 2nd and subsequent FIMG tranches, SACCOs will be eligible only if atleast 40% of disbursed loans belong to women farmers.
1. Duly signed FIMG application with minutes of the last member General Meeting
2. KYC documents (SACCO registration certificate, copy of SACCO PIN certificate, copy of tax exemption certificate (if applicable))
3. Proof of banking details of project designated account – copy of Bank Statement or original Cancelled Cheque

6.0. FIMG LOANS

6.1 RULES FOR INDIVIDUAL MEMBERS - SAVINGS AND LOANS

6.1.1. Expected share capital and monthly savings

Individual members are eligible to borrow FIMG loans from SACCO if they fulfil the following:

- Must have paid initial share capital in full as per the SACCO By-laws
- Be up to date in monthly savings of at least Kshs. 200 for at least 6 months
- Be a fully paid up member with respective CIG/VMG and FPO

6.1.2. Voting Rights

A SACCO member has the right to attend and vote during the general meeting of SACCO if he/she has paid entrance fee, initial share capital, and makes monthly savings of Kshs. 200.

6.1.3. Eligibility criteria- amount, tenure, number of loans

- An individual member of CIG/VMG shall qualify for FIMG loan at the ratio of 1:1 on their total savings, subject to a maximum of KES 10,000 during the first cycle
- A member shall qualify for a subsequent loan(s) upon successful completion of repayment of the existing loan(s).
- A member shall qualify for a maximum of KES 20,000 in the second cycle and any other subsequent loans, subject to previous repayment history.
- A member shall qualify for a number of FIMG loan products, subject to a maximum of 10,000 in the first cycle and 20,000 in the second cycle and subsequent cycles.
- A member shall repay the loan within a period of 3-12 months.

6.1.4. Process of loan application

- All loan approvals will be processed and issued through the Easy SACCO platform
- Each Individual member will apply for a loan from the SACCO through the CIG/VMG for accountability and guarantor ship using a prescribed loan application form.
- The CIGs/VMGs leadership will provide a one time value chain investment plan to the SACCO detailing the agricultural asset base of each individual member
- CIG/VMG leadership will ensure that:
 - a. Each of the member's loan application is for TIMPS adoption
 - b. Loans are to be guaranteed by at least two members of the CIG/VMG
- Each individual loan application is countersigned by the management of the CIG/VMG
- The CIG/VMG leadership will consolidate all loan applications during their periodic

meetings and forwarded the same to the SACCO on a monthly basis.

- Individual member to receive SMS notifications communicating approval or rejection of the loan application and subsequent disbursement
- The SACCO will share the loan report status for each member every month/periodically with the CIG/VMG leadership for reconciliation and follow up.
- The SACCO will provide loan repayment schedule for each individual CIG/VMG member to the FPO for recovery
- For the credit in kind, the SACCO will inform the FPO of each farmer's input requirements and the cost of the inputs will be reflected as the loan amount at the farmers loan account and on the CIG/VMG records through an automated system.
- Preferential treatment will be given to VMGs/IPs to access appropriate agricultural and any other products/services, for example, specific tailor-made loan products for VMGs targeted capacity building and input packages.

6.1.5. Guarantee mechanisms

- The FIMG loan amount applied must be fully guaranteed by the CIG/VMG members
- An individual member cannot guarantee beyond their total savings
- In case of death of a guarantor, the borrower will get an alternative guarantor
- A member may be allowed to use collateral for guarantor-ship in accordance with the set criteria from the second cycle onwards
- A member of CIG/VMG will be guaranteed by other members of CIG/VMG for all types of loans including non-FIMG loans

6.1.6. Role of automation in loan appraisal and disbursement

- The automation will facilitate tracking of savings to determine eligibility
- The automation system will also look at member credentials and support de-duplication of members and removal of ghost IDs.
- Once the loan committee has conducted the initial appraisal of loan applications, the decision will be recorded in the automation system for eligibility verification. In case, the system notifies that any member is ineligible, the SACCO may choose to include application waiting approval, if any. Under no circumstances, the SACCO can disburse FIMG loan to a member declined by the automation system.
- Once the loan application is approved in the system, the disbursement to member accounts will be done digitally on a bulk payment basis through the Bank API integration.
- The automated system will track savings and repayments on a monthly basis and generate reports for sharing with key stakeholders including CDDCs, FPOs, and implementing team.

6.1.7. G/VMG in loan purpose monitoring and repayment

- The CIG/VMG members and leaders will ensure that the loan is utilized for the intended purpose and put up measures to mitigate against loan diversion.
- The CIG will hold regular meetings to monitor performance on adoption of TIMPs and loan repayment
- The CIG members must be willing and proactive in identifying early warning signs of performance/default among the members and report for collective action in time.

6.1.8. Role of CDDC in loan purpose monitoring and repayment and quality control

- Loan Purpose Monitoring: CDDC will support in assessing the viability and relevance of loan purposes based on their knowledge of the community.
- Repayment Monitoring and Support: Members of the CDDC maintain close relationships with borrowers, allowing them to follow up on repayment commitments and provide support if borrowers face challenges.

In cases where borrowers experience difficulties in repaying loans, the CDDC may offer assistance and guidance, such as facilitating discussions between borrowers and SACCO representatives to renegotiate repayment terms or providing access to additional resources.

6.1.9. Quality Control:

In addition to monitoring loan purposes and repayment, the CDDC may also play a role in ensuring the quality of projects funded by SACCO loans.

- CDDC members may conduct site visits or inspections to assess the progress and outcomes of funded projects, ensuring that they meet agreed-upon standards and specifications.
- The CDDC may provide feedback and recommendations to borrowers to improve the quality and sustainability of their projects, ultimately contributing to the long-term success of community-driven development initiatives.

6.1.10. Repayment of FIMG Loan

- The FIMG loans are to be repaid within the agreed tenure (3-12 months), incurring an interest of 12% per annum on a straight line basis.
- Loan repayments will be through direct digital payments by the borrower or check-off to be remitted to the SACCO by the FPO/ and off- taker from member sales proceeds.
- The SACCO shall compile Loan repayment records and share with the FPO and forward a certified copy to the CIG/VMG.
- The SACCO bookkeeper will update repayment records of each member as per the

- remittance from Borrower/FPO/off-taker as per the signed Tripartite Agreement
- SACCO will share the loan repayment report status every month with the CIG/VMG leadership for reconciliation purposes
- Sharia compliant loans will be implemented in-line with existing sharia policy.

6.1.11. Recovery mechanisms in case of defaults

- In case a member has defaulted on their loan repayment instalments, The SACCO will notify the member, guarantors, and CIG/VMG. In terms of escalation, members and guarantors will be notified immediately on missing a payment while CIG/VMG will be notified in case of two successive missed payments.
- The SACCO management will ascertain the reason for the default
- In case of crop failure, the SACCO will notify the FPO and the insurance firm in case the member was insured.
- If a member continues to miss the loan repayment instalments for 6 months, The SACCO shall classify the loan as NPA (Non-performing asset) and initial recovery of loan amount from member savings and guarantors as per the SACCO Bylaws

6.1.12. Prioritisation protocols for loans

In case of equally eligible candidates, who gets the loans - women farmers, vulnerable groups, emergency needs, etc.

- Loans will be advanced to members on first come, first served basis (as per the loan register). However in case of limited capital availability and higher loan applications, the loan prioritization will be done as follows:
 - Women farmers will be prioritized to access the loan
 - In case of two or more women farmers, member who is a first time applicant will be prioritized
 - In case of both members being first time applicants, members who is more vulnerable (In terms of economic status, land size, etc.) will be prioritized.
- The prioritization criteria is only applicable in case of a shortfall between loan amount applied for and the capital float available with SACCO for lending.
- The SACCO will develop tailor-made loan products targeting women farmers, vulnerable groups and for emergency needs
- In the second cycle, priority will be given to first-time loan applicants who have not benefited in the first cycle

6.1.13. Grievance mechanisms

- The SACCO will constitute an ad hoc committee to handle grievances raised by individual

- members and feedback will be communicated to the member within seven to 14 days
- The SACCO will provide various platforms for members to raise their grievances.

6.1.14. Member information mechanisms

Ensuring that the member knows eligibility, reason for approval or rejection of loan application, loan outstanding and upcoming instalments, etc.

- The SACCO will organize education and training for members on savings, loan products offered and terms of credit. During AGMs, the members will also be notified on eligibility, terms and conditions, the application process, guarantorship and loan process
- The SACCO will notify the member through SMS upon receipt, approval, processing and disbursement, loan outstanding and upcoming instalment of their loan product

6.1.15. Scenario examples

- i. In a case where a member needs an additional emergency loan for adoption of TIMPS and has reached maximum loan amount limit.
- ii. In a case where a member defaults a loan repayment after diversion of farm produce and guarantors have lodged a complaint with the SACCOs
- iii. In a case where a SACCO receives remittance from FPO that is insufficient to cover for member's loan instalment repayment and repayment period has expired.

6.2 RULES FOR GROUP SAVINGS AND LOANS

The following rules for savings apply:- CIGs/ VMGs must be fully paid up members by paying entrance fees, minimum shares and monthly savings, promoting a value chain, and having a group savings account at the SACCO. The group shall have governance structures (executive sub committee) in place. The SACCO shall disburse loans to qualified groups based on their total shares and savings to be confirmed by the management committee.

6.2.1. Process of application

The NAFO shall prepare a prescribed template and issue the same to CAFO to transmit to the SACCO management committee for adoption. The group shall apply for funds using the prescribed form with sufficient copies to CAFO and CDDC chairman respectively. The executive sub-committee of the group shall attach copies of their national identity cards, an extract of the minutes of the members meeting that approved the borrowing, and an excerpt of the meeting minutes that approved the value chain development plan of the group.

6.2.2. Loaning

Prior to accessing a loan, the group must have an account with the SACCO and have regularly

saved for a period of six months, opened and operating a bank account with a commercial bank that is acceptable to the project to which the loan will be disbursed to, have governance structures in place, have applied for the loan and willing to abide by the SACCO rules.

6.2.3. Loan appraisal

The credit committee of the SACCO shall appraise and recommend for approval by the management committee. The Management Committee shall approve or reject the application and communicate the decision to the management of the group.

- Once the management committee has approved the group loan applications, the decision will be recorded in the automation system for eligibility verification. In case, the system notifies that any group is ineligible, the SACCO may choose to include application waiting approval, if any. Under no circumstances, the SACCO can disburse FIMG loan to a group declined by the automation system.
- Once the loan application is approved in the system, the disbursement to member accounts will be done digitally on a bulk payment basis through the Bank API integration.

The automated system will track savings and repayments on a monthly basis and generate reports for sharing with key stakeholders including CDDCs, FPOs, and implementing team.

When approved, the treasurer of the SACCO shall disburse the loan to the group account in the Commercial Bank for implementation of the value chain development plan. In a situation where the loan is in-kind, the disbursement shall be direct to the FPO that has tripartite agreement with the group.

6.2.4. Eligibility Criteria

A group shall qualify for a maximum amount of KES 250,000 at a time in a 1:1 group savings multiple, and may qualify for a subsequent loan upon successful completion of repayment of the existing loan. The group must demonstrate ability to repay the loan within a period of 3-12 months. The value chain development plan shall show the income statement. A group may access subsequent FIMG loans immediately based on having repaid the previous loan, have implemented in full the activities for which the loan was intended for and has shown the ability to repay subsequent one. The existing loan application process shall be applied.

6.2.5. Guarantee Mechanisms

It is the duty of the Group Officials (Chairperson, Vice Chairperson Secretary and the Treasurer) of the group applying for the loan from the SACCO to satisfy that the loan applied for is fully guaranteed. The preferred eligible mechanisms for guaranteeing shall include Group shares and savings in the SACCO that have been retained for a period of not less than one month. The chairman of the SACCO credit committee shall assess the group's shares and savings to confirm

that the group is eligible.

6.2.6. CIGs / VMGs

The loan shall be signed for by executive officials by virtue of their positions. The CIG/ VMG shall be guaranteed by 100% of group members through their shares and savings held in the SACCO.

6.3 ROLE OF CIGS / VMGS IN LOAN PURPOSE MONITORING AND REPAYMENT

The committee shall undertake participatory monitoring on the implementation of the value chain development plan. They shall also ensure prompt repayment of the loan in accordance with the schedule provided in the loan application form. The members of the CIG/ VMG shall ensure that loan is utilized for the intended purpose as detailed in the value chain development. The management committee shall share the funded value chain plan with all group members for disclosure. During the group meeting all the members will have the opportunity to discuss the progress of implementation of the plan and propose strategies to ensure completion adherence. The members shall also be updated by the chairperson on the progress in repayment of the loan to SACCO and take any necessary action.

6.4 ROLE OF CDDCS IN LOAN PURPOSE MONITORING AND REPAYMENT AND QUALITY CONTROL

CDDCs shall oversee the implementation of the value chain development plan as intended. Their main task will be to undertake monthly monitoring to establish whether the activities identified in the Value Chain Development Plan are being achieved or not and provide an appropriate way forward. The CDDC shall liaise with the Lead farmer and Agripreneur within the group to ensure that technical aspects are consistent, confirm the accountability and transparent application of the funds at the Group. The CDDC will be guided with the monitoring key indicators that are stated in the plan.

The CDDC treasurer shall confirm and document the loan repayment and default status, adherence of quality control, standards and specifications and present the findings to the CDDC for discussions. The CDDC shall discuss the recommendations with the Group Management and the results shared with the CAFO and SACCO for appropriate action.

a) *Recovery mechanisms in case of defaults*

A defaulter shall be guilty of an offence and be liable to a fine of 50 shillings for every day during which the default continues. In case a group fails to repay on the due date, the group shall be deemed to be a defaulter and shall be guilty of an offence. The SACCO chairman shall notify both the defaulter and guarantors of the offence and instigate corrective measures within one month of the failure to repay the instalment. Such measures may include attaching the balance of

shares and savings in the group account however in the event of death, recovery shall be through the insurance facility retained by the SACCO

b) *Prioritisation protocols for loans*

In cases of equally eligible loan applicants, the SACCO will give priority to VMGs and CIGs with emergency needs. Such emergency needs may include disease outbreaks in livestock and crops and natural catastrophes.

c) *Member information mechanisms*

The SACCO management committee shall ensure that a member (group) is well informed of the status of their loan application on such areas as eligibility, reason for approval or rejection, loan outstanding and upcoming instalments. For example a member has applied for a loan exceeding the total sum of savings and shares and the approved repayment period.

d) *Devolution of responsibilities*

The SACCO management shall not devolve decision making on loans. The Credit sub committee shall appraise, process and recommend for approval by the management committee



7.0. CAPACITY BUILDING FOR SACCOS

7.1 OBJECTIVES

The primary objective of this chapter on capacity building for SACCOs is to establish a comprehensive framework for training members, officials, and staff, while also raising awareness among potential members. The specific objectives include:

- a)** Identifying target groups for training.
- b)** Outlining the training processes.
- c)** Identifying suitable trainers.
- d)** Identifying the key areas for training.
- e)** Determining the frequency of training sessions.
- f)** Establishing a framework for conducting Training Needs Assessment (TNA)

7.2 TARGET GROUPS FOR TRAINING

The target groups for training encompass:

- a)** Management Committee members
- b)** Supervisory Committee members
- c)** Ordinary members
- d)** Employees
- e)** Prospective members

The induction process will be facilitated by the CPCU (Crack teams/CAFOS). Subsequent training sessions will be organized by the Education and Training Committee, which will identify trainers based on the specific subject matter.

Note: It will be the responsibility of the NPCU to enhance the capacity and sensitise the CECM/CO/DIRECTORS and CAFOS/CDDC/Crack teams, etc

7.3 TRAINING PROCESS

To ensure effective training, the following steps will be undertaken:

- a)** Conduct a comprehensive Training Needs Assessment (TNA) to identify specific areas of need.
- b)** Analyze the findings of the TNA to gain insights into the priority areas and tailor the training accordingly.
- c)** Develop comprehensive training materials, including evaluation tools, to support the

training process.

- d)** Identify and train competent trainers who possess the necessary expertise and skills to deliver the content effectively.
- e)** Roll out the training program systematically, ensuring accessibility and engagement among the target groups.
- f)** Continuously monitor and evaluate progress throughout the training period to measure effectiveness and make necessary adjustments as needed.

7.4 DURATION AND FREQUENCY OF TRAINING

Based on the provided guidelines, the duration and frequency of training will be structured as follows:

- a)** Training sessions can range three days or a week, depending on the target group and the subject matter.
- b)** Sacco members and officials will be inducted within 30 days after the first general meeting. The duration of this induction will depend on the content covered but could typically range.
- c)** There will be at least one training session per year for members, officials and employees
- d)** There will be at least one forum for sensitization/recruitment of potential members

7.5 TRAINING CONTENT

The content of the training will depend on the TNA. Notwithstanding this, the following are the general areas identified as possible areas for capacity building which will with time be expanded through proposals from TNAs.

Cooperative Model

- a)** Brief history of cooperatives (World and Kenya perspective)
- b)** Cooperative Principles and Values
- c)** Cooperative structure and key institutions in Kenya
- d)** Status of cooperatives in Kenya

Governance

- a)** Organizational Chart: Roles and Responsibilities
- b)** Management Committee: Functions and Decision-Making Authority
- c)** Supervisory Committee: Oversight and Compliance
- d)** Sub-committees: Specialised Functions and Delegated Tasks
- e)** Eligibility criteria to the management and supervisory committees including filing

indemnity forms and declaring income, assets and liabilities

- f) Role of the Manager and staff
- g) Disclosures

Membership

- a) Eligibility Criteria for SACCO membership
- b) Rights, Roles and Obligations of Members
- c) Shares subscriptions and payment of deposits
- d) Transfer of shares and refund of deposits
- e) Membership Withdrawal and Termination Procedures Meetings

Types of meetings (AGM, SGM, MCM, SCM, Sub Committees Meetings etc.)

- a) Requirements for valid meetings (Notice, venue, agenda, quorum)
- b) Virtual and physical meetings protocols
- c) Decision making processes
- d) Elections procedures

Sources of Funds: Contributions, Savings, and Investments

- a) Budgeting Process: Allocation and Utilisation of Resources
- b) Financial Reporting and Auditing Procedures
- c) Investment decisions
- d) Share subscriptions and raising of deposits/savings
- e) External borrowing
- f) Grants

Operations and Procedures

- a) Member Services: Deposit and Withdrawal Processes
- b) Loan policies: Loan Products, Application, Eligibility. Approval, Collateral/guarantees and Repayment
- c) Record Keeping: Maintenance of Accurate and Up-to-Date Records
- d) Strategic planning and proposals development
- e) Procurement and disposal of goods and services procedures

Appropriation of Surplus

- a) Dividend policy and distribution
- b) Interests on deposits and bonuses
- c) Concern for community (Corporate Social Responsibility)

Risk Management

- a) Identification of Risks and Mitigation Strategies
- b) Disaster Preparedness and Business Continuity Planning
- c) Insurance of loan books and other assets

Compliance and Legal Framework

- a) Cooperative Policies, legal and regulatory framework
- b) Regulatory Compliance and Reporting Requirements
- c) Books and record keeping
- d) Handling Legal Matters and Dispute Resolution
- e) Limitation on borrowing

Human Resources Management

- a) Recruitment, Training, and Development
- b) Performance Evaluation, Compensation, and Industrial Action
- c) Exit processes

Code of Conduct and Ethics

- a) Core Values, Professional Standards, and Fair Treatment
- b) Confidentiality, Conflict of Interest, and Transparency

Technology and Innovation

- a) Utilisation of Technology for Efficient Operations
- b) Innovation in Products and Services Delivery
- c) Cybersecurity Measures and Data Protection

Cross cutting issues

- a) Climate change mitigations
- b) Gender mainstreaming
- c) People Living with Disabilities mainstreaming
- d) Campaign against offensive cultural practices

Group dynamics

- a) Leadership Development
- b) Building Trust and Communication
- c) Cultural Sensitivity and Diversity
- d) Group Decision Making:
- e) Managing Conflict

About the project (NAVCDP)

- a) General overview of the project
- b) Project objectives
- c) Project products (Sacco/FPO product)
- d) SACCO outputs/indicators

Continuous Improvement

- a) Feedback Mechanisms and Member Surveys
- b) Monitoring and Evaluation of Operational Efficiency
- c) Continuous Learning and Adaptation to Changing Market Dynamics

Table 8: Implementation Plan

S/No.	Area Of Training	Member	Management	Supervisory	Employees	Potential Members
1.	Cooperative Model	√	√	√	√	√
2.	Governance	√	√	√	√	
2.	Membership	√	√	√	√	√
4.	Meetings	√	√	√	√	√
5.	Sources of Funds	√	√	√	√	√
6.	Operations and procedures	√	√	√	√	
7.	Appropriation of surplus	√	√	√	√	√
8.	Risk management		√	√	√	
9.	Compliance and legal framework	√	√	√	√	
10.	Human Resources management		√	√	√	
11.	Code of conduct and ethics	√	√	√	√	
12.	Technology and innovations		√	√	√	

S/No.	Area Of Training	Member	Management	Supervisory	Employees	Potential Members
13.	Group dynamics	√	√	√	√	
14.	The project	√	√	√	√	
15.	Cross cutting issues	√	√	√	√	√
16.	Continuous improvement		√	√	√	

8.0. AUTOMATION PROCESS

Automation is crucial for improving the efficiency and effectiveness of SACCO/FPO operations. It streamlines procedures, reduces manual errors by managing inherent functions electronically, and improves the overall member experience. The project has contracted service providers to automate all participating farmers' institutions (SACCOs and FPOs) in the WB project's implementing counties. It will also provide eligible SACCOs with automation infrastructure (computer, printer, operating software licence and API integration (B2B/C) as well as user training and maintenance support for a year, as part of the inclusion grants items. NAVCDP's Project automation intervention includes;

1. Contracting a service provider to automate all participating farmer institutions (Cooperatives, limited companies, PFs in the WB project's implementing counties.
2. Provide eligible farmer institutions with automation infrastructure (computer, printer, operating software license (Eassy Pro system)
3. Facilitate the system integration -Application Programming Interface (API) integration (B2B/C)
4. Training of users (FPO staff)
5. System maintenance support for 2 years

Majority of these items will be supported through inclusion grants as prescribed in the inclusion grant guidelines.

8.1 REQUIREMENT FOR SACCO AUTOMATION

All participating SACCOs must incorporate technology into their operations, thus the following elements must be in place for automation to begin.

1. A good plan and vision for the Society's ICT infrastructure (computer/servers/ software/ internet/ backups should therefore be in place to facilitate smooth management of the ICT resources and ensure maximum return on investments
2. Information and Communication Policy and Procedures Manual to guide towards providing a uniform level of understanding in the interpretation and administration of information technology matters. (A model ICT policy annexure.....)
3. Prior to automation of an FPO/SACCO, prerequisites should be in place to ensure project automation intervention success. The eligible SACCO will be required to undertake an

automation assessment using the tool provided by the project

1. The tool aims at assessing the status of infrastructure as listed below:
 - Physical Office
 - Human resource (Accounts clerk/bookkeeper/ICT officer)
 - Sound management committee structure
 - Computer hardware's and Printer with required Specs
 - source of power (Electricity/Solar Generator)
 - Valid Certificate of Registration
2. Compliance with the Data Protection Act 2019 is mandatory to ensure that data and information pertaining to individuals and other confidential matters acquired for membership information management purposes are protected in accordance with the provisions of the Act.

8.2 OBLIGATIONS OF THE SACCO TOWARDS AUTOMATION

1. The SACCO chairperson will provide strategic oversight and leadership to ensure that automation efforts align with the organization's goals and objectives.
2. The SACCO will allocate human resources, including a bookkeeper, accountant, and administrator, and procure the infrastructure resources such as computers, software, internet, and backups, to support the automation.
3. SACCO shall sign consent forms and Service Level Agreements (SLAs) with the Service Provider.
4. The SACCO, in collaboration with the Service Provider, will conduct due diligence on the society's infrastructure (computers, software, internet, and backups) to assess readiness for automation.
5. The SACCO will grant the Service Provider access to their premises, stationery, and internet as necessary for effective discharge of its mandate during automation.
6. Stakeholder engagement will be undertaken by the SACCO with members, regulators, and external auditors to ensure transparency and accountability in automation.
7. The SACCO will foster a culture of continuous learning and ensure staff are adequately trained to use automated systems effectively.
8. The SACCO will be responsible for accurate and high-quality data capture, as well as generating reports based on this data.
9. The SACCO will utilize the automation system for verification of loan appraisal related decisions and for releasing the funds through bulk posting.
10. Compliance with relevant laws, regulations, and industry standards related to automation and data protection will be ensured by the SACCO.
11. Policies related to automation, internal controls, and data security will be developed,

- implemented, and enforced by the SACCO.
12. The bookkeeper or secretary will communicate with the service provider on automation challenges and data-related issues.
 13. The SACCO should provide backup discs or a computer for storing assets (Data) related to automation and other records shared with stakeholders.
 14. Documentation, user profiles (API users), and links enabling seamless integration with third parties will be provided to the Service Provider by the SACCO.
 15. The SACCO, in liaison with the Service Provider, will ensure proper training of the credit committee on the use of the system, including automated loan appraisal and documentation related to automation.
 16. Proper management of B2C (Business to Customer) by Mpesa will be ensured by the SACCO in collaboration with Mpesa.
 17. Segregation of Duties will be implemented by the SACCO, assigning different users to authorise, record, and reconcile transactions to prevent any single person from having complete control over a transaction from initiation to completion.
 18. Audit Trails will be maintained by the SACCO to track all financial transactions, including who initiated them, when, and for what purpose, facilitating monitoring and auditing by the board.

8.3 OBLIGATIONS FOR THE SERVICE PROVIDER TOWARDS AUTOMATION

1. Provide guidance to the SACCO regarding the automation process.
2. Ensure that the SACCO has duly signed consent forms and Service Level Agreements (SLAs).
3. The service provider should conduct a thorough inspection of the SACCO's infrastructure, including computers, printers, internet provision, and physical security measures.
4. Training of the bookkeepers / SACCO Leaders and members – This involves actual training of how to access the system (login into the system), use the system (input data into the system), generate reports from the system and share the report to other stakeholders digitally. This will be done by the service provider with support from the county project coordinating units.
5. The Service Provider will provide guidance on correct and high-quality data capture, as well as supporting the generation of reports based on the captured data.
6. System installation and configuration of the Sacco Parameters- All parameters must be from the Sacco Loan Policy and system licence is given to the SACCO (user is mapped to its licence), to ensure adherence to eligibility criteria for loan disbursement.
7. The Service Provider will continuously support and handhold book keepers once the data has been keyed into the system and monitor the data capture and processes.
8. The Service Provider will use documentation, user profile (API user) and links that will enable seamless integration with third parties. This will apply to integrating with Mpesa,

any other third party application that will relate to the automation process.

9. Must provide ownership rights for the system
10. Service Provider will ensure continuous data backup for the data being entered.
11. Process Optimization- Continuously improving automated processes for efficiency gains.
12. Provide continuous upgrade of the system with the change of environment
13. Oversee IT infrastructure and end-user systems support to the Sacco remotely.
14. Maintenance of the system
 - During the implementation- period provide 2 years Support as documented in the SLA,
 - After the implementation period the service provider will provide maintenance of *the SACCO system and the SACCO will cater for the related cost as reviewed in the SLA* -renewal of the licences ,regular updates ,security patches, performance optimization , backup and recovery, user support and legacy system transition.

8.4 OBLIGATION OF THE SERVICE PROVIDER/SACCO POST AUTOMATION PROJECT SUPPORT

1. Maintenance and support of the system -After the implementation period the service provider will provide maintenance of *the SACCO system and the SACCO will cater for the related cost as reviewed in the SLA* -renewal of the licenses, regular updates ,security patches, performance optimization , backup and recovery, user support and legacy system transition.
2. Provide continuous upgrade of the system with the change of environment
3. data backup /system security
4. Integration of systems (B2B/B2C)
5. Training of users and provision of additional licenses where applicable

9.0. GOVERNANCE SYSTEMS/COMPLIANCE

Governance refers to the system of structures, processes and practices put in place to ensure effective leadership, accountability, transparency, and compliance with regulations. It encompasses how the Sacco will be managed, how decisions will be made and how member's interests will be protected.

9.1 ORGANIZATIONAL STRUCTURE

Organizational structure refers to the framework of roles, responsibilities, relationships, and communication channels within the Sacco. The organization structure of the Sacco is illustrated below:

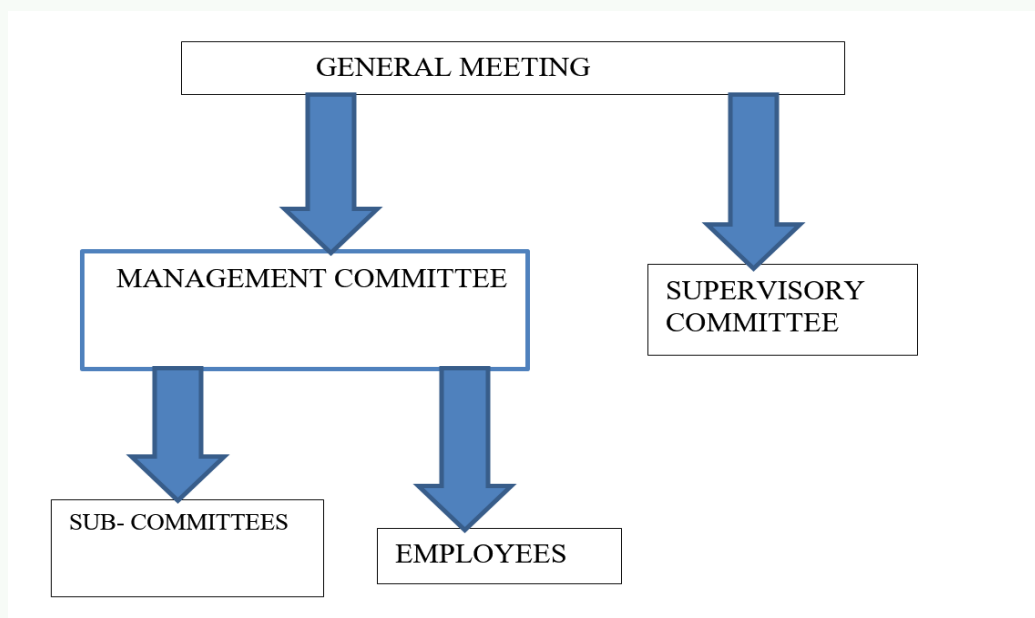


Figure 4: Sacco Organisational structure

9.2 GENERAL MEETINGS

This is the supreme body of the SACCO where decisions are made. The decisions are made through a majority vote. The types of general meeting that a SACCO can hold include First General Meeting, Annual General Meeting and Special General Meeting.

a) First General Meeting

This meeting is convened by the interim committee that promoted the SACCO within 30 days after receipt of the registration certificate. The cooperative officer will provide guidance throughout the meeting.

The members present in the meeting are required to discuss and resolve the following agenda:

- a)** Elect a management committee of either five, seven or nine members as guided by the registered bylaws and a supervisory committee of three members.
- b)** The management committee receives the registration certificate from the Sub-County Cooperative Officer on behalf of the members.
- c)** Each of the following resolutions will require a proposer and a seconder from the members present in the meeting.
 - Fix the maximum borrowing powers for the society
 - Fix of the indemnity amount for the management committee
 - Fix of the indemnity amount for the management committee
 - Approval of the budget
 - Appointment of bankers
 - Appointment of auditors for the ensuing year
 - Elections of management committee
 - Any other business (AOB).

b) Convening Annual General Meeting (AGM)

- This is a mandatory meeting convened by the management committee annually within four months after closure of the society's financial year.
- This is where elections will be held and audited accounts presented to members by an external auditor.
- A notice convening the AGM will be sent to the members giving at least 15 days. A Quorum must be present for the meeting to start and the agenda will be discussed.

c) Special General meeting

This meeting is convened by the management committee giving 15 days' notice and the stipulated quorum must be present before the start of the meeting, to consider urgent matters that cannot wait for the next general meeting, for instance:

- Approval of supplementary budget estimates
- Elections if the committee falls below 5 members
- To receive an inquiry report
- Amendment of By-laws

9.3 FORMATION OF THE SUB-COMMITTEES

Sub-Committees will be formed by the management committee to support and help the Committee deal with specialised areas in operational management . These include : Finance and administration, Credit committee and education committee. Each committee will be three

members except Finance and Administration which has four.

The sub-committees are constituted in a management committee meeting held within seven days after the general meeting where elections were held.

1. Management Committee Functions

The management committee shall exercise all the powers of the SACCO other than those reserved for the general meeting by the Co-operative Act and the by-laws. In fulfilling the above mandate, the management committee shall meet at least monthly to deliberate on the SACCO business.

2. Functions of Supervisory Committee

The duties and functions of the supervisory committee is to counter check the effectiveness of the internal control systems and safeguard the SACCO funds as provided in the Co-operative Societies Act and by-laws.

9.4 SACCO EMPLOYEES

The management committee will engage SACCO employees in accordance with the existing HRM policy which will include the terms and conditions of service. Further, the MC will:

- Ensure the SACCO Society has in place a fair system for dealing internally with accusations from whistleblowers so that honest individuals do not feel threatened when making an allegation.
- Ensure there is proper discipline among the employees of the society.
- Ensure compliance with legal and regulatory requirements including:
 - Filing Indemnity within 14 days after elections and
 - Wealth Declaration Forms within 30 days after elections

9.5 INTERNAL CONTROL SYSTEMS AND COMPLIANCE

Internal control system in SACCOs is defined as a set of procedures, mechanisms, and policies governing the chain of activities carried out by the SACCO. The key areas of internal control in a sacco includes:

3. Management Controls

Management committee internal controls Measures. These will include management committee internal controls Measures

- Maintain a sound system of internal control for verification of SACCO members
- Ensure it acts expeditiously on the reports of the Supervisory Committee on any internal control issues that need to be dealt with;
- Ensure that mechanisms are put in place for an effective segregation of duties, avoidance of conflicts and proper checks and balances;
- Recommend to the General Meeting the names of at least three duly qualified of external Auditors for the appointment to provide external auditing services to the SACCO Society for the ensuing year.
- Put in place appropriate access controls and limit including physical access oral access to ICT infrastructure;
- Ensure it is rigorous and transparent in ensuring that decisions taken on behalf of the SACCO Society are informed, objective and in the best interest of the members;
- Promoting ethical conduct by leading by example by communicating ethical behaviour, providing and using resources well to benefit all members.

4. Financial Controls

- Ensure the society maintains and keeps proper and accurate books of accounts such as cash books, ledgers to record all SAACO accounting transactions by the bookkeeper.
- Ensure timely auditing of books of accounts is done
- Registration of audited accounts with the Commissioner of Cooperatives
- Presentation of audited accounts to members at AGM within four months after the closure of financial year.
- Discuss the published external Auditor's report each year and implement any corrective actions necessary;
 - Ensure the SACCO has in place an appropriate Procurement and Assets Disposal Policy.
- Undertaking timely budgeting process and preparation of budget (operational budgets, cash budgets and capital budgets).
- Ensure presentation of budget to the AGM for approval at least three months before the end of the preceding financial year.
- Establishing budgetary control measures aligned to the financial management policy on quarterly basis.
- Filing Returns, Payment of Taxes and Tax Compliance Certificate from KRA annually
- Undertake resource mobilisation including but not limited to membership fees, share contribution, proposals development, credit financing, enhancing collaborations and



networking through Public Private Partnerships (PPP)

- Exercise Financial Controls relating to bank reconciliations by the bookkeeper on a monthly basis.
- Ensure Financial and Management Reports are prepared by the bookkeeper and discussed that is:
 1. Economic reports /Trial balance- Monthly
 2. Accounts statement - Monthly
 3. Fixed assets register report- Quarterly
 4. Loan projections - Monthly
 5. Income and expenditure report- Quarterly
 6. Statement of Financial position report -Quarterly
 7. Cash flow statement - Monthly
 8. Statement on changes in capital and equity - Quarterly
- Ensure loans are only granted to qualified members of the SACCO
- Ensure the society has an asset register

10.0. GRIEVANCE MANAGEMENT AT SACCO LEVEL

A Grievance Management Mechanism (GM) is a set of simple and transparent procedures that provide its users with access to safe and confidential means of expressing complaints/ concerns. It gives guidance to the user on how to handle and manage grievances up to the point of giving feedback to the complainant.

10.1 WHAT IS A GRIEVANCE

A grievance is an expression of dissatisfaction or an accusation made by a stakeholder in the delivery of SACCO services.

10.2 WHY GRIEVANCE AT SACCO

Grievances are likely to emerge from several sources such as direct SACCO beneficiaries, community institutions, implementing entities, stakeholders, Service Providers, politicians among others. It is therefore prudent to monitor and process any grievances raised promptly and effectively.

The project will support an alternative dispute resolution at the SACCO level before seeking the conventional dispute resolution systems.

This alternative dispute resolution system at the SACCO will ensure that the disputes are resolved on the following principles

- a. Commitment to fairness, transparency and accountability towards the SACCO members
- b. Participation – The GM to promote dialogue and engagement among all members, partners and stakeholders. Articulation and handling of grievances is culturally sensitive and context specific hence stakeholder involvement is important.
- c. Safe access to all the potential users especially the SACCO members
- d. Confidentiality: This will enhance confidence and members feel safe to raise their grievances
- e. Clear Information: This will reduce ambiguity hence enhances timeliness in grievance management
- f. Simple and effective: The Mechanism which is simple to implement at the SACCO level
- g. Open to continuous learning: This will provide opportunity for improvement/service Delivery
- h. Gender equity: Improves fairness hence reduces gender discrimination.

The project appreciates that SACCOs have dispute resolution procedures as per the cooperatives act. Since the dispute resolution may not be within the control of the members, it is important that each SACCO has a grievance management mechanism.

The Management committee will appoint 3-5 SACCO members as *ad hoc committee* every year

and present to the AGM/SGM responsible for grievance resolution internally.

Where internal grievance management may fail, the grievance will be escalated to the County level (County grievance management committee) then to the National grievance management committee for resolution.

Grievances touching on the Management committee may be referred directly to the county grievance management committee.

10.3 IMPORTANCE OF GRIEVANCE MANAGEMENT IN SACCO S

- Ensures Members engagement with the SACCO officials i.e gives voice to the aggrieved persons
- Enhances accountability at the SACCO level as it gives feedback, concerns and compliments regarding the performance of the SACCO
- Ensures opportunity for grievance redress, collaborative problem solving and alternative dispute resolution
- Helps the SACCO on efficient resource utilisation
- Grievance management provides feedback in a systematic and timely manner
- Deters SACCO related fraud and corruption
- Allows SACCO beneficiaries to express their voices creating a sense of ownership

Who are eligible to raise a grievance?

- SACCO member
- Committee member to the SACCO
- Affected Community/CIG member
- SACCO employee
- Suppliers, Merchants
- CDDC member with a grievance
- Other stakeholders affected by the SACCO operations, County government representatives,

10.4 ROLE OF THE GRIEVANCE MANAGEMENT COMMITTEE;

- Receive; transmit grievance and if within their mandate, to resolve the grievance at the SACCO level.
- Receive the feedback from the County Grievance Management Committee and other county partners and relay to the complainant.
- Act as an intermediate between the county Grievance Committee and SACCO members
- Sensitise the SACCO members on the existence and utilisation of the Grievance

Mechanism.

- Mediate and resolve conflict that may arise from SACCO activities
- The Grievance Management Committee shall not perform the duties or exercise any powers of a committee as per the Cooperative Act.

10.5 GRIEVANCE MANAGEMENT

Grievance arising from a SACCO operation will be reported and resolved at various levels starting at SACCO level using the rules and regulations of the SACCO but in a situation where there is dissatisfaction, they will be escalated upwards to County or National.

Receiving and Managing grievances

Grievances at the SACCO level shall be received by the chair of Grievance Management Committee (*ad hoc committee*) through the following channels:

- Phone call
- Email
- Letters
- SMS
- Web page and
- Face-to-face/Verbal
- Social media
- Complaint box at the SACCO office

Once the grievance is received, it shall be recorded in the grievance register and accorded a serial number for reference. The complainant will receive/ be issued with the recorded grievance reference number by the *ad hoc committee*

Lodging of Grievance

When the grievance is reported at the SACCO, the *ad hoc* Committee secretary will put down the details in the grievance lodgement form (refer to annex 2) as follows;

1. Name and address of the complainant
2. Contact address
3. Method of grievance placement
4. Effective means of response
5. Date and time of recording
6. Nature and location of the complaint



In a case whereby the complainant is not satisfied with the resolution, the following additional information will be availed for escalation

- I. Initial response details
- II. Date of the initial response

Grievance categorization

After recording, the grievances shall be categorised by the Grievance Management Committee as follows;

- Corruption and integrity related
- Delayed service
- Gender based violence/ Sexual Exploitation, Abuse and Harassment (GBV/SEAH)
- Exclusion from SACCO activities
- Gender biasness
- Financial Mismanagement
- Abuse of office

After categorization, the *ad hoc* Committee shall investigate the grievance and give a feedback to the complainant within 14 days.

However, in GBV/SEAH cases, victims are to be immediately directed, within 24 hours, to the referral centres (Gender desks at police stations and hospitals) as investigations are ongoing. The committee must give the complainant feedback within 7 days.

The efficiency of these complaints handling will be monitored and assessed during the SACCOs regular meetings.

Disclosure of Grievances

The *ad hoc* grievance Committee responsible for grievance handling at the SACCO will allow for access and disclosure to the grievances register to the members, however where there will be need for confidentiality and integrity protection, the information shall remain classified.

Closing out a grievance

A grievance will be closed out when the complainant issues an acceptance note or gives a verbal acceptance

Grievance escalation

If the Complainant is not satisfied with the response received despite having had the opportunity to request further clarification or feedback, he or she has the right to make formal communication

to a higher level i.e. County Grievance Management Committee(CGMC)

The instances under which a grievance is escalated to the next level includes:

1. When the timelines are not observed the complainant
2. Where the complainant is not satisfied or the management committee may not be competent to handle the grievance
3. Where there is conflict of interest by the committee

5. Levels of grievance handling

1. SACCO level: *Adhoc* Management Committee
2. County level: County Grievance Management Committee (CGMC)
3. National level: National Grievance Management Committee (NGMC)

Grievance Reporting

The SACCO Grievance Management Committee will generate quarterly reports (every 3 months). The project will support the SACCOs within the first six months of its formation to automate (web based grievance handling) receiving, recording and giving feedback to all the grievances. The Grievance committee will report on the following;

1. Received grievances
2. Grievances under investigation
3. Resolved/closed out grievances
4. Escalated grievances

Capacity building on Grievance Management

The SACCO shall create awareness on the existence of the Grievance Management and sensitize the members, partners and stakeholders on it.

The SACCO shall provide an assurance to all that the mechanism is confidential, safe, accessible and that there will not be any retaliation or victimisation for raising a grievance.

Role Of The Sacco Grievance Management Committee

1. Receive; transmit grievance and if within their mandate, to resolve the grievance at the common interest groups and community level.
2. Receive the feedback from the County Project Coordinating Units and other county partners and relay to the community at large or the complainant.
3. Acts as an intermediate between the county project coordinating unit and the target



community

4. Sensitises the community on the existence and utilisation of GM.
5. Mediate and resolve conflict that may arise from project implementation

role of the county grievance management committee

1. Receive escalated grievances and resolve within the 14 days
2. Give feedback to the SACCO management committee on the grievance was resolved or was escalated further

11.0. MECHANISM FOR LONG TERM SUSTAINABILITY

The SACCO model continues to be the best vehicle to promote a savings culture for social-economic development and plays a key role in the Kenyan financial sector due to its comparative advantage to leverage access to affordable credit among the population, both in urban and rural areas. Seventy percent (70%) of the SACCOs in the project are newly registered necessitating the need for long term sustainability mechanisms to ensure success beyond the project life.

The project will support and encourage SACCOs to develop strategies that enhance institutional viability and effectiveness beyond the project period. Implementation will focus on four (4) broad areas of sustainability namely; Financial, Technological, Social and Environmental.

11.1 FINANCIAL SUSTAINABILITY

This refers to the ability of an institution to generate and manage their financial resources in a manner that ensures long-term viability and effectiveness. These strategies include (i) Implementing good governance and prudent financial management practices (ii) member and funds mobilisation (iii) having an operationalization and growing the revolving fund (iii) implementation of a robust internal controls to minimise risks (iv) Raising additional funds through linkages to finance and (vi) Adherence to Tripartite Agreements and MOUs

11.1.1. Good Governance and Prudent Financial Management Practices

The management committee of the SACCOs shall embrace transparent and accountable governance practices focusing on compliance of legal and statutory requirements, holding AGMs and reporting to members; budgeting, internal controls including proper bookkeeping, timely auditing of financial statements, filing of annual returns and taxation compliance

The Management Committee shall develop a financial management policy and apply prudent financial management practices aimed at ensuring resources are allocated and utilized in an efficient and effective manner in order to achieve organisational objectives.

11.1.2. Members and Funds Mobilization

Part of the Inclusion Grants applied for will be allocated and utilized towards undertake member mobilization campaigns. The Management Committee (MC) in liaison with CDDC committee members, Lead farmers and Agri-preneurs will conduct aggressive mobilisation of farmers in all wards to join the SACCO for increased funds, savings and credit. Member mobilization will be a priority and continuous process even post utilization of the IC. It is projected that each SACCO will reach a membership of 2,000 by the third (3rd) year of existence.

To attain universalization, resolutions to open the common bond to allow individual farmers to

join the SACCO will be made at respective AGMs and corresponding changes made into the by-laws

11.1.3. Establish an operational and growing revolving fund

The MC will initiate the process of developing a diversified range of agricultural loan products that are targeted and tailor made to member needs. This will be done through a resolution of a management committee meeting after which loan products will be developed for presentation and approval by the General Meeting. The implementation of the approved loan product will be undertaken by MC and SACCO bookkeeper.

Prudent management of FIMG through development and implementation of a robust control system. The MC will undertake periodic reviews of internal controls with the objective of identifying gaps and areas of improvement. The MC will cause interventions to be developed to address the identified gaps for implementation. Areas of intervention will include maintaining accurate records of transactions and activities through a robust Management Information System (MIS) with access rights to prevent fraud and errors. Assets acquired through project grants will be safely kept and maintained through establishment of appropriate asset management policies.

The Management committee will institute measures that facilitate growth in loan portfolio and recovery. The measures will include implementation of the loan policy; development of attractive and affordable loan products. The MC will also institute measures to ensure the process of application, processing, disbursement and recovery is efficient and friendly.

11.1.4. Risk Mitigation Mechanisms

The sustainability of SACCOs will be enhanced by putting in place strategies to mitigate against such risks as; credit default risk, liquidity risk, interest rate risk, and operational risk.

The Management committee

- This will entail development and implementation of a Risk Management Policy by the MC.
- To remain sustainable, the management of credit should ensure that the Portfolio at Risk remains below 5% through use of guarantors and collateral.
- Take insurance to cover risks related to defaulted loans, crop failure, incapacitation or death of a member
- Loan recovery strategies from the CIG/VMG groups will be enhanced by involving Agripreneurs at the ward level to boost SACCOs liquidity and reduce loan delinquency.

11.1.5. Creation of Financial Linkages

SACCOs will be encouraged to forge partnerships and/or collaborations with other financial

institutions or organisations aimed at enhancing access to low capital refinancing, financial services and related expertise. This may include establishing relationships with other cooperatives, commercial banks, microfinance institutions or other development partners to access additional funds. Low capital refinancing.

11.1.6. Adherence to Tripartite Agreements and MOUs

The SACCOs will sign Tripartite Agreements (TA's) with FPOs and CIGs which will be renewed and adhered to even after the end of the project. The TA's will provide for all SACCO members to aggregate and market their produce through the Farmers Producer Organizations (FPOs). This will enhance direct payments of produce sales to the farmers and remittances to the SACCO dues on behalf of the farmers.

During the project life period, SACCOs will also commit to abide by World Bank and Project guidelines including signing of MOUs with the county governments. The project will have the power to retrieve project funds in cases of misuse, misapplication, mismanagement and embezzlement of funds. After the project end, the county governments through the Agriculture and Cooperative will continue to support the institutions

11.2 TECHNOLOGICAL SUSTAINABILITY

Technological sustainability involves leveraging technology in a manner that ensures SACCO's long-term viability, efficiency, and relevance to members. SACCOs will adopt and integrate technological solutions in their operations that enhance financial inclusion, improve member experience, streamline processes, and reduce costs. These measures include investing in technologies including (i) automation and data storage/backup (ii) enhancing cyber security measures , (iii) use of digital and mobile banking platforms and (iv) integration of Management Information Systems

11.2.1. Automation , Data Processing and Storage

SACCOs will be automated and embrace digital technology platforms related to savings and credit management. The project has contracted a Digital Service Provider for SACCO automation and all the processes must be done through the installed system. Information and data should be backed up using external hard drives and cloud platforms .

11.2.2. Cyber Security Measures

Cybersecurity management is an ongoing process that requires vigilance, adaptability, and collaboration across the organization by; prioritizing security, SACCOs contribute to a safer digital ecosystem for everyone.

In liaison with digital service providers, the SACCOs should have a cyber security policy and be

able to implement robust cyber measures to protect member data and financial transactions from cyber threats.

11.2.3. Use of Digital and Mobile Banking Platforms

Digital platforms will enhance efficiencies, improve member experience and reduce operational costs. These platforms include mobile banking services, online member services and electronic payment systems.

11.2.4. Integration of Management Information System

Integration of SACCO FIMG Management Information System (MIS) with other platforms including the World Bank and Project Management platform will be undertaken. This will provide a seamless flow of information for prudent decision making by the project and the SACCO.

11.2.5. Social Sustainability

SACCOs will endeavour to develop healthy, enduring and mutually beneficial relationships with its stakeholders for the well being of its members and the community. This will involve engaging in (i) member growth and retention (ii) capacity building (iii) stakeholder engagements , (iv) preferential processes and products for VMGs and (iv) dispute resolution mechanism.

11.2.6. Membership Growth and Retention

The SACCOs will engage in awareness creation on the existence and benefits of membership to the community. They will undertake continuous member mobilisation and develop strategies to enhance their loyalty and retention. The member education and information days will be used to sensitise them on rights, obligations, prudent utilisation of borrowed funds and timely loan repayment. Financial literacy will target members so as to foster a culture of monthly savings contribution as set out in the SACCO by-laws derived from personal savings and proceeds from produce. They will be sensitized on the "Save Regularly; Borrow Wisely; Repay Promptly" motto.

11.2.7. Capacity Building for Members, Management , Supervisory Committees and Staff .

Saccos will invest in continuous education and training programs targeted at management and supervisory committee members to enhance their leadership and management skills in key areas such as financial management, governance and leadership , credit management and automation. Well-trained personnel are essential for the effective operation of the SACCO. Capacity development programmes targeting various cadres of staff will be developed and rolled out to enhance employees' skills and knowledge in the running of the day-to-day operations of the SACCO.

11.2.8. Stakeholder Engagement

To enhance stakeholder engagement, SACCOs will continue to observe the principle of cooperation with other cooperatives during and after project closure. They will also roll out targeted communication and publicity initiatives to other stakeholders. Corporate Social Responsibility (CSR) Programs to the community will be designed and implemented.

11.2.9. Promoting Preferential Financial Inclusion for VMGs

This will be achieved through design of products and services that cater to the unique needs of these groups. Consideration will focus on preferential loan products, loan processing procedures and repayment terms.

11.2.10. Dispute Resolution

SACCOs will adhere to the laid down procedures in resolution of disputes as stipulated in the Cooperative Societies Act and By-laws, and the Environmental and Social Management Framework (ESSMF)

11.3 ENVIRONMENTAL SUSTAINABILITY

The Management committee of the SACCOs shall adopt best environmentally friendly and sustainable practices and adhere to environmental and social safeguards as articulated in project manuals. The working environment and operations undertaken will be streamlined to ensure negative impacts to environment, personnel and communities are minimised. The Management of the SACCO shall adopt the current and future trends are pointing towards organisations going green to mitigate against environmental degradation and adverse effects of climate change. Such practices include use of paperless processes and documentation, automation and use of solar for power/renewable energy.

12.0. MONITORING, EVALUATION AND REPORTING

A well-functioning monitoring, evaluation and learning system is an important part of sound project management and accountability. A structured, timely and reliable monitoring, evaluation system provides information to:

- Support project implementation with accurate, evidence-based reporting that informs management and decision-making to guide and improve project implementation and performance;
- Contribute to organisational learning and knowledge sharing by reflecting upon and sharing experiences and lessons so that benefit can be derived from what is being done and how it is being done;
- Ensure accountability and compliance by demonstrating whether the work is being carried out as agreed, and in compliance with established standards and in line with project requirements;
- Allow stakeholders (especially beneficiaries) to give feedback and provide input into the work carried out. This provides transparency, and an opportunity to learn from experiences and to adapt to changing needs; and,
- Promote and recognize accomplishments and achievements, building morale and contributing to resource mobilisation.

A robust Monitoring and Evaluation (M&E) system has been deployed in NAVCDP, in which implementers and SACCO beneficiaries will be able to continuously monitor and track progress against the indicators contained in the projects' Results Framework. The M&E system will also track progress in implementation of the Inclusion Grant (IG) and the FIMG against timescales and targets, as well as resource use against budgets, as set out in the Annual Work. Plans and Budgets (AWP&B), for each intervention of the community on a monthly basis. Results will be tracked via input-output monitoring, whereby the inputs (investment costs, quantities of inputs) are compared with outputs actually achieved against annual targets. Process monitoring will focus on processes that are critical for meeting the project's objectives, such as the progress of training/capacity building initiatives and execution of financial matching grants. At the national level, the M&E specialist of the NPCU will lead the M&E process. The Unit will be supported by a technical team of experts from relevant departments including the state department for co-operatives contracted to assist with the design and implementation of the Impact Evaluation. The NPCU, M&E Unit working closely with the National Agriculture Finance Officer (NAFO) will have overall responsibility for coordination, including collating information from all entities for quarterly and annual progress reporting, using agreed formats. The function will largely depend on data from the PMIS and the automation system deployed in the participating SACCOs. At county level the County Project Coordination units (CPCUs) with the M&E officer will take responsibility and will be closely supported by County Agriculture Finance Officer (CAFO) in tracking FPO and

SACCO activities using agreed indicators, appropriate and performance narratives to manage and report on performance of each individual beneficiary credit performance in prescribed format provided by M&E unit.

In order to facilitate the Mid/ end term evaluations, project completion reports and impact assessments, the project will undertake a baseline study. This study will provide an information base against which to monitor and assess the SACCO's progress and effectiveness during and post implementation.

The baseline will gather information to be used in the subsequent assessments of how efficiently the activities are being implemented and eventual results of the SACCO activities. The study will form a basis for setting performance targets, ensure accountability and provide an updated version of the M&E plan with validated and proposed indicators.

12.1 KEY PERFORMANCE INDICATORS

The CPCU, NPCU, SACCOs and other implementers will undertake the collection and reporting of data sets that are disaggregated by gender, and social groupings in order to measure the achievement of the targets set in the results framework.

The Key Performance reporting will include:

1. High level Indicators (NPCU/CPCU)

Table 9:xxxxxx

S/n	Parameter	Measures	Methodology of tracking
1	Cumulative No. of SACCOs mobilised/ registered per Ward/ County	No.	PMIS/KALRO Dashboard
2.	Cumulative membership (Active/Dormant) /Corporate membership(CIGs)(Gender based)	No.	
3	Cumulative Share capital	Ksh	
4	Cumulative Savings	Ksh	
5	Cumulative Loans portfolio	ksh	
6	Cumulative Amount of Inclusion grant disbursed to SACCOs	Ksh	
7	Total FIMG disbursed	Ksh	
8	No. of SACCOs Automated	No.	

2. SACCO level Indicators

Table 10:xxxxxx

S/n	Parameter	Measures	Methodology of tracking
1	Total membership (Active /Dormant)/Corporate membership(CIGs)	No.	Easy Sacco software/service provider Dashboard
2.	Share capital (Full/partially paid	Ksh.	
3	Total savings mobilized	Ksh	
4	Loans disbursed (per product)	Ksh	
5	Loan repaid	ksh	
6	Loan ageing report (classified (30-90 days)	No./Amount	
7	Portfolio at Risk (PAR)	%	
8	Amount of Inclusion grant disbursed	Ksh	
9	Amount FIMG disbursed	Ksh	
10	Status /level of automation/integration	No.	

3. Reporting

The CPCU M&E unit will provide the NPCU monthly reports. This will be undertaken by providing the cumulative progress each SACCO will have made since the previous reporting period. The SACCO reporting template is provided in the NAVCDP M&E manual.

13.0. AGRIPRENEUR (APS) SUPPORT TO SACCOs

The WB project is supporting the provision of extension and other agricultural services to farmers who are linked to community institutions including FPOs/SACCOs/CIGs/VMGs through the Counties. Consequently, the project will incorporate agripreneurs in order to leverage/supplement the efforts of the public extension system and increase the number of smallholder farmers accessing the services, input and output markets and adopting TIMPs for increased productivity. The NPCU has developed the APs model and will support the Counties in rolling it out in all project wards for a period of 18 months in collaboration with the business accelerators (BA). At least five (5) ward based agripreneurs (APs); youth who will meet the qualification will be equipped in training of farmers on good agricultural practices

Specific services that the agripreneurs may offer to the SACCOs will include;

1. Mobilising CIG/VMGs to join FPOs and SACCOs,
2. Recruiting new members/groups to join SACCOs,
3. Marketing SACCO products and services through digital platforms,
4. Support SACCOs with debt recovery from farmers/group,
5. Support partnership and linkages with financial services providers including capacity building.

The SACCO management committee in collaboration with the CPCU will evaluate the performance of the APs with the following indicators.

- % of Debt recovered
- No. of CIGs mobilised to join SACCOs
- Value of loan accesses from financial partners

13.1 TERM OF ENGAGEMENT OF APS BY A SACCO.

The SACCOs management will develop the terms of reference to engage the potential APs. The SACCOs are expected to enter into mutual service agreements with the APs in any of the undertakings on above activities. These contracts will include the outputs, period of service and fees payable as specified in the agripreneur model.

The APs while undertaking the assignments/tasks will work under the tangible performance management with supervision of the BA and report to the County Digital Champion at CPCU level.



14.0. ANNEX

ANNEX 1: GRIEVANCE REGISTER

Ref No.	Date	Name	Phone	Post	Email	Description of Grievance	Date of Grievance	One-time grievance	Happened more than once	Ongoing	Expected Resolution / Redress	Action identified to resolve the grievance	Date taken	Taken by whom	Complainant satisfied	If no, why?

NB: The form will enable uniformity of reporting which is useful for analysis and comparability

ANNEX 2: GRIEVANCE LODGMENT FORM

Name of Complainant / Aggrieved	Complaint/Grievance Number	
Name of SACCO		
Address and Position of Complainant		
Telephone/Fax		
Email Address		
Method of Grievance Placement	Mail: Email: Phone: Walk In (Face to Face)	
Most effective means to send a response	Mail Email	Phone

