

December 2024 Edition

THE



# Co-operative.


THE VOICE OF THE CO-OPERATIVE MOVEMENT



**Cabinet Secretary** - Ministry of Co-operative and SMEs

# Unatafuta pesa za kujenga au kununua nyumba?

Co-op bank is now offering the affordable **KMRC home loan** at a low interest rate of **9.5% p/a**, with a repayment period of up to **25 years**.

- 
- The loan is for salaried & business individuals, including Diaspora (Kenyans living abroad).
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  - The loan can be used to buy a plot and build on it, build on an existing plot, or buy a ready built house.
  - No additional security will be required.
  - You can get up to 100% financing.
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Co-operative Bank is regulated by the Central Bank of Kenya



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Cooperative leaders  
explore **ways to lure  
youth**



CS SPEECH CAK  
COOPERATIVE  
**STAKEHOLDERS  
CONFERENCE IN  
NAIVASHA (1)**



State to develop **policy  
on Sacco mergers**



Cooperatives urged to  
take **risk management  
seriously**

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## QUOTE FROM THE CEO

As we head for December holidays, we take pride in the stride that Cooperative movement has made during the year, despite some setbacks. This year, we were not able to celebrate Ushirika Day due to political turbulence resulting from demonstrations by young people over high taxes, and lack of employment opportunities, among other challenges. As a transformative sector, the Cooperative is ready to play its part in offering solutions to some of the grievances, like it had done over the years. By encouraging more youth to join Cooperatives, we not only promote the culture of savings, but also help open up opportunities, both in business and direct employment.

Among the achievements this year is the advancement of the Coffee Bill 2023, that is now headed for the third and final reading to finally become an Act. This will transform the growing, processing and marketing of the crop, giving farmers better opportunities to earn better prices at the international market.

The sector still holds great potential for expansion of wealth, and as source of employment in the country. The signing of the Sugar Act is another achievement that will go a long way in expanding economic

activities and offering the much needed job opportunities. We are hopeful the reforms in the tea sector will also come to fruition next year.

The year is also closing with the entry of a new Cabinet Secretary, Mr Wycriff Oparanya, and the Cooperative Alliance of Kenya gladly welcomes him to advance the activities of the Cooperative Movement from where the predecessor left. We look forward to a good working relationship with the ministry, particularly on pending policy issues.

Next year 2025 has been declared the International Year of Cooperative by the United Nations, and Kenya as a leader in the continent and number seven globally, will actively showcase its advancement in the Cooperative movement. Cooperative Alliance of Kenya will work in collaboration with other stakeholders that cut across the economic spectrum to come up with ways in which we will celebrate this key sector of social, economic transformation.

The official launch by the UN will be celebrated during the ICA Global Cooperative Conference scheduled for 25-29 November 2024, in New Delhi, India. Kenya will be following closely the international arrangements, even as we organize how to celebrate locally with an array of activities.

As the apex body of Cooperatives, we intend to actively promote the Cooperative movement through the various activities that include training and policy advocacy to align the sector with the fast changing business environment, even as we guard the principles that underpin the sector- that of equity, mutual benefit, democracy, among others.

**Mr. Daniel Marube,**  
**MBS**  
**CAK CEO**





## MANAGING EDITOR'S NOTE

In this issue of The Cooperative Magazine covers wide range of issues that impact on the transformation of the Cooperative movement.

We fielded questions to the newly appointed Cabinet Secretary for Cooperatives and MSMEs Wycliffe Oparanya who has shed light on the way forward for pending issues like the Cooperative Bill, mergers in the sector and future sustainability of the Cooperative Movement.

The 3rd Annual Cabinet Secretary for the Ministry of Cooperatives and MSMEs with the sector stakeholders held between 18th and 22nd November 2024 in Naivasha was an eye opener to how the Cooperative movement should conduct business to cope with the fast changing business environment. Issues such as expanding Workers Cooperatives, risk management, taxation, use of ICT shared platforms and age limit for Cooperative leaders are widely covered, with all shades of opinions.

Sacco Society Regulatory Authority supervisory report, 2023 shows trends in the sector that are an insight for the Cooperatives. Such issues like the Non-Performance Loan portfolio which have improved despite the harsh economic times is enviable, but threats still exist due to the high prevailing interest rates.

According to the report, the prevailing high interest rates on loans in the country, and possible impact on the Savings and credit Cooperative Organisations in short and medium term particularly for those that have borrowed from banks and from international lenders is among the issues covered. The opportunities and the challenges are clearly elucidated.

The future of dividends, and need for change in investment model have also been covered for the sustainability of the sector. The directive by the CS to the ministry officials to come up with guidelines on the issuance of dividends to curb unreasonable borrowing is another issue covered. This is expected to have an impact on how Sacco business from next year.

Next year, 2025 has been declared the International Year for Cooperatives by the United Nations in recognition of the role of the movement in advancing the community development, particularly achievement of the Millennium Development Goals. This fortifies the place of the Cooperative movement in the world as this is the second time the Cooperative Movement is being celebrated by UN in less than ten years. In Kenya, the Cooperative movement, with 30 per cent of national savings and employment of thousands continues to be a key anchor for community development, and is credited for enhancing equity, solidarity, and democracy. The CS has alluded to the country showcasing its enviable position in continent and globally through activities. We look forward to more fruitful year.

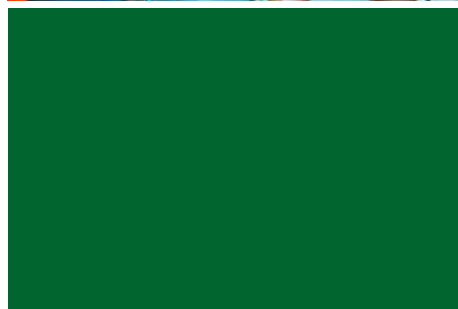
**Mwaniki Wahome**  
**Managing Editor**

The future of dividends, and need for change in investment model have also been covered for the sustainability of the sector.

## 2024 SACCA CONGRESS: ACCOSCA CONVENING A WORLDWIDE AUDIENCE FOR A LOCAL IMPACT HIGHLIGHTING IMPACT OF FINANCIAL COOPERATIVES IN AFRICA.



Africa is a continent brimming with potential. As the African Confederation of Cooperative Savings and Credit Association (ACCOSCA), we believe accelerating financial inclusion is crucial to unlocking the continent's potential, owing to its ability to empower individuals and communities, fostering entrepreneurship and economic independence. Underpinned by a strong commitment to solidarity and cooperation, ACCOSCA is leveraging strategic global partnerships to ensure no one is left behind in our collective journey toward prosperity. In the last decade, ACCOSCA has been providing leadership across the continent in championing strong visionary leadership, collaboration, and strategic partnerships as critical enablers to unlock Africa's potential. Our collective journey toward mapping out the path to Africa's transformation has seen ACCOSCA convene the Annual SACCA Congress consistently for the last 24 years.



2024 was a momentous year for ACCOSCA. We moved a notch higher in harnessing the power of financial cooperatives to accelerate financial inclusion in Africa through the 2024 SACCA Congress. As the largest annual financial cooperative event in Africa, the 2024 SACCA Congress reaffirmed the commitment of the cooperative movement to building resilient and empowered communities across Africa by addressing the challenges faced by underserved populations.

### ACCOSCA Building the Cooperative Movement in Africa from the Ground Up

ACCOSCA, in collaboration with the Ministry of Cooperatives and MSME Development in Kenya and the Kenya Union of Savings and Credit Cooperatives (KUSCCO), proudly co-hosted the 2024 SACCA Congress in Naivasha - Kenya from between the 6th to the 12th of October 2024. This marked a major step in empowering the cooperative sector across Africa. ACCOSCA, a non-governmental Pan-African Confederation of National Associations of Savings and Credit Cooperative Societies, with its secretariat based in Nairobi, has been pivotal in promoting financial inclusion, which is a critical driver for sustainable economic growth, poverty reduction, and the empowerment of marginalized African communities.





With a theme centered on ***“Promoting Sustainable Socio-economic Transformation through Cooperatives,”*** the 2024 SACCA Congress brought together close to 2000 participants from 42 countries across 5 continents to address the challenges underserved populations, including women, youth, rural communities, and informal sector workers, face in accessing financial services. The SACCA Congress aimed to provide a platform for discussion and collaboration to foster the growth and resilience of the cooperative sector across Africa.

### **ACCOSCA Consolidating SACCO Regulatory Gains and Challenges through the 2024 Africa SACCO Regulatory Roundtable**



Regulation of SACCOs in Africa was initially feared to hamper the development and growth of credit unions in the continent. As ACCOSCA, we made an affirmation to use the regulatory framework in building the system and see our people benefit from professionally run SACCOs.

16 Countries from Africa and beyond convened in Naivasha - Kenya for the 2024 Africa SACCO Regulatory Roundtable between October 3rd to 5th. This was a special session where Regulators in Africa discussed and collectively shared practical experiences when implementing SACCO-specific regulatory frameworks. The unique platform provided an opportunity for Savings and Credit Cooperative Organizations (SACCO) regulators and other stakeholders from participating countries, including the United States of America and the UK (Scotland) to engage in open, honest, and deliberate conversations

about re-establishing, re-engineering, and developing adequate regulatory frameworks. The objectives of the 2024 RRT were to foster successful regulatory models and practices in Africa, to establish an ideal framework for regulating SACCOs and National Associations, to have an overview of the policy and legal framework for SACCO supervision and regulation, and to focus on best governance practices for successful SACCO regulation. The session was designed to cultivate an enabling environment for SACCOs to prosper and enhance their contribution to the socio-economic well-being of communities across Africa.



The discussions during the Regulatory Roundtable were essential in addressing the diverse regulatory challenges faced by SACCOs in different African countries. Regulators exchanged insights on how to enhance policy frameworks, strengthen governance structures, and ensure compliance while maintaining a supportive regulatory ecosystem for cooperatives. The presentation from Elizabeth Eurgubian, Director, of External Affairs and Communications at the National Credit Union Administration (NCUA), USA, the dialogue set the stage for ongoing collaboration among African regulators to bolster financial inclusion and stability in the cooperative sector.





Among the key topics that were discussed included: Beyond Prudential Regulations by SASRA Regulatory Reports, Analysis and Enforcement Actions, Safe and Sound Credit Unions; An Insight into the Regulatory Framework of the USA, The Scope and Role of Governance in the Regulation and Supervision of SACCOs. The Two-Tier Approach to SACCO Supervision. Lessons learned. A

case for the Uganda Microfinance Regulatory Authority (UMRA) and The Central Bank of Uganda. The session also entailed panel discussions on Regulatory Capital Development and Strengthening Regulatory Frameworks for SACCOs in Africa, Regional Discussions, and a Cafe Session.

## ACCOSCA Strengthening Institutional Capacities for Inclusive Development in Africa



Financial Cooperatives in Africa have long been recognized as an essential tool for eradicating poverty and, by extension, advancing Human development. As such, ACCOSCA acknowledges there are positive linkages between financial inclusion, poverty eradication, and sustainable development. This justification galvanizes our conviction to address longstanding institutional capacity challenges for the organic growth of African SACCOs. ACCOSCA's role in strengthening National Associations in Africa is aimed at enhancing the capacities and resilience of SACCOs/ Credit Unions to meaningfully contribute to both local (community) and national development while simultaneously empowering their members to sustain themselves at the household level.





The 2024 National Associations Convention was a special session within the Congress. The Convention provided an opportunity for the Chief Executive Officers and Chairpersons of National Associations and stakeholders to have a deeper understanding of the interactions between local SACCO members, National Associations, and the Continental Body ACCOSCA.

The convention emphasized the importance of synergy among these different levels, ensuring that the voices of grassroots members were heard at the highest levels of decision-making within the cooperative movement.



Discussions highlighted the role of National Associations in supporting the growth and development of SACCOs, promoting best practices, and advocating for policies that drive the cooperative sector forward. This session reinforced the need for collaboration between local and national actors to achieve greater financial inclusion and socio-economic development through cooperatives.

**ACCOSCA Accelerating Africa's Journey Towards a Prosperous Future Through Policy Formulation and Advocacy**



In close collaboration with the Ministry of Cooperatives and MSMEs Development in Kenya, ACCOSCA convened the first-ever Africa High-Level Financial Co-operative engagement. The high-level engagement attracted various sitting cabinet secretaries, underscoring the significant role cooperatives play in advancing the implementation of UN SDGs. The Ministerial engagement convened over 10 sitting Cabinet Ministers from various African countries. The ministers engaged in discussions focused on unpacking policy formulation to support the heightened growth and development of cooperatives in Africa.



This high-level meeting hosted by the Cabinet Secretary, Ministry of Cooperatives and MSME in Kenya Hon. Dr. FCPA Wycliffe Oparanya (EGH), and ACCOSCA's Executive Director George Ombado (HSC, ICUDE), was guided by the Cooperative Business Model, which emphasizes member ownership, democratic control, and the distribution of benefits based on participation. The ministers explored how the model can be further integrated into national policies to foster greater economic resilience, especially among vulnerable populations. The meeting also underscored the importance of creating a unified approach to policymaking across the continent to enable cooperatives to thrive.





## Fostering Stability: 2024 SACCA Congress Shaping the Future of Credit Unions in Africa through Thematic Pre-Workshops



The African cooperative movement has long been a beacon of resilience, putting people at the center of its operations and promoting a sense of community and shared responsibility. In the lead-up to the main congress sessions, 12 thematic pre-workshops were presented to our participants, each focusing on unpacking a holistic approach to community resilience in Africa and beyond. These pre-workshops created a space for knowledge sharing and capacity building among participants, ensuring that they were well-prepared to engage in the discussions during the congress. The workshops covered a range of critical issues, including:

**Building Financial Freedom. Compliance and Supervision: Emerging Issues and Best Practices.**

**Cooperative Governance:** Best Practices in Governance Structures and Decision-making Processes within Cooperative Organisations. Driving Growth through Human Resource.

Emotional Intelligence and Ethics in Cooperatives: Doing what is right: Our Values.

Environment Social Governance Framework.



Essentials of Financial Reporting for Cooperatives.

Leadership Role in Effective Change Management in SACCOs.

Mainstreaming Diversity, Equity and Inclusion.

Members Satisfaction: How to Engage, Retain, and Double Productivity.

Using Data to Make Effective Decisions in Governance.

Value Chain Management in Credit Unions.



2024 SACCA Congress Underscoring the Significant Role Cooperatives Play in Advancing the Implementation of the United Nations Sustainable Development Goals.





The 2024 SACCA Congress served as a powerful platform for dialogue, learning, and collaboration, bringing together stakeholders from across Africa and beyond to explore how cooperatives can promote sustainable socio-economic transformation. In light of the 2024 deliberations, the following advisory notes were recommended and may be used by stakeholders within the African cooperative sectors. As such the following were commitments from Congress:

**Commitment to Fostering Policy Frameworks:** Integrated prudential regulatory approaches have been lauded as a pivotal factor in strengthening the capacity of credit unions in Africa to respond to systemic shocks. In the last decade, ACCOSCA has advocated for a macroprudential regulatory approach in the African cooperative credit union movement. This has heightened the professionalism levels in the management of our institutions and increased confidence in the sector. As such, we are encouraging state and non-state actors to work together to develop and implement

comprehensive SACCO-specific regulatory frameworks that enhance the financial soundness of financial cooperatives and build the public's confidence in Sacco as their financial institution of choice.

**Commitment to Strengthening and Adherence to Cooperative Governance:** In today's rapidly evolving business landscape, a harmonious and effective relationship between the board of directors and management remains pivotal in credit union success in Africa. ACCOSCA recognizes that strategic corporate governance hinges on constantly Improving and navigating board-management relationships for sustainable success. Through various sessions, Cooperative leaders from Africa exuded their commitment to Cooperative Values and Ethics, which adopt best practices in Governance, ensuring transparency, accountability, and inclusion in the decision-making process using cooperative principles.

**Commitment to advocate for Policy Support:** Promote policies that enhance access to affordable financial services, engage in dialogue

with policymakers to highlight the economic and social benefit of Co-operatives, and advocate for their inclusion in National Development.



### **Commitment to Promoting the Cooperative Brand during the Proclamation of the UN Second International Year of Co-operative:**

The United Nations (UN) has declared 2025 as the International Year of Cooperatives. The theme is

#### **“Cooperatives Build a Better**

**World”.** This aims to highlight the role of cooperatives in addressing global challenges and implementing the Sustainable Development Goals (SDGs). As ACCOSCA, we are building momentum towards the 2025 International Year of Cooperatives to highlight the contributions of cooperatives to socio-economic development, particularly their impact on poverty reduction, employment generation, and social integration.

### **Commitment to supporting Education and Capacity Building:**

implementing comprehensive training programs for cooperative stakeholders, both internal and external. This may include and not limited to Advocating for integrating financial education programs in schools and communities to improve financial literacy and empower individuals to make informed financial decisions. Co-operatives to Support initiatives that target vulnerable groups to ensure they understand and can utilize financial products effectively. One of the most transformative capacity-building training in the continent is perhaps the Africa Development Educators (ADE) Program by ACCOSCA. ADE continues to receive international recognition for its steadfast commitment to professionalizing and fuelling new, innovative ways to strengthen the cooperative movement in Africa. Since July 2014, ADE has been igniting change as a conduit for bringing financial inclusion to marginalized communities in

Africa. The 2024 SACCA Congress marked the 10th Anniversary of ADE signifying a decade of opportunities for change and transformation, a decade of paving the way for Africa's Prosperous Future, and a decade of changing the continent, one member at a time.

### **Commitment to Improving Service Delivery by Leveraging Technology:**

Co-operatives are encouraged to adopt digital tools and platforms that enhance operational efficiency. In so doing, this would increase member engagement and penetration rate from marginalized groups. ACCOSCA continues to foster the adoption of technology as a strategy aimed at improving member experience across the continent. Technology adoption in SACCOs plays a pivotal role in enhancing the professionalism of the sector through better governance and performance of individual SACCOs.



### **Commitment to Cooperation, Collaboration, and Partnerships:**

Underpinned by a strong commitment to solidarity and cooperation, ACCOSCA is leveraging strategic global partnerships to ensure no one is left behind in our collective journey toward prosperity. We urge stakeholders to form strategic partnerships that mobilize resources and expertise to enhance financial inclusion efforts across the continent, create inclusive financial ecosystems, and promote collaboration and cooperation between financial institutions, technology providers, and non-governmental organizations.

### **Commitment to Strengthening Data and Research:**

Call for the establishment of robust data collection systems to monitor progress in financial inclusion and identify gaps in service provision. Support research initiatives that evaluate the impact of financial inclusion on economic growth and social development.

### **Commitment to adhering to**

**Climate Action:** ACCOSCA believes that the Cooperative movement in Africa has a role to play in addressing the impact of Climate Change in Africa through successful adaptation and mitigation actions. Guided by the African Co-operative Climate Action Plan by ACCOSCA and Développement international Desjardins - DID, the cooperative movement in Africa is accelerating



the transition to a low-carbon green economy, including ecosystem restoration, and generally contributes to the achievement of the United Nations Sustainable Development Goals (SDGs). The 2024 SACCA Congress culminated in a unanimous Commitment to adhering to Climate Action in Africa by reducing greenhouse emissions for a better environment in compliance with the United Nations SDG 13 on taking urgent action to combat climate change and its actions.

**Commitment to effectively managing risk exposure of the Co-operatives:** Well-run SACCOs foster productive consumption and change financial behaviors, which promotes financial wellness.



### Welcome to SACCA 2025 in Accra, Ghana.



Thank you, Kenya, for hosting the 2024 SACCA Congress. In October 2025, ACCOSCA moves a notch higher in convening a worldwide audience for a local impact. We go “Beyond the Return” to the land of rich culture, heritage, warmth, and rhythm. ACCOSCA invites you to experience the 2025 SACCA Congress in the Republic of Ghana, the Center of the World. This is a land of sunshine and a nation with a reputation as the friendliest in Africa. The Grand 2025 SACCA Congress will be co-hosted by the National Government of Ghana and the Ghana Cooperative Credit Union Association (CUA Ghana). Akwaaba! It means ‘Welcome’ in the local native language! We welcome you to the 2025 SACCA Congress in the Republic of Ghana - The Center of the World.



### ACCOSCA Accelerating Africa's Journey Towards a Prosperous





**Future** Africa stands at a critical juncture in its development journey, with unprecedented opportunities and challenges shaping its future. With over 100 eminent speakers and 12 breakout sessions mapped out, ACCOSCA sought to showcase the effectiveness of the Cooperative Business Model in providing sustainable, community-focused solutions in Africa. The congress reaffirmed the commitment of the cooperative movement to building resilient and empowered communities across Africa by focusing on addressing the challenges faced by underserved populations and harnessing the potential of cooperatives to drive financial inclusion. As ACCOSCA, we continue to shape the continent's future by convening the annual SACCA Congress to reimagine economic growth in Africa and unleash the potential for prosperity.







# 2025 ACCOSCA CALENDAR OF INITIATIVES

## January, 2025

- Financial Coaching Certification Program  
Monday 13th - Saturday 18th || Malindi, Kenya
- Advanced Africa Development Educators (AADE)  
Sunday 12th - Saturday 18th || Malindi, Kenya
- Africa Development Educators (ADE)  
Saturday 18th - Friday 24th || Malindi, Kenya

## February, 2025

- Western Block Regional Forum  
Wednesday 5th - Friday 7th || Monrovia, Liberia
- Southern Block Regional Forum  
Monday 10th - Wednesday 12th || Lilongwe, Malawi

## April, 2025

- CEOs' and Chairpersons' Forum  
Sunday 13th April - Friday 18th April  
Kampala, Uganda
- Eastern Block Regional Forum  
Monday 21st - Wednesday 23rd  
Kampala, Uganda

## May, 2025

- Co-operative Citizens Program  
Sunday 4th - Friday 9th || Lusaka, Zambia
- Financial Coaching Certification Program  
Monday 12th - Saturday 17th || Lusaka, Zambia
- Africa Development Educators (ADE)  
Sunday 11th - Saturday 17th || Lusaka, Zambia
- International CEOs' Summit  
Sunday 18th - Sunday 25th || CapeTown, South Africa

## June, 2025

- Supervisory and Compliance Skills Training  
Wednesday 4th - Friday 6th June || ACCOSCA Academy, Kenya
- Inclusive Citizens Program  
Monday 9th - Friday 13th June || ACCOSCA Academy, Kenya
- Learn and Share Initiative  
Monday 9th - Friday 13th June || San Jose, Costa Rica

## July, 2025

- World Credit Union Conference (WCUC)  
Sunday 13th - Thursday 17th || Stockholm, Sweden
- Learn and Share Initiative  
Tuesday 15th - Saturday 19th || Vilnius, Lithuania
- Learn and Share Initiative  
Tuesday 15th - Saturday 19th || Berlin, Germany

## August, 2025

- Learn and Share Initiative  
Sunday 10th - Saturday 16th || Bangkok, Thailand
- Africa Development Educators (ADE)  
Sunday 17th - Saturday 23rd || Accra, Ghana
- Learn and Share Initiative  
Monday 25th - Sunday 31st || Quito, Ecuador or Lima, Peru.

## September, 2025

- Learn and Share Initiative  
Friday 5th - Saturday 13th || Manila, Philippines

## October, 2025

- 2025 Africa SACCO Regulatory Roundtable  
Wednesday 1st - Friday 3rd || Kumasi, Ghana
- 2025 National Association Convention  
Sunday 5th || Kumasi, Ghana
- 2025 Pre-Workshops  
Monday 6th - Tuesday 7th || Kumasi, Ghana
- 2025 SACCA Congress  
Wednesday 8th - Friday 10th || Kumasi, Ghana

## November, 2025

- Learn and Share Initiative  
Tuesday 28th October - Monday 3rd November  
Rio De Jaderino, Brazil
- Learn and Share Initiative  
Sunday 2nd - Saturday 8th || USA
- Learn and Share Initiative  
Sunday 16th - Saturday 22nd || Bangkok, Thailand



# 2025

## CALENDAR OF EVENTS

MARCH  
**11 -14**

### ICT FORUM

**TARGET GROUP:** CHAIRPERSONS, CHIEF EXECUTIVE OFFICERS, ICT MANAGERS, ANY OTHER BOARD MEMBER INTERESTED

**VENUE:** NAIROBI

MAY  
**12 -16**

### LEADERSHIP, ETHICS AND GOVERNANCE FORUM

**TARGET GROUP:** CHIEF EXECUTIVE OFFICERS, BOARD MEMBERS, CECM'S AND CHIEF OFFICERS OF CO-OPERATIVES, COUNTY CO-OPERATIVES DIRECTORS, PARTNERS, SENIOR MANAGEMENT

**VENUE:** PRIDEINN PARADISE, MOMBASA

AUG  
**18 -22**

### AUDIT, GOVERNANCE & RISK MANAGEMENT FORUM

**TARGET GROUP:** BOARD MEMBERS, CHIEF EXECUTIVE OFFICERS, SENIOR MANAGEMENT, CECM'S AND CHIEF OFFICERS OF CO-OPERATIVES, COUNTY CO-OPERATIVES DIRECTORS, PARTNERS

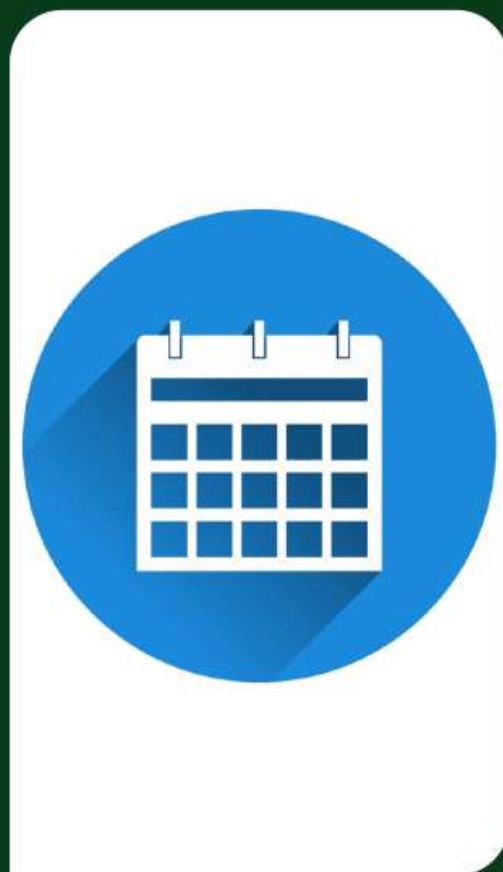
**VENUE:** VOI WILDLIFE

NOV  
**17 -21**

### CABINET SECRETARY FOR COOPERATIVES ANNUAL LEADERS FORUM

**TARGET GROUP:** COUNTY CO-OPERATIVES DIRECTORS, BOARD MEMBERS, CHIEF EXECUTIVE OFFICERS, SENIOR MANAGEMENT, CECM'S AND CHIEF OFFICERS OF CO-OPERATIVES, PARTNERS

**VENUE:** LAKE NAIVASHA RESORT, NAIVASHA



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Cabinet Secretary Wycliffe Oparanya was appointed to the Ministry of Cooperative and SMEs in recent cabinet reshuffle. MWANIKI WAHOME fielded questions to him on his immediate and future plans in the ministry and how he intends to deal with the pending issues. Here are his responses.

**My immediate focus is to Assess the Ministry's Current Projects, Budget Provisions and determine which Initiatives need urgent Attention. Additionally, I aim to establish open communication channels with stakeholders, ensuring transparency and collaboration in our efforts to support Cooperatives and SMEs.**

1. You were recently appointed to the CS Cooperatives and SMEs, Congratulations sir! What do you consider to be your immediate activity in the ministry?

My immediate focus is to assess the ministry's current projects, budget provisions and determine which initiatives need urgent attention. Additionally, I aim to establish

open communication channels with stakeholders, ensuring transparency and collaboration in our efforts to support Cooperatives and SMEs.

2. You inherit a ministry at the centre of government bottom up economic and transformation agenda. What are your priorities in upscaling of activities in the cooperatives?

My priorities include facilitating access to financial resources, especially through the Hustler Fund, and ensuring that Cooperatives can support the government's Bottom-up Economic Transformation Agenda. I will work on creating policies that enhance operational efficiency and improve market access for cooperatives.

3. You recently said the government would be looking for ways to recover unpaid Hustler fund debts. How far have you gone with these plans?

I am developing strategies to support beneficiaries in meeting their repayment obligations, possibly through financial literacy programs and restructuring payment terms.

Collaboration with financial institutions will also be key in finding solutions that avoid burdening our Hustler borrowers.

4. The Cooperative Bill has been in the corridors of Parliament and Senate for a period now. When is it expected to become an Act?

The Cooperative Bill is before Parliament for consideration. I am working closely with Parliament to address any issues hindering its progress and will push for its enactment to strengthen the Cooperative sector's regulatory framework.

5. The Coffee Bill has been in Parliament for more than six months after it was passed by Senate. What is hindering it from becoming an Act. What are the outstanding issues?

The Coffee Bill has encountered some legislative delays. My ministry is working with stakeholders to address outstanding issues, such as fair pricing and governance within the coffee sector, which are vital for passing the bill into law.

#### 6. What is the status of the debt waivers in Coffee, and Sugar sectors?

We are currently evaluating the financial burdens faced by cooperatives in these sectors. We aim to implement debt relief measures where necessary while developing long-term strategies to avoid recurring debt cycles in these industries.

#### 7. During the release of the Sasra Supervision Report, 2023 you called for merger of cooperatives to leverage on synergies. Such calls have been made in the past but there is reluctance to do so. How do you plan to encourage these mergers?

I am promoting the benefits of mergers, such as resource pooling and operational efficiencies. My ministry is planning workshops and consultations to help cooperatives understand the advantages of merging and to address concerns around governance and identity retention.

#### 8. Agriculture cooperatives have generally been facing challenges due to falling and unstable commodity prices. Are there plans on how to assist them to prosper in these challenging circumstances?

We are exploring subsidies, risk-sharing models, and other forms of support to help agricultural cooperatives manage price fluctuations. Additionally, we are advocating for policies that stabilize commodity markets, ensuring a more predictable income for cooperatives.

#### 9. What is the status of the probe into governance issues at KUSCCO?

The probe into governance issues



at KUSCCO is ongoing. We are committed to transparency and accountability, and I will provide an update once findings and recommendations are available. Our goal is to restore public trust and ensure strong governance within cooperatives.

#### 10. Despite growth in the Sacco financial business, the membership last year reduced according to Sasra Supervision Report. What does the ministry plan to do to reverse the withdrawals?

My ministry is conducting outreach initiatives to understand the reasons behind these withdrawals. We are working on strategies to enhance member benefits, improve customer service, and adapt financial products to attract and retain members.

#### 11. 2025 was declared by UN the International Year of the Cooperatives. What preparations is Kenya making to showcase its place in the growth of Cooperatives?

We are planning a series of events and initiatives to highlight the role of cooperatives in Kenya's development. These will include workshops, exhibitions, and public campaigns to celebrate cooperatives' contributions and position Kenya as a leader in cooperative growth.

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MINISTRY OF COOPERATIVES AND MICRO, SMALL AND  
MEDIUM ENTERPRISES (MSMEs) DEVELOPMENT

OFFICE OF THE CABINET SECRETARY  
20<sup>TH</sup> NOVEMBER, 2024

SPEECH BY HON. FCPA WYCLIFF AMBETSA OPARANYA, CABINET SECRETARY FOR THE  
MINISTRY OF COOPERATIVES AND MSMES DEVELOPMENT,  
DURING THE 3RD ANNUAL COOPERATIVE MOVEMENT STAKEHOLDERS' FORUM, HELD  
FROM 18TH TO 22ND NOVEMBER 2024, AT SAWELA LODGE, NAIVASHA

The Chairman, Cooperative Alliance of Kenya,  
The CEO, Cooperative Alliance of Kenya,  
Cooperative Leaders,  
County and National Government Officials Present,  
Distinguished Guests,  
Ladies and Gentlemen,  
Good Morning!

It is a great honor to address you today at the 3rd Annual Cooperative Movement Stakeholders Forum. This gathering is a testament to our shared commitment to advancing the cooperative sector, which continues to serve as a cornerstone of socio-economic development in Kenya.

The cooperative movement has witnessed remarkable growth, contributing significantly to job creation, wealth generation, financial inclusion, and community empowerment. With over 14 million people engaged as cooperators and more than 500,000 employed

in the sector, the role of cooperatives in shaping our nation's prosperity cannot be overstated. This forum presents an invaluable opportunity to align our efforts, refine strategies, and reaffirm the movement's central role in driving sustainable development.

**Harnessing Diverse  
Expertise for Progress  
Dear Cooperators,**

I am pleased to see this forum bring together a diverse group of stakeholders—board members, CEOs, technical officers, SASRA officials, county representatives,

development partners, and members of academia. This blend of regulators, practitioners, and scholars fosters a unique platform for meaningful dialogue and innovation.

The agenda before us is comprehensive, addressing critical areas such as:

- Revisiting structural frameworks to enhance cooperative effectiveness and sustainability.
- Engaging with sub-sector policies and government input on cooperative value chains.
- Assessing performance insights from the SASRA

report.

- Setting lobbying and advocacy priorities, with a focus on the Cooperatives Bill currently before Parliament.

I am confident that the discussions and recommendations from this forum will generate actionable ideas to propel the cooperative sector forward.

### **Strengthening Governance and Leadership Distinguished Cooperators,**

Despite many cooperatives upholding their values, a few have failed to adhere to good governance principles, resulting in financial losses and eroding public trust. This tarnishes the reputation of the entire movement, overshadowing the remarkable efforts of cooperatives committed to improving their members' livelihoods.

To address these challenges, the government is developing:

1. The "Mwongozo for Cooperatives" framework, to promote transparency and accountability.
2. Training and Capacity Building Manuals, in partnership with the Cooperative University of Kenya, to enhance leadership skills among cooperative members.

Good governance remains pivotal to sustaining the cooperative movement's integrity and credibility.

### **Embracing Technology for Resilience and Growth Ladies and Gentlemen,**

In today's digital era, cooperatives must embrace technology to remain competitive and resilient. However, the costs associated with acquiring and maintaining technological solutions pose a significant challenge. I urge cooperatives to pool their resources and invest in shared ICT platforms through the four-tier cooperative structure. Benefits of shared platforms include:

- Cost reductions for software, hardware, and data management.
- Enhanced protection against cyber threats.
- Improved service delivery and access to global payment systems, fostering financial inclusion.

The Cooperative Alliance of Kenya (CAK) plays a crucial role in facilitating these shared services and ensuring the movement adapts to

technological advancements.

### **Encouraging Mergers and Sustainable Growth Cooperative Leaders,**

The financial landscape is evolving rapidly, and cooperatives must adapt to remain sustainable. Mergers offer an effective solution, enabling cooperatives to pool resources, enhance operational efficiencies, and achieve economies of scale. By joining forces, cooperatives can deliver better services, expand their competitive advantage, and provide greater returns to their members. While financial sustainability is vital, the cooperative principle of service to members must always take precedence. Let us uphold these values by promoting responsible borrowing and ensuring financial discipline among members.

### **Sustainable Dividend Practices Dear Cooperators,**





It is essential to instill "good dividend manners" within cooperatives. Prioritizing long-term sustainability over short-term benefits ensures cooperatives remain financially robust and capable of meeting members' future needs. To this end, my ministry, through the Commissioner for Cooperatives Development, is developing a dividend policy to address:

- Borrowing to pay dividends.
- Declaring dividends from losses.
- Paying unsustainable dividends.

These measures will safeguard the financial health of cooperatives and reinforce responsible management practices.

### Ongoing and Future Initiatives

#### Ladies and Gentlemen,

To support cooperatives, the ministry is implementing the following measures:

- Finalizing the Cooperatives Bill No. 7 of 2024, which enhances governance and legal collaboration between National and County Governments.
- Amending the Sacco Societies Act to establish a Central Liquidity Facility and Shared Services Platform.
- Operationalizing the Deposit Guarantee Fund (DGF) to protect members' savings.

These reforms aim to create an enabling regulatory environment that fosters growth, sustainability,

and resilience within the cooperative sector.

### Call to Action

#### Dear Cooperators,

As we reflect on the milestones achieved, I urge all stakeholders to align their strategies with the emerging policies and legislative frameworks, including the anticipated enactment of the Cooperatives, Coffee, and Sacco Societies (Amendment) Bills.



Together, we can ensure that cooperatives remain resilient and continue to serve as a driving force for economic development, empowerment, and community transformation. I commend the Cooperative Alliance of Kenya (CAK) for its leadership and efforts, particularly in promoting the CoopTech Shared Services Cooperative, a timely initiative as we prepare for the enactment of the new Cooperatives Act.

### Ladies and Gentlemen,

As we conclude this significant forum, let us reaffirm our commitment to the cooperative spirit and its transformative potential for our nation. Let us work together to drive economic development, uplift individuals, and build sustainable communities. Thank you, and I wish you fruitful deliberations.

It is essential to instill "good dividend manners" within cooperatives. Prioritizing long-term sustainability over short-term benefits ensures cooperatives remain financially robust and capable of meeting members' future needs.



*Power to Succeed!*



# BANDARI DT SACCO



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# BANDARI SACCO SHINES **AMID** **INDUSTRY CHALLENGES,** **POISED FOR GROWTH AT** **50TH ANNIVERSARY**

By Cynthia Atuo

*Despite significant challenges in the financial industry that have seen several Saccos face liquidity risks, Bandari Sacco has remained resilient and is poised for growth as it approaches its 50th anniversary.*

With positive outcomes in recent years, Bandari Sacco is looking to increase its assets and expand its membership base, building on a solid financial foundation and consistent market performance.

In the financial year ending December 2023, Bandari Sacco saw its total assets grow by 6%, reaching a record Sh12.78 billion, up from Sh12 billion in the previous year.

This notable growth came despite industry-wide economic pressures. The Sacco's achievements were further validated by the 2023 financial report from the Sacco Societies Regulatory Authority (SASRA), which ranked Bandari Sacco 16th out of 174 registered Saccos.

This strong performance positioned it among the top-performing Saccos in Kenya, underscoring its ability to navigate economic challenges while maintaining financial health. In the same period, Bandari Sacco's assets rose from Sh12.01 billion in 2022 to Sh12.68 billion in 2023. The Sacco's turnover also showed robust growth, increasing from Sh1.57 billion in 2022 to Sh1.90 billion in 2023. Additionally, deposits rose by over Sh1 billion, reflecting the Sacco's stability and members' trust in its long-term growth and sustainability.

Bandari Sacco has also successfully maintained affordable and competitive interest rates for its members, despite the economic challenges that have affected

financial institutions across the country. In 2023, the Sacco offered a 12% return on deposits and an 18% dividend on share capital, providing attractive returns for its members in uncertain times. This approach has helped foster loyalty and confidence among members, further strengthening Bandari's standing in the financial sector. By September 2024, the Sacco's asset base had increased to Sh13.24 billion, with income reaching Sh14.6 billion, showing sustained growth even as the economy faces continued inflationary pressures.

However, Bandari Sacco is not without its challenges. Like other Saccos, it faces a complex financial landscape shaped by inflation, rising living costs, and additional taxes, which impact the disposable income of its members. With these financial burdens, there is a risk that members may reduce their savings or even withdraw their funds from Saccos altogether. Reduced deposits and increased withdrawals pose a significant threat to the liquidity of Saccos, potentially impacting their ability to fund loans. This, in turn, may affect interest rates on loans and dividends, which are vital to the competitiveness and attractiveness of Saccos as financial service providers.

In light of these concerns, Bandari Sacco, like many other Saccos, has had to rethink its approach to remain viable and financially stable. Many institutions are now focusing on increasing productivity, investing in technology to reduce operational

costs, and diversifying revenue streams to mitigate the effects of inflation and ensure sustainable growth.

In anticipation of a challenging financial environment and with a vision to strengthen its market position, Bandari Deposit Taking Sacco has laid out an ambitious strategic plan. During a recent Special Delegates Meeting (SDM), Bandari Sacco's leadership presented a comprehensive budget and strategic goals for the coming fiscal year, which begins in January 2025. The Sacco's new strategic plan is built around five key pillars, with a central focus on securing a competitive edge in Kenya's dynamic financial landscape. One of these primary objectives is to enhance financial growth and stability, which are essential for attracting new members and ensuring the institution remains financially sound. Currently, Bandari Sacco has approximately 29,615 members, marking a 13% increase from 26,193 members the previous year. This increase demonstrates Bandari Sacco's resilience and appeal in a challenging economic environment. In the previous year, membership also grew significantly, from 22,345 members in 2022 to 26,193, a growth rate of 17% that underscored the institution's capacity to adapt and thrive.

Bandari Sacco's chairperson, Mr. Ken Sungu, speaking at the Special Delegates Meeting, expressed pride in the Sacco's achievements, attributing the growth to the trust and participation of its members. "Our Sacco continues to flourish, boasting a robust financial foundation built upon your trust and participation. We've achieved significant growth in membership and assets, solidifying our position as a leader in the financial landscape," he stated. This growth is not only a reflection of the Sacco's financial health but also an indication of its strategic efforts to retain and attract new members.

Bandari Sacco also plans to leverage advancements in

information and communication technology (ICT) to enhance operational efficiency. Recognizing the critical importance of ICT, the Sacco aims to use technology to improve cybersecurity and data protection measures, ensuring that members' funds and personal data remain secure. The chairperson explained that the upgraded ICT system would provide members with a seamless user experience while also enhancing communication and engagement. These efforts underscore the Sacco's commitment to maintaining security and trust in an increasingly digital financial environment. "This will ensure members' funds and personal data are secure as a result of the strengthened security controls," Mr. Sungu added. Bandari Sacco's investment in ICT is part of a broader effort to modernize its operations and offer members a convenient and reliable service experience.

In addition to its technological advancements, Bandari Sacco is strengthening its brand visibility and engaging in targeted marketing campaigns. The Sacco's continuous growth in membership is partly attributed to its efforts to enhance brand visibility and awareness. Through participation in high-profile events such as the Nairobi Trade Fair, where it was recognized as the best microfinance institution, Bandari Sacco has gained a competitive edge in the market. Such recognitions are not only accolades but also significant milestones that reinforce the Sacco's reputation as a trusted financial institution. The Sacco's success at the Mombasa International Show, where it was awarded the titles of Best Financial Institution other than a Bank, Best Cooperative Movement and Sacco, and Second Best Microfinance Institution, further exemplifies its achievements and commitment to excellence. These awards serve as an endorsement of Bandari Sacco's dedication to quality service, financial growth, and community impact, strengthening its reputation and visibility in Kenya's cooperative

sector.

The Sacco sector in Kenya is diverse, with approximately 357 Saccos formally regulated by the Sacco Societies Regulatory Authority (SASRA). Of these, 176 are deposit-taking (DT) Saccos, while 181 operate as non-withdrawable Saccos. In such a competitive environment, Bandari Sacco's strategic approach, focusing on stability, growth, and innovation, is critical to maintaining its position among the leading Saccos in the country. The sector faces ongoing challenges, including inflation and increasing operational costs, making it imperative for Saccos to adopt resilient and adaptive strategies.

In recent years, Saccos across Kenya have increasingly looked toward technology and operational efficiency as essential drivers of growth. By streamlining processes, reducing costs, and providing secure and accessible digital platforms, these institutions aim to enhance member experiences and attract new clientele. For Bandari Sacco, these goals are evident in its commitment to leveraging ICT for efficiency and security while expanding its membership and financial base. Such initiatives are particularly relevant in today's economic climate, where financial institutions must balance growth with prudence and resilience.

Looking ahead, Bandari Sacco is also exploring opportunities to diversify its product offerings to better serve its members. The Sacco plans to introduce new financial products and services that cater to a broader range of financial needs, from savings and loans to investment options. By providing more flexibility and choices, the Sacco aims to enhance its appeal to members and attract a more diverse membership base. This approach aligns with the broader trend within Kenya's Sacco sector, where institutions are increasingly focused on offering tailored financial solutions to meet the evolving needs of their members.

As Bandari Sacco continues to forge ahead, its upcoming 50th

anniversary will serve as a significant milestone, celebrating a legacy of resilience, growth, and community impact.

The Sacco's achievements over the past decades reflect its dedication to providing accessible and valuable financial services to its members. With a clear strategic direction, strong leadership, and a commitment to innovation, Bandari Sacco is well-positioned to maintain its status as a leader in Kenya's cooperative financial sector for years to come.

Half a century later, and as Bandari navigates the complexities of a dynamic market, the Sacco's focus on stability, technological investment, and member-centric growth will continue to drive its success, ensuring it remains a trusted and valuable financial partner for its members.

**Bandari Sacco has also successfully maintained affordable and competitive interest rates for its members, despite the economic challenges**



## NEW RULES TO **IMPROVE SACCO SERVICE DELIVERY**

By The Cooperative writer

Savings and Credit Cooperative Societies will face penalties that include fines if they do not settle complaints of their members within stipulated time. The new guidelines issued by the regulator, Sacco Societies Regulatory Authority on complaint management, has put timelines on dealing with members when they encounter obstacles in seeking services.



Now, Saccos will have 14 days to investigate and resolve the complaints, and another 7 days to communicate the resolution to their members. And if it's impossible to resolve the matter within the stipulated time, the member will be informed, and a new timeline set, which will also be communicated to the complainant.

Some of the complaints are about unclear charges, which FinAccess, a tracker of financial inclusion, found in 2021 constituted 46.3 per cent of the reported cases. Others are delays in disbursement of money at 45.1 per cent, while 26.8 per cent complained of poor services.

Furthermore, delays in refunds of savings deposits, according to

Sasra's 2021 Supervision Report constituted 55.76 per cent, 11.98 per cent complained of delays in accessing loans, and another 4.61 per cent had complaints about guarantors and guarantee of loans.

The Saccos have had discretion on how long they take in resolving these complaints leading to frustrations to the affected members.

Among the repercussions of not adhering with the new guidelines are financial penalties, restriction to some Sacco activities or services, and being forced to engage a consultant to resolve the matters.

"Given Saccos are member owned institutions, the primary objective should always be to deliver an outstanding customer experience.

Any deviation from this standard could result in members opting out," Sasra says

The regulator says failure by the Saccos to deal with the issues raised promptly and prudently could be the cause of stifled uptake of the Sacco services.

"The challenges could be among the drivers leading to the low usage of Sacco financial services and products that fell from high of 13.1 per cent to 9.6 per cent in 2021, hence the need to put clear mechanism/procedures to handle member complaints," Sasra says.

According to FinAccess 2021 Report, 38.3 per cent of those interviewed said they lacked information about a good Sacco they could join, while 10.1 per cent said they couldn't trust their money with the Saccos. Another 20.4 per cent had exited from their Saccos for one reason or another.

For many years, the Saccos operated as closed shops, constituting mostly employment-linked workers Saccos. The introduction of bond members however opened a window for competition in recruitment of members. This, however, has introduced new challenges as new members do not necessarily share same values, ethics, saving culture and objectives leading to increased complaints over a range of issues.

## SACCOS REGISTER IMPRESSIVE **LOAN RECOVERY RATES DESPITE HARD ECONOMY**

By The Cooperative Writer

Despite the harsh economy, both the deposit and non-deposit taking Saccos registered impressive loan recovery records reducing the mean Non-Performing Loans portfolio. The year under review experienced high inflation due to increased food and fuel prices, the long drought, and the 2022 general elections. These factors slowed the recovery from the impact of the Covid-19 restrictions that had dampened growth from 2020 making many households be unable to access essential staple food items.



The Saccos sub-sector was also just emerging from debt repayment rescheduling, and increased defaults due to job losses across the various economic sectors emanating from the effects of Covid-19 restrictions.

According to Sacco Supervision Annual Report 2022 released by the regulator, Sacco Savings Regulatory Authority (Sasra), the quality of the loan book of regulated Saccos was among the indicators of the stability in the entities. The loan book constituted 71.97 per cent of total assets compared to 70.95 per cent of 2021.

“The mean non-performing loans (NPLs) ratio decreased to 8.34 per cent in 2022 compared to 8.99 per cent in 2021. This shows despite the hard economic environment experienced during the year 2022, a majority of the regulated Saccos were able to ensure that the loans and other credit advances issued to their members were being repaid as scheduled in contractual terms,” Sasra says in its 2022 supervision report.

Ksh 2.02 billion out of Ksh 2.7 billion of non-remitted funds by employer institutions are related to loan repayment deductions which is

contributing to the non-performance loan portfolio.

The non-withdrawable deposit taking Saccos also reported lower non-performing loans (NPLs) ratio at 7.99 per cent in 2022 which was a drop from 9.78 per cent reported in 2021. The Deposit Taking Saccos segment on the other hand, their NPLs ratio decreased to 8.40 per cent in 2022 compared to 8.86 per cent in 2021.

The problem of non-performing loans, the report says, can largely be attributed to the perennial challenge of failure by the various employer institutions to remit employee deductions, that stood at Ksh 2.7 billion in 2022 from 66,452 members either in loan repayment deductions or non-withdrawable (Bosa) saving deductions as at September 2022.

“The bulk of the non-remitted deductions amounting to Ksh 2.02 billion which is equivalent to 74.78 per cent of total non-remitted funds are related to loan repayment deductions, implying loan portfolios of proportional amounts stood defaulted.

The report adds that besides undermining the liquidity position of the affected regulated Saccos to meet their financial obligations, the failure by various employment institutions to promptly remit the Bosa savings deductions on the other hand have the effect of reducing borrowing capabilities of the individual members of regulated Saccos since most of the borrowing is pegged on Bosa savings which acts as collateral. This stifles further growth in the Sacco business



## WHAT COOPERATORS **WANT FROM THE GOVERNMENT**



### Coffee

- ◆ Rehabilitation of production systems
  - ◆ Enhanced international marketing
- ◆ Retain board member age limit at seventy
  - ◆ State to remove protectionist policies
    - ◆ Modernisation of pulping mills
- ◆ Enforce Management/ Boards to adhere to regulations/ structures/ laws



### Dairy

- ◆ Waive some import taxes for processing machines
- ◆ Improved Artificial Insemination/ extension services
- ◆ Training farmers on silage, water conservation and drought resistant foliage to mitigate effects of climate change
- ◆ Cap milk pricing to make stable and consistent income



### Tea

- ◆ Value addition
  - ◆ Research
- ◆ Promotion of local brands
- ◆ Land reforms to curb fragmentation cooperative land use/ leasing
  - ◆ Mechanisation
- ◆ Tea Sacco's be protected from KTDAs Green Fedha



### Rice

- ◆ Construction of Nyamindi dam
- ◆ Rice Fund to lend affordable loans to farmers
- ◆ Lower import duties for machinery
  - ◆ Fund for road maintenance
- ◆ Empower KALRO to enable it control diseases
- ◆ Subsidise spray and fertilizers

### Financial

- ◆ Education for self -regulation
- ◆ Inclusivity during elections to include youth and women
- ◆ Digitization
- ◆ Completion of Cooperative Bill



# CAK ANNUAL FORUM 2024

## NAIVASHA, KENYA

Pictorial









**If you don't make mistakes,  
you're not working hard  
enough on problems.  
And that's a big Mistakes.**  
—Fran Wilczek





# SACCO BUSINESS TO BE **HIT BY** **PREVAILING HIGH INTEREST** **RATES**

By Mwaniki Wahome

The prevailing high interest rates are expected to continue impacting negatively on Savings and Credit Cooperative Societies business in the short and medium term. According to 2023 Sacco Supervision Report, the Regulator, Sacco Societies Regulatory Authority forecasts that the Regulated SACCOs will have to contend with the effects of prevailing high interest rates in the country.

“Regulated Sacco industry will continue to be negatively affected by other prevailing micro- and macroeconomic factors both at the institutional, industry and national levels. At the national macro-economic levels, the effects of the upward changes in the interest rates during the first half of 2023 as well as the depreciation of the domestic currency over the same period will be felt by Regulated SACCOs in 2024,” the report says.

The Saccos that will be hit most are those with external borrowing, hence open to the vagaries of changes in the interest rates and have no leeway to pass on costs to their members.

“In particular, Regulated SACCOs with external borrowing will see higher expenses associated with such borrowings and which by design of the cooperative business model, they may not pass over to their members.”

The Regulator warns that Regulated SACCOs with foreign currency denominated debts will also be affected by any fluctuations of the local currency, as they will have to little room to pass the effects of such fluctuations to their membership who will have borrowed in local currency.



Furthermore, the Regulated SACCOs are advised to avoid externally borrowed funds as a means of funding their loans and credit advances, unless the risks associated foreign-currency denominated borrowing are fully addressed, but instead put more emphasis on internal funds in the form of members' savings and deposits.

“Regulated SACCOs should refrain from external borrowing to fund their loans to reduce the vagaries associated with interest and foreign exchange fluctuations,”

The regulator also warns that Saccos that rely on employer institutions to deduct and remit deposits and loan

repayments will continue to face challenges of delayed remittances that will impact negatively on their business.

“The non-remitted funds menace will also continue to negatively impact the section of Regulated SACCOs which rely on various employer institutions to deduct and remit members' deposits and loan repayments,” the report warns.

The Regulator opines that despite their concerted efforts and the Commissioner for Cooperative

Development to address the menace of non-remittance using the existing legal and administrative instruments, the total amount of non-remitted funds owed to Regulated SACCOs in 2023 remained at a high of Sh2.59 billion compared to Sh2.67 billion in 2022; with a total of 82-Regulated SACCOs and 57,721 members affected.

“This situation is exacerbated by the fact that the largest proportion of the non-remitted funds amounting to Sh1.68 billion (83 per cent of the total non-remitted funds) was in respect of loan repayment deductions, with the implication that the loans issued to the members in that regard stood defaulted,” the report says,

## APSTAR SACCO: FROM

**AGRICULTURAL** roots to nationwide financial transformer

Founded in 1972 by Ministry of Agriculture employees as Ukulima DT Sacco, Apstar has evolved into a major financial support network, growing to over 61,000 members across Kenya and expanding its services to meet the diverse needs of today's economy.

Vanessa Sandra



Apstar and Credit Cooperative Society Limited, founded in 1972, began as a union of the Ministry of Agriculture employees, forming Ukulima DT Sacco (Ukulima meaning "Agriculture" in Swahili).

Driven by the spirit of Kenya's cooperative movement, the Sacco aimed to bring together individuals with a shared purpose to support each other financially. This initial group focused on providing a system of mutual support and loan guarantees that would allow members to invest in various personal and professional ventures.

Since its founding, Apstar Sacco has grown significantly, expanding its membership base, capital, and assets. Members from across Kenya, including rural and urban regions, are empowered to save and borrow, with the Sacco providing essential financial support to its members' economic activities. As of September 2024, Apstar had 61,000 registered members across Kenya and 75 branches, including 34 in Nairobi alone.

Dr. Richard Nyaanga, the Sacco's CEO, says the organization's journey, successes, and the challenges it

has faced over the years have left a mark in the sector and informs where the are in the market ecosystem.

According to Dr. Nyaanga, "Our total assets are valued at Ksh 15.1 billion, with a loan portfolio of Ksh 12 billion, member deposits of Ksh 10.7 billion, and an institutional capital of Ksh 3.1 billion." He highlighted the organization's impressive financial growth, positioning it as a significant player in the cooperative movement in Kenya.

Earlier this year, Ukulima Sacco rebranded to Apstar Sacco, signaling a strategic shift to attract younger members, and particularly players in the MSME sector, allowing the sacco to expand beyond its historical farming community roots. Nyaanga explains, "We used to mainly serve members from the Ministry of Agriculture and related sectors, but we have now opened our doors to everyone. People from all walks of life, including small business owners, can now join as long as they can contribute monthly."

With this shift, Apstar Sacco has introduced microcredit products to serve a broader community that does not solely rely on traditional monthly

salaries, catering to members with more diverse, daily income patterns.

In addition to microcredit, the Sacco has diversified its offerings to include mortgages, development loans, emergency loans, educational loans, and medical loans. These products cater to the needs of members looking for long-term financial support, with mortgage terms reaching up to 25 years and loan terms extending up to 96 months.

Since launching the mortgage product, Apstar Sacco has granted loans totaling Ksh 360 million, marking a substantial addition to its services. The rebranding has also supported Apstar's expansion into Kenya's rural areas, achieving financial deepening by serving both banked and unbanked individuals.

According to Dr. Nyaanga, these new products and services have been carefully tailored to fit the needs of the small micro-enterprise sector, aligning with the government's bottom-up economic approach.

Of Apstar's 61,000 members, around 7,000 have been onboarded through microcredit products. This membership diversification, he explained, required Apstar to adapt its processes to ensure its services aligned with the evolving needs of its members. "We developed a new vision and mission, worked on our service delivery processes, and aimed for a fresh brand image to attract a new generation of members."

This success has not come easy though. Apstar has faced various challenges over the years, including delays in remittance of members' contributions, especially from government ministries and county governments. "Our biggest challenge is delayed remittances from various employers, particularly ministries and counties," Nyaanga shared. This



delay affects the Sacco's ability to extend loans to its members, with monthly remittances often delayed, sometimes for significant amounts. To address this issue, the Sacco has enlisted "link men," or liaison officers, to work with branch managers in expediting the remittance process. Despite these efforts, some institutions still have considerable backlogs in their contributions, inconveniencing the Sacco's operations and making timely loan disbursements challenging.

Another challenge facing Apstar Sacco is the economic pressure on members due to the tough economic times, resulting in decreased savings. Increased taxation, inflation, and the rising cost of living have all impacted members' disposable income, reducing their ability to save. Nyaanga noted, "With new policies like the social health insurance fund and housing levy, our members are finding it harder to save as they did previously."

This decrease in savings has created liquidity issues for the Sacco, making it challenging to meet

the reporting standards set by the International Financial Reporting Standards (IFRS). Consequently, the Sacco has struggled to complete its financial reports and hold its Annual General Meeting (AGM) within the recommended timelines.

To navigate these challenges, Apstar Sacco has focused on fostering a diverse membership base, welcoming younger members alongside long-standing members. Recognizing that retired members are not saving as actively, Apstar has introduced several youth-focused products to attract and retain younger members.

The Sacco also encourages youth participation in leadership by creating opportunities for younger members in its delegate forums, where they can influence the organization's future direction. One of Apstar's flagship youth initiatives is the Chipukizi product, which allows younger members to access loans based on their employment status without needing extensive savings history. For instance, a member can receive a loan of Ksh 500,000, with Ksh 140,000 retained as a deposit, while Ksh 360,000 is disbursed. By the time the loan is repaid, members have established substantial savings, strengthening their financial standing with the Sacco.

In addition, Apstar has developed programmes to foster financial literacy among younger members and promote early savings habits. The Sacco introduced a "young savers" program, offering families the opportunity to save for their children's future by providing each child with a small home bank. Children bring their savings to the Sacco every three months, where they participate in fun activities and games, fostering a culture of savings from a young age. According to Nyaanga, these efforts are instrumental in creating a

sustainable pipeline of future Sacco members.

Reflecting on the Sacco's strategic journey, Nyaanga shared that the recent rebranding and strategic review were launched in March, setting out Apstar's objectives in a clear and realistic manner. Although the Sacco has made substantial progress, Nyaanga acknowledged that external economic pressures have tempered its success.

"We have made gains, but the broader economic environment has limited our growth potential," he explained. Despite these challenges, Nyaanga remains optimistic about Apstar's future, expressing a commitment to further expanding its offerings and deepening its reach across Kenya.

Looking forward, Apstar aims to maintain its focus on fostering a financially inclusive environment that supports both individual members and small businesses across Kenya. The Sacco's long-term vision includes continued product diversification, outreach to underserved communities, and a commitment to financial literacy programs that empower members to make informed financial decisions. Apstar's remains committed to adapt to the needs of a rapidly changing economic landscape while staying true to its founding principles of cooperation and mutual support.



**"With new policies like the social health insurance fund and housing levy, our members are finding it harder to save as they did previously."**

## IS WORKER'S COOPERATIVE THE NEW AVENUE FOR YOUTH EMPLOYMENT?

By The Cooperative Writer

*As the country grapples with high unemployment, the Cooperative Movement is advocating for Worker's Cooperatives as an avenue for soaring number of youth enrolment and creation of jobs.*



Workers Cooperatives involves skilled or unskilled workers with common skills set or with complementing skills coming together in a cooperative to seek for opportunities in various economic spheres. They can be subcontracted by bigger companies to offer such skills or unskilled labour in a formal and structured manner.

This enhances their access to opportunities and their bargaining power as opposed to individually seeking such opportunities.

*"There is a gap in Cooperative because the average age of membership is 50 years. Yet we have a youthful population who are about 70 per cent of the total population. The youth and women are not well represented. For example, the national population figures show that women and men are nearly the same, yet women in Cooperatives constitute only 30 per cent,"* said Pamela Kaburu, Monitoring and Evaluation Specialist at USAID funded Global Communities.

She said the Workers Cooperatives Business Model is owned by the workers who aggregate labour, skills, energy and enthusiasm.

*"There is a level of flexibility that enables those who were not previously members of the Cooperative to become members. It gives them steady source of income and a resource base,"* she said.

The Cooperative movement has been grappling with the challenge of attracting youth, and even formed a youth desk in the Ministry of Cooperatives to find ways of engaging them, but the pace of registration has been slow.

*"What we are telling the youth is that there is a place for you to create jobs for yourselves within a regulated environment. There is an opportunity here to create jobs by joining hands in skills and unskilled and formalize your activities,"* she added.

She said such workers cut across the spectrum of the economy and can be construction workers, hair dressers, farm workers, drivers, and many more.

So far, 22 such workers have been registered since 2018, after overcoming initial challenge of lack of recognition in the Cooperative Act. The National Co-operative Policy and Bill that are in the final

stages in Parliament and Senate have recognized the role of Workers Cooperatives and are expected to grow exponentially in coming years.

The Council of Governors have embraced Workers Cooperatives and draft by-laws to guide them has been completed.

However, Ms Kaburu said there was need to review the recommendation for a minimum of 25 members for a Workers' Cooperative to about 10 to make it viable and achievable, adding that in countries where this concept has worked like USA, the number is a low as three. She said there was need to standardize the Workers Cooperatives.

She said the Global Communities has collaborated with the Cooperative Alliance of Kenya to promote Workers Cooperatives in the country through public awareness and publicity.



## CO-OPERATIVE LEADERS EXPLORE WAYS TO LURE YOUTH INTO THE MOVEMENT

By The Co-operative Writer

In the natural order of things, succession in community organisations should happen seamlessly but the cooperative movement has been struggling to co-opt the youth as the old generation, mostly the starters, fade out through physical inability and natural attrition.

The Cooperative leaders and stakeholders organisations are exploring various ways to lure more youth to join the Cooperatives and firm up the succession plans to ensure the sector maintains its hallowed position in the continent and globally.

With the average age of the Cooperators at 50, the matter is urgent as most of the youth are between 18 and 35. The Cooperatives first have to deal with the current perceptions that Cooperatives are entities for the elderly. They have also to improve on ways of reaching out through public awareness and training, improving the levels of service delivery while leveraging on modern technology like mobile phones, computers and apps that are popular with the youth.

*"The majority in the population are youth but the average age of the Cooperative members is 50. This has left most of the youth out of the Cooperative movement, and we see through the promotion of Workers Cooperatives we will bring more into the sector. The challenge is how do we bring them together to get labour-for-value. We are talking about plumbers, electricians, hairdressers' physiotherapists, homecare givers, and many others. We see this as a way of dealing with low youth membership in Cooperatives and the high unemployment in the country," said*

Mr Daniel Marube, the Chief Executive Officer at Cooperative Alliance of Kenya. Cooperative Alliance of Kenya has

been collaborating with USAID funded Global Communities to promote Workers Cooperatives in the country and so far there 22 such entities registered in various sectors. Ms Pamela Kaburu, the Monitoring and Evaluation Specialist at Global Communities said the Workers Cooperatives had the potential to lure youth into the movement as they would be able to do business in a formal and structured way, which would enable them to access opportunities through sub-contracting from companies across the 47 counties.

"About 63 per cent of the population depends on Cooperatives. Despite many embracing of the Cooperative model, there is low representation of the youth and women. This means a whole generation is left out yet when they graduate from colleges they don't find jobs. There is need to create jobs through the Cooperative model and Workers Cooperatives could offer solution," she said.

Some are advocating for affirmative action for the inclusion of youth by deliberately ceding some positions in the Management Committees and Board of Governors in the various Cooperatives. They hope this way the youth would reach out to their peers to join the movement.

"There is need to mainstream the youth in the Cooperative Movement by reserving some positions for them in Management Committees and Boards," said Commissioner of Cooperatives, Mr David Obonyo

Among the solutions suggested to soar up youth numbers in the movement is for the parents to pass on their shares in the Cooperatives to their children as inheritance. Those with children should be encouraged to join the Cooperative movement to build momentum for enrolment.

"How do the youth become Cooperators when their parents are

not in the cooperatives," Mr Vincent Marangu, Director Cooperative Bank, Banking Division asked.

He added, "There is need to introduce curriculum in our schools on Cooperatives to induct the model early to the youth. We need to work with Cooperative University of Kenya (CUK) and the Kenya Institute of Curriculum Development (KICD) to come up with common Cooperative Studies."

The Ministry of Cooperatives set up a youth desk after the 2007 general elections as way of easing the way for the youth into the movement by dealing with their matters promptly but much remain to be done to impress on the youth to join the movement.

The movement has also gone through transformation from initial Farmers' Cooperatives and Savings and Credit Cooperative Societies expanding fast to other sectors of the economy that include transport, services, hospitality, and many others where the youth are mostly found. However, the players in the Cooperative seem to have been slow in embracing the new economic activities to soar Cooperative membership.

Some experts think poor member orientation is partly responsible for weak saving culture among the youth in the country.

"We have not changed from initial thinking about the Cooperative (as means of meeting immediate needs). There is need to change the investment model to delay gratification and build wealth for the members. We shouldn't be holding meetings on how to increase membership, but core capital and asset base" said Dr. Ng'ang'a Gachara, Economics Lecturer at Strathmore University.

## COOPERATIVE LEADERS **REJECT AGE LIMIT FOR BOARD MEMBERS**

By Cooperative Writer

Some people ask- what's in the age. Others say it's just a number. Well, in the Cooperative Movement, age is a contentious issue that has refused to go away. A clause in the proposed Cooperative Bill that seeks to place age limit to those in the management committees has once again raised a storm drawing in the Cabinet Secretary for Cooperatives and MSMEs, Mr Wycliffe Oparanya. Some Cooperative leaders want that clause amended before the Bill becomes an Act, and the arguments as varied as the number of the Cooperatives.

**"The term limit is a creation of the MPs informed by what they have observed in their constituencies. Let's work with them on this matter. We want to promote Self- Regulation but where there is mismanagement, government has to intervene."**

"The age limit for Cooperative leaders has not worked well in the past. The one-third retirement rule should be retained, and the clause removed from the Cooperatives Bill, 2023. Let the members decide on their leaders," said Mr Abraham Imathiu of Meru Dairy Cooperative Society.

This view is supported by leaders in tea and coffee sectors who argued that as democratic entities, owned by the members, the age limit would be inconsistent with the principles of inclusivity, equity, and mutual interest.

"We want the proposed age limit removed. The farmers should elect who they want," said Francis Ngone, a member Coffee Society. Some likened the age limit to political interference by government and their functionaries saying this would not seat well with prudent management of the Cooperative movement.

"Political interference or introduction of two term limit in Cooperatives disrupts effective management of tea Cooperatives. Such political interventions undermine the integrity of the leadership. Leadership cannot be solely legislated and governance should reflect competence, not political agenda," said Richard Mutai from the Highlands Sacco Society.

He added, "we kindly appeal you (CS Wycliffe Oparanya) to intervene.

This issue was introduced two years ago, and it's been brought back."

However, Mr Oparanya, while acknowledging that the matter was sensitive, gave a background of why some members of parliament had inserted the clause in the Cooperative Bill, adding that there was need to engage further on the matter to have an amicable solution.

"I visited a coffee society in Nyeri, and the farmers demanded that we pay them money or else they wouldn't listen to us. The farmers wanted us to pay them Sh68 million, and we learnt that their coffee had been sold and the money had been released from the bank, but had disappeared. We had to find a way of paying the money. And you want the government not to intervene?"

He said while on visit to Murang'a, Mathioya constituency, a poorly dressed woman in her 70s confronted them about poor management of their coffee society.

"I was married here and started growing coffee in the 1970s. The chairman of the society has held the position since then. Initially he travelled on a bicycle, but now see the mansion and the vehicles he has." He posed and asked, "And you want us not to intervene?"

He said there is yet another Cooperative where an official had

borrowed Sh60 million without collateral, putting the entity in financial strain.

He added, "The term limit is a creation of the MPs informed by what they have observed in their constituencies. Let's work with them on this matter. We want to promote self- regulation but where there is mismanagement, government has to intervene."

He disagreed with the argument that limiting the age of the management committees was political interference by the state. He said the government had a role to ensure proper management of the Cooperatives, adding that it was important for the stakeholders in the sector to start engaging directly with the MPs who formulate the policies, and attributed delays in enactment of the Cooperative Act to the fact that most of the MPs were not familiar with the needs of the sector, and the policy interventions required.

"There are no politicians in this conference yet the legislation and policy will have to go through parliament. It is important you start inviting members of the relevant committee in these forums. The reason why the Cooperative Bill has been in parliament for 15 years is partly because MPs don't understand well the issues that you want addressed," he said.

There are those however proposing a blend of the management committees with experts as co-opted members in the areas a Cooperative has deficiency to enhance the level of management in light on new, and changing business environment.

"We need to realise that leaders have to be supporters of profitable enterprises," said Pamela Kaburu, Monitoring and Evaluation Specialist at USAID funded Global Communities.

The challenge of implementing the age limit lies in that Cooperatives are member driven and control their activities, and most of the elderly are major shareholders in these entities.

Some of these leaders have earned respect from their peers for their institutional memory and prudent management that has enabled the survival of the entities over the years.



## COOPERATIVES URGED TO TAKE **RISK MANAGEMENT** SERIOUSLY

By The Cooperative Writer

Few Cooperatives have a risk management plan yet with the effects of climate change, cyber -attacks and unpredictable and fluctuating exchange rates, prudent management demand that mitigation measures be put in place to avert weakening or collapse of the entities.

Estimates by experts in the Cooperative show that only 10 per cent have in place risk management plan to reduce impact of the shocks brought about by unforeseen internal or external circumstances.

“There is need to identify current and potential threats and plan on mitigation measures,” said Allan Riungu, a member of Tembo Sacco with knowledge on risk management.

The risk management might involve guarantors for loans, data management to ensure privacy, and legal and policy framework. The Cooperatives, like other businesses, he said, can respond by either avoiding the risk with consequence of collapse, transferring it through insurance, or dealing with it head-on by making financial and technical provisions for it.

Mr Riungu said the risk managers should seek to answer two questions- What is the likelihood of something (untoward) happening? How can we manage it when it happens?

Unfortunately, few Cooperatives have carried out risk assessment, he said, adding that there was need to increase visibility of the risk profile for the management/ board of directors to allocate resources for mitigation measures.

Saccos can choose to Avoid, Transfer or Fight the risks.

He was speaking during the 3rd Annual Cabinet Secretary for the Ministry of Cooperatives and MSMEs with the Cooperative Movement stakeholders held between 18th and 22nd November, 2024 at Sawela Lodge, Naivasha. With the increasing risks brought

about by digitization of services attracting cybercrime, he added, the Cooperatives have to be aware how digitization becomes a risk, and devise a structured way to deal with the cyber attacks by allocating more resources and deploying technical staff to deter the fraudsters.

“While the Cooperatives are engaged in managing costs, and outreach activities, they also need to plan on how to manage the

should be upto the task of prudent management,” he said.

Cooperative Alliance of Kenya Chief Executive Officer, Mr Daniel Marube said risk management had become more urgent with recent drawbacks brought about by Covid-19 disease that caused closure of businesses to avert mass infections. The increasing cyber- attacks in the financial sector, estimated by government at one million in a year also serves as a wake-up call to the Cooperatives to prepare on how to deal with the new challenge. The climate change -induced floods and droughts, he added, had also made the Cooperative to take a keener interest into how they manage their risks.

**Avoid - Do nothing  
Transfer - Take Insurance  
Fight - Make Financial  
provision**

risks. Yet more than 90 per cent of the Cooperatives do not have a structured, and documented risk management plan,” he said.

He said there was need to establish the risk foot print and have the right policies, adding that the picking management and Cooperative committees should factor in skills, competencies and integrity.

“Saccos are regulated but the regulator can do as much, the management committees

“We are involved in gathering resources of many, and we have to safeguard member’s resources and investments from internal and external threats. We need to start mitigating effects of climate change, cyber attacks and others,” he said.

He added that although some Saccos were regulated by Sacco Societies Regulatory Authority, about 50 per cent have never carried out risk assessment to their business models, and needed to do so for sustainability.



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## INTRODUCTION

IG Sacco Society Ltd (Formerly Kakamega Teachers Sacco Society Ltd) is a financial institution regulated by Sacco Societies Regulatory Authority (SASRA) as a Deposit Taking Sacco.

It is one of the best managed Saccos in the country, registered on 3rd August 1977 with initial membership of 115. Its area of operation is the republic of Kenya with members spread across the country, though concentrated in the former Western Province.

The Sacco currently operates from the head office in Kakamega town with seven (7) Branches spread in Kakamega and Vihiga counties, thus Serem, Luanda and Mbale Branch in Vihiga County, Mumias, Butere, Malava and Lumakanda Branches in Kakamega County. The Sacco will be opening two more branches in Serem and Luanda. Original members of the Sacco were teachers in Primary and Secondary Schools and KNUST. However, the common bond was opened and the Sacco attracts members across the board e.g. Teachers, civil servants, self-employed persons, corporate entities etc.



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5. Nyota Ndogo a/c
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7. Fosa Akiba Scheme
8. Pesa Pepe

# COOPTECH TO INCREASE NUMBER OF CUSTOMER SERVICES

By The Cooperative Writer

Cooptech will enhance services for members of those Cooperatives that will hook up to the Shared ICT Platform. The Shared Platform initially envisaged to facilitate seamless money transfer, and enable inter Sacco lending among other services will now facilitate farmers to connect with the suppliers of various farm inputs and enhancing traceability of origin of products to enhance their marketability.

The Chief Executive Officer Mr Thomas Gachie told Cooperative leaders during the 3rd Annual Cabinet Secretary for Ministry of Cooperatives and MSMEs with the stakeholders held in Naivasha that the platform was conceptualized to facilitate financial and extension services in the Cooperative sector. *"For the dairy farmers, the platform will host data on each cow, the quality and quantity of milk it produces. Merchant in the platform will enable the farmer access records of time lapse when he/ she makes a call (for treatment of the cow), its health state and action taken. Dairy farming will become an enhanced service. The platform will also enhance interaction between the farmer and owners of*

*agrovet shops. It will provide end point user facilities,"*

Most importantly, it will provide data analysis to track what is happening in the market to enable decision making.

The Platform that was launched in 2023 offers versatile core banking systems to Cooperatives and individual members cheaply and efficiently to counter the rising cases of cybercrimes in the country.

The share platform also enables the Cooperatives to expand market share and deepen productivity.

The establishment of shared ICT platforms helps in upscaling digitization in the sector that is hard pressed with the financial obligations to its members.

He said the Cooperatives who will hook up with the platform will have a shared fund management to support inter- Sacco lending and cross Sacco money transfer. This will include seamless money transfer through National Payment Systems.

The Shared Platform has end-to-end lending loan and collateral management, document management and Enterprise Resource Management. The system has the Know Your Customer (KYC) abilities to enhance cyber security. Some of the benefits of the payment digital ecosystem to the users will be mobile payments, utility fees and billing, government payments, cheque- book issuance and processing and card issuance (Visa Mastercard).

The Shared Platform enables Cooperatives to attract and retain customers through personalized relevant services and products afforded by continuous innovation and upgrade.

The Commissioner of Cooperatives Mr David Obonyo challenged the Cooperatives in the country to utilize the Cooperative initiated ICT platforms to help build synergies in the movement instead of seeking such services from third party providers.



## COOPERATIVES' URGED TO CHANGE INVESTMENT MODELS TO GROW MEMBER'S WEALTH AND IMPROVE ON SUSTAINABILITY

*"We need to question our business model. The fundamental question is: Why do we exist?"*

By The Cooperative Writer

Savings and Credit Cooperative Organisations have been advised to re-examine their business models with focus being to bring financial freedom to their members by helping them to grow generation wealth. This would involve rethinking on the issue of giving annual dividends, and instead reinvesting the surplus to build wealth over the years.

means. We have not changed mindset (in how we manage the Saccos). The members want to enjoy decent lives," he said.

That will happen if the Cooperatives start connecting their members to value creation financial model. "Because of customer promise, you will be able

given by banks for drilling of boreholes where the borrowers pay upto 24 per cent per year for 4 years as compared to between 12 and 13 per cent per years by the Saccos, yet there is no demand for such loans in Saccos," he said.

He said fintech platforms had availed limitless opportunities for individuals to borrow, amounting to Sh920 billion taken through these avenues, adding that money wasn't the problem but poor financial orientation.

"We have deviated from the principles of Cooperatives. The principle of member economic participation is lacking, and there is poor member orientation. It should be a journey of 5 years with the member, with business taglines like customer satisfaction, customer promise or gain. But today new members save for months and borrow."

He added, "There is need for members to delay gratification (dividends), build wealth, and live decently on savings they have accumulated over many years when they retire."

In Nairobi County, he said there were 5000 Cooperatives, adding that at 60 the members shouldn't struggle as the investment by their entities would provide for them.

"With these Saccos, how is it that retirees will be poor? He asked. He said the current members have to be taken through education and training to accept the new investment model.

"The current Sacco members have high appetite for quick gratification and some borrow to buy such things like personal vehicles and household goods. We need to ask what can we do for them when they are 60 years. Instead of giving dividends, and Interest on deposits, the money can be used to recapitalize the Saccos. There is need for value chain development. It's the work of a Cooperative to draw its Cooperative value-chain model," he said.

He added, "You shouldn't be holding meetings to explore how you will increase membership but to discuss issues like liquidity and share capital. The members will come."

**Reinvest surplus/dividends**

**Fund members productive ventures**

**Tame appetite of members immediate gratification**

**Guarantee members stable income in retirement**

"Some Saccos have borrowed to the neck and can't pick more loans. They have lost opportunities due to poor financial decisions," said Dr. Ng'ang'a Gachara, Economics Lecturer at Strathmore University.

He said most of the Cooperatives and Saccos were started by people of meagre means to address immediate pressing issues, but they need to change the business models to secure their members future and enhance their financial health and sustainability.

"Most of the Saccos were started in 1970s by members with meagre

to create wealth continuously," he told Cooperative leaders during 3rd Annual Cabinet Secretary for Ministry of Cooperatives and MSMs. He said the financial market had grown exponentially in the country bringing financial inclusion that Saccos can leverage on to grow wealth.

*Questions Saccos/ Cooperatives should ask themselves*

*Why do we exist?*

*Who is our customer?*

*What do we want to achieve?*

*What do we serve in our institution?*

He gave an example of loans

## COOPERATIVES **EXPAND TO MINING SECTOR**

By The Cooperative writer

The staple of Cooperatives is expanding with the expected entry of Cooperatives of Artisanal and Small Scale Miners as the government organizes the sector that has largely operated with loose regulation over the



years.

The Ministry for Mining, Blue Economy and Maritime Affairs Hassan Joho said the small miners would be licenced to curb illegal mining that constitute 95 per cent in the country. Artisanal and Small Scale Miners Association of Kenya vice-chairman Patrick Ligami said the licences will be issued through Cooperatives.

Some 420 identified Community Based organizations and other groups have been identified to form Artisanal Miners' Cooperatives.

The industry that is undergoing reforms to tap more from the disparate but lucrative mining activities is intended to make the business formal and promote Kenya as a mining investment destination.

The purpose of organising the estimated one million artisanal and small miners into Cooperatives is to enable the allocation of mining sites and reduce accidents.

The Government conducted National Airborne Geophysical and 970 mineral occurrences were identified

across the country. This will curb the influx of speculative miners.

The CS said the licensing will enable the government broader control of all mineral rights and ensure timely issuance of mineral rights as stipulated in the Mining Act. It will remove illegal, inactive, expired, idle and speculative licences to free up areas for serious investment and concessions.

According to Mining and Minerals Policy the government undertakes to implement a community liaison framework that ensures that women, youth, persons living with disabilities, marginalized groups and communities are involved in decision making and programmes in mining. Through the implementation of its regulatory frameworks and programmes, it will ensure that they have equitable access to ownership, technology, capital, local content and value addition opportunities, employment, training, knowledge and decision -making value chains.

The Cabinet Secretary said artisanal and small scale miners play a great role in generating income for the communities and in the overall socio

economic development.

"The government identified formalization and capacity building of the players as a key priority under the Bottom-Up Economic Transformation Approach" he added.

Joho said the Cooperatives can play a great role in expanding and modernizing the mining business in the country by investing in modern machinery.

The Cooperatives should consider investing in modern mining equipment to improve on their mining activities.





## SMALL SACCOS ASKED **TO FORM MERGERS TO STAY AFLOAT**

By The Cooperative writer

Mergers in Savings and Credit Cooperative Societies are unheard of despite numerous calls by experts and other leaders who argue that it is the prudent thing to do to secure financial stability of the entities.

The most recent such call has come from the new Cabinet Secretary for Cooperatives and SMEs, Wycliffe Oparanya who said mergers would enhance

balance of just 26.66 per cent of the total assets. On the deposits side, 65.27 per cent of the total deposits is controlled by only 39-Regulated SACCOs leaving the balance of 34.73 per cent of the total deposits to be shared by the remaining 318-Regulated SACCOs.

“In this regard, the Authority has deployed and will continue to deploy



financial stability in the subsector.

The regulator, Sacco Societies Regulatory Authority has issued many such advice in the past but this has been shunned despite several Saccos struggling to meet the requisite prudential ratios that underwrite the financial health of the Saccos.

According to 2023 Sacco Supervision Annual Report, Sasra has revoked 16 licences between 2015 and 2023, and the number of licenced Deposit Taking Saccos has been oscillating between 177 in 2015, to 172 in 2019 and 174 in 2023. On the brighter side, the membership of the Saccos has more than doubled from 3.16 million in 2015 to 6.32 million in 2023.

Sasra has however warned of the ever present danger of financial instability due to concentration of assets and deposits in a few Deposit Taking Saccos despite the expanding membership base.

*“Despite recording respectable growth rates over the reporting period, the Authority continues to be concerned and consciously aware of the increased concentration of the SACCO industry’s assets and deposits among just a few of the Regulated SACCOs.”* the report says. According to the report, 73.34 per cent of the total assets of the SACCO industry is controlled by 53-Regulated SACCOs, with the remaining 304-Regulated SACCOs sharing the

appropriate supervisory tools to deal with the concentration risks presented by the foregoing scenario.” the report says.

The regulator has warned that majority of the Saccos which have assets below Sh1 billion may be too small to compete in the highly competitive domestic deposit taking and credit business and it would be better for them to seek mergers. “It therefore goes without saying that their individual viability and sustainability, including ability to meet the regulatory compliance and members’ financial needs will continue to be challenged,” the report adds.

There were significant number of Regulated SACCOs which



experienced loss of members, mostly those operating on conditional licences as they struggle to meet the prudential regulatory ratios in the various aspects of their business like assets, loans and deposits.

In this category 76-Regulated SACCOs composed of 29-Deposit Taking SACCOs and 47-Non-Withdrawable DT-SACCOs cumulatively shed-off a total of 131,347 members. The Deposit Taking -SACCOs shed off 128,337 members while the Non-Withdrawable DT-SACCOs shed-off 3,010 members during the period.

*"It's noteworthy that on average, the 29-Deposit Taking-SACCOs shed off more members at an average of 4,425 members per SACCO, while the 47- Non-Withdrawable-SACCOs in the same category shed off members at an average of 64 members per SACCO," the report says.*

And adds *"Consequently, the Board and Management of these Regulated SACCOs ought to put in place adequate measures to stem the haemorrhage of members in order to avoid the imminent collapse and eventual revocation of their licenses or authorizations. Such measures may include voluntary amalgamation and consolidation with other Regulated SACCOs with stronger balance sheets."*

Such strategic business decisions of mergers would enable the Saccos to reap the benefits associated with economies of scale and improve their competitiveness in the marketplace.

Additionally, the small Saccos are encouraged to adopt shared services platforms like Cooperative Alliance of Kenya initiated CoopTech, to cut on transaction costs, and spread risks under the cooperatives principle to remain competitive in the long term.

## SACCOS ASKED TO FORM MERGERS TO STAY AFLOAT





# SACCOS' OFFER **BETTER RETURNS COMPARED TO BANKS IN A TIGHT FINANCIAL MARKET**

By The Cooperative writer

Savings and Credit Cooperative Societies continued with the upward trajectory in providing the best returns to their members in 2023, compared to the Commercial Banks. According to supervisory report for 2023 by the regulator, Sacco Societies Regulatory Authority, the Saccos provided the best returns on the deposits and savings in an increasingly tight financial market.

Bank loans to private sector grew 13.9 per cent to 4,078.1 billion by December 2023 while banks loans to Government declined 3.6 per cent to 1,720.3 billion by December 2023. Total domestic credit given to Micro Credit banks increased by 1.8 per cent to Sh49.4 billion in 2023 from Sh48.6 billion in 2022. Credit to the private sector by Micro Finance Banks declined by 7.6 per cent to 43.1 billion by December 2023.

Deposits from Deposit Taking Savings and Credit Cooperative



Interest on members' deposits and dividends on members share capital were well above interest paid by the Commercial Banks on customers' savings. In the Cooperative model, the deposits are used as collateral for loans and also earn return for members, which averaged 7.45 per cent in 2023, an improvement from the previous year's 6.92 per cent. The Saccos paid an average of 10.92 per cent in dividends, which was also an improvement from the previous year's 10.47 per cent. These returns from savings and share capital were way above the measly 3.84 per cent paid as interest on customers' savings in Commercial banks.

In 2023, the Deposit Taking Saccos gross loans grew by 11.5 per cent to Sh758.51 billion from Sh680.35 billion in 2022, an indication of the growing appetite for the Sacco loans at a time

when the bank interest rates have been rising.

In the same period, Sacco savings grew by 9.95 per cent to Sh682.19 billion.

According to Economic Survey 2024, the Central Bank Rates were raised to 10.5 per cent in June 2023 and 12.5 per cent in December 2023 compared to 8.75 per cent in 2022, to address the inflation challenge due to the weakening of the Shilling against the major currencies and the high international commodity prices.

The inter-bank rates (rates at which banks borrow from each other) nearly doubled to 11.65 per cent in December 2023 from 5.39 per cent in December 2022. As a result, the average Central Bank interest rates for loans and advances increased 14.6 per cent in December 2023 compared to 12.67 per cent in 2022.

Organisations to Private Sector and Government increased 11.6 per cent and 33.3 per cent to Sh655.4 billion and 14.2 billion respectively by December 2023.

The regulator, SASRA is optimistic of a better year, and forecasts further growth this year driven by prudent regulation, increased demand for Sacco credit financial services, and increased members' patronage. However, there is a caution that increased competition from other financial providers, economic shocks like inflation, may slow down the rate of members deposits as more money goes to meeting the increasing costs of essential commodities. This, they opine, might force the Saccos to resort to more expensive money from other sources in the medium and short term, hence undermining the financial performance to these entities.

## STATE TO DEVELOP **POLICY ON SACCO MERGERS**

By The Cooperative Writer

The Cabinet Secretary for Cooperatives and MSMEs Wycliffe Oparanya has directed the ministry officials to formulate a draft policy to guide Saccos and Cooperative mergers and amalgamations.

Speaking at the 3rd Annual Cabinet Secretary for Ministry of Cooperatives and MSMEs with the stakeholders held in Naivasha, he said it was important



to encourage mergers and amalgamations for sustainability of Cooperatives in the country.

"I have directed the Permanent Secretary to come up with policy on mergers and amalgamations. This will improve the financial situation of most of the cooperatives and improve on sustainability," he said.

This is the first time the government has taken a step towards encouraging mergers and amalgamations through policy. The calls for amalgamations and mergers have been growing in recent years as more and more regulated Saccos struggle to maintain prudential ratios in their various aspects of business such as core capital, asset base, reserved earnings and savings as demanded by the regulator, SASRA.

Such policy will guide on how to seamlessly merge without causing loss to the members in the respective cooperatives and saccos. Among the issues expected to feature in the policy is the strategic position which examines whether products and services of the two align with the goals. Also of importance is cost savings and efficiency. It will also explore the potential synergies and how the markets, products and services compliment.

Financial health of the merging entities is also examined in terms of performance, debt levels and revenues streams. Culture compatibility and differences such as values, communication styles and management structure are also taken to consideration. Risk assessment that involves examination of legal and regulatory issues, contracts

and liabilities is carried out before mergers and amalgamations.

These, among other issues are expected to feature in the draft policy. The move to promote mergers comes at a time when the Saccos are facing severe competition from other financial institutions like Microfinance institutions and banks, with the recent most severe coming from fintech mobile money lenders.

Mergers and amalgamations of the Cooperatives have been supported by Executive Director of African Confederation of Cooperative Savings and Credit Associations (Accosca) Mr George Ombado who said the many Cooperatives can leverage on their strength and create synergies to improve on their business and the welfare of their members.

He said compared to developed countries, Kenya had many registered Cooperatives but doing less business like Brazil with a population of 200 million has 6800 Cooperatives, and America with a population of 300million has less than 500 credit unions, the equivalent of Saccos in Kenya. Kenya, on the other hand has 14,000 registered Cooperatives, but some, he said, have remained dormant for years.

"Sacco Societies and Regulatory Authority (Sasra) should be empowered to enable it to forge mergers in the sector. Kenya could be having between 7000 and 8000 Cooperatives if verification is carried out on those that are active. Even the number of Cooperative members may not be as stated because some members may be in two to three Saccos and cooperatives" he said.







# Holiday

## HOLIDAY ACCOUNT **SAVERS TO** **MAKE MERRY THIS MONTH**

By The Cooperative Writer

*Savings and Credit and Cooperative Organisations will be busy this month disbursing money to their members who have been saving for December festivities. Some Saccos have over the years introduced holiday savings accounts structured to fit the holiday needs of their members. This is particularly significant as it happens against the backdrop of shrinking disposable income in the year.*

Such Saccos include Amref Sacco that have an account that demands the member to save minimum of KSh 2,000 monthly or periodical lumpsum. The amount attracts interest per annum.

The member is expected to select a fixed saving period from 1 to 12 months at the time of opening the account and can give written instruction in case they want to roll over to a new fixed term. If the member doesn't give instruction on roll over, the amount is rolled over automatically for same duration. And the member is allowed full or part withdrawal after term maturity.

*"I decided to save for holiday because I realized whenever I wanted to have one I didn't have enough money on me. This is*

*because of the many competing needs over the year,"* said a Sacco member who requested not to be named for personal reasons.

Sheria Sacco has a holiday account with a Minimum balance of kshs 1,000 that caters for members who wish to save for holidays, and withdrawals are limited to two times per year. Interest is credited at the end of every financial year Hazina Sacco Society Ltd also has a scheme which allows members to save for holidays. Members are allowed to make contributions to the fund, for a period of at least six months after which they may withdraw all or part of whatever they will have contributed.

Kimisitu Sacco has also a holiday savings account with minimum operating balance of Ksh1,000 that

has no ledger fees while savings are withdrawable after 6 months with what they say are competitive market interest rates.

Interestingly, even the Kenya North America Diaspora Sacco that have no minimum contribution but a joining fee of Kshs 500 offers member's opportunity to save money and earn interest of 6 per cent per annum withdrawable once in a year.

This enables the members to go on holiday destinations according to their levels of savings. The account is processed on member's request through 7 working days with processing fee of Kshs100, withholding tax deducted on interest upon redemption. There is an attractive interest rate of up to 7.50 per cent per annum for balances above Ksh. 5,000

Others are Maisha Bora Sacco Society Limited with minimum monthly contributions of Ksh2,000 and allows two free withdrawals per year. Sacco members can access 90 per cent self-guarantee loan on the Holiday savings under lien (1 Year Period). The holiday account has no minimum account operating balance and no ledger fees are charged on this account.



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