

REPUBLIC OF KENYA



KEYNOTE SPEECH

BY

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STATE DEPARTMENT FOR CO-OPERATIVES***

DURING

***THE OPENING OF THE SACCO SUBSECTOR ANNUAL
POLICY ROUNDTABLE, 2023 AT
THE LAKE NAIVASHA RESORT, NAIVASHA TOWN
ON
WEDNESDAY, 7TH JUNE 2023***

- **Hon. Jack Ranguma, Chairman, Board of Directors – SASRA**
- **Members of the Board of Directors, SASRA present**
- **Mr. Peter Njuguna, The Chief Executive Officer, SASRA**
- **County Directors of Cooperatives and other Officers present**
- **Chairpersons & Chief Executive Officers of SACCOs present**
- **Distinguished Co-operative Leaders present.**
- **Invited guests, Ladies and Gentlemen**

Ladies & Gentlemen,

- 1.** Regulatory Roundtable meetings are usually very important occasions where candid conversations are undertaken by sector's key stakeholders on key regulatory issues. It is also the place for honest talks between the regulated entities and the public regulatory body, without any fear of victimization, with the aim of unlocking any policy, legal administrative regulatory bottlenecks which may be hampering not just regulatory compliance, but also performance of the businesses of the regulated entities.

2. With such rich historical background, our State Department of Cooperatives is pleased that the SASRA industry has committed to be holding this event on an annual basis.

3. Am therefore very glad and pleased to be officiating the opening of the second edition of the SACCO Industry Regulatory Roundtable 2023. This is especially so, because it is coming at a time when the new administration is rolling out a new economic blueprint anchored on the ***Bottom-Up Economic Transformation Agenda (BETA) Framework***.

4. As you are all aware the BeTA blueprint has Cooperatives and MSMEs as a critical pillar in the powering of the economic transformation particularly those at the lower echelons of the pyramid. SACCOs as a subset of the Cooperatives sector, and probably the largest subset thereof is thus a critical enabler towards the realization of the BeTA vision, and I want to rally all of us to play our rightful roles in this endeavour.
5. It is therefore our expectation that SACCOs will continue to deepen the mobilization of savings

(deposits) from their membership using their unique traditional BOSA and FOSA deposits mobilization models. The statistics at SASRA shows that for the period ended March 2023, the 359-Regulated SACCOs had mobilised Kshs 639 Billion in deposits, which is quite laudable. ***I honestly believe that with a little more effort, we can push these deposits to reach Kshs 700 Billion by next year.***

6. As you are aware the government has prioritised savings as an important element in funding national development initiatives. For SACCOs, savings form

between 70% and 80% of funding of their credit facilities. Therefore, without sufficient mobilization of savings, SACCOs will find it very difficult in meeting the members' credit and loan needs.

7. This is especially so with the rising interest rates being pushed by external factors, which in effect implies that external borrowing or loans are going to be quite expensive, and thus many households as well as hustler economies are going to look forward to SACCOs and the recently launched Hustler's Fund as their main source credit facilities for household and enterprise financing.

Ladies and Gentlemen

- 8.** It is not just about mobilization of savings. SACCOs must also assure members of the public of the safety and accessibility of the savings entrusted to them. This calls for our individual and collective responsibilities. ***The shilling saved in a SACCO should just be as safe as the shilling saved in a Bank.*** This is the only way in which we shall endear SACCOs to the

confidence and trust of the public, who will then be very ready to save with SACCOs.

- 9.** But to attain this vision, we must do several things.
- 10.** Firstly, we must instil and inculcate integrity and good governance practices in the SACCO system. All SACCO officers whether employed or elected must be people of integrity. Our Ministry and specifically the State Department of Cooperatives will apply full force of the law on the few rotten apples in our midst who are bent on tarnishing the good work being undertaken by the majority of SACCOs.

11. In this respect, am happy to note that in the last years' Roundtable, one of the documents which was thoroughly discussed was ***a Guideline on Good Governance for SACCOs***. Am also informed that the document has now been extensively shared with the Non-Withdrawable Deposit SACCOs over the last one (1) month and their input has been incorporated. Am looking forward to its roll out and implementation as the SACCO industry seeks to entrench the culture of integrity and good governance.

- 12.** On the same note, the Ethics and Anti-Corruption Commission (EACC) is scheduled to make a presentation during this meeting. This will go a long way in improving our capacities towards entrenching integrity, ethical behaviour, and good governance in the manner in which SACCOs are governed and managed.
- 13.** Secondly, SACCOs will only ensure the safety of members' funds if we comply with the set prudential standards. The prudential standards set in the law on capital adequacy, liquidity, investments, external borrowing among others, are meant to ensure a

prudent management of the SACCOs and thus protect the members' funds.

- 14.** For instance, do not insist on paying dividends or paying interest at higher rates, whereas the SACCO did not make any surplus or made very little surplus. If you do, then sooner than later, the SACCO will fail to meet its obligations to members.
- 15.** Another area to keep watch on is investing members' funds on land or buildings or other non-earning assets. If you do this, ensure that such investments are fully funded with the SACCOs' institutional capital,

otherwise if you use members' funds, what will you do when the members come back for their money – which you have tied in non-liquid assets. Please avoid these pitfalls as much as possible, which has brought down many former giant SACCOs, and I do not need to name them because we all know them. Do not allow your SACCO to join this list of disgraced SACCOs simply because of such investments. Just comply with the set down prudential standards.

Ladies & Gentlemen,

16. Let me also talk about an issue which has gained prominence in the SACCO subsector over the past few

years. This is the manner in which SACCOs address and/or deal with complaints from their members.

- 17.** I do want to urge all SACCOs, to strive to eradicate the culture of unnecessary and incessant complaints by members against services offered by SACCOs. Today, there are just too many individual complaints being lodged in all manner of governmental offices against SACCOs, the most common being failure to refund savings to members or denial of loans or credit services or denial of such basic things like members' personal statements. I simply do not understand why a SACCO

would refuse to give a member a personal statement, whereas it is the members' right. All these complaints, and Kenyans are very good at lodging such complaints and copying every other government office only serves to tarnish the image of the SACCO industry and push away those intending to save with us.

- 18.** I do want to urge that SACCOs must adapt and change with times. We must start treating our “members” as “kings” – the way the private sector does, because they are our customers and goodwill ambassadors.

19. From this meeting, let us all commit to respond to members' complaints promptly and efficiently whenever they arise. The outcomes of every complaint handled should be documented, and a written response sent to the complainant one way or the other. We have all adopted the use of electronic media like email and mobile phone and therefore such responses will not cost much. Lastly, where there is no consensus between the complainant and the SACCO refer the matter to either SASRA or the Commissioner for Cooperative Development for advice.

20. In this regard, I expect that there will be robust discussions on the Draft Complaints Management Guidelines by SASRA during tomorrow's session. Once the Guideline is validated, it should be rolled out as soon as possible, followed with strict implementation to reduce this menace of "*complaints*" which only serve to discourage people from joining SACCOs. I also expect that SASRA will put in place mechanisms to cascade the Guideline to individual members of SACCOs using various platforms available at its disposal.

Ladies and Gentlemen

21. Let me conclude by adding my voice to the risks emanating from the use of ICT in undertaking financial businesses, especially SACCOs. We all acknowledge that the use of ICT and digitization of SACCOs business operations. is the way to go. But that notwithstanding, the SACCO industry at an individual level and collectively must be on guard and conscious of the cyber-threats and risks associated with the use of technology in service delivery. It is important to note that when the public perceives SACCOs as vulnerable

to cyber-attacks and violations, then very few of them will be willing to save in our SACCOs.

- 22.** Am informed that largely the cyber-attacks on the SACCOs' systems have been through third-party vendors or integrators. Let me tell you that as an industry we can hold these third-party vendors to account simply by agreeing not to do business with any one of them whose systems are prone to cyber-attacks. That is the power of collective responsibility, which as SACCOs we can exploit fully. If one SACCO is attacked through a third-party vendor, it should be like all SACCOs have been attacked. Let us not rejoice in the

pain of one of us but join in addressing the pain. That is the innate power of cooperatives.

- 23.** I do know that SASRA is taking some actions towards this problem, but at the same time, SACCOs themselves have a greater responsibility in kicking out the menace once and for all. In this regard, SACCOs must strive to improve on their ICT governance, just like that of the third-party vendors to whom we have outsourced certain delivery channels like mobile money, ATMs, and even most lately PesaLink money transfer connectivity.

24. We must also strengthen the criteria for vetting of the staff employed in our SACCOs, particular within the ICT, Finance and Credit departments. Many of the cyber-attacks and breaches leading to loss of funds are usually perpetrated with the help of insiders namely current employees. The Chief Executive Officer of SACCOs must therefore take their oversight role over staff seriously, including ensuring that internal control measures are put in place. There should be constant checks with SASRA on suitability of people proposed to be employed by SACCOs as new staff or even when the existing staff are promoted or designated to serve

in new positions under the Fit and Proper Test framework in the law.

Ladies and Gentlemen

25.And with those many remarks, let me wish you very candid and fruitful deliberations over the next two days. The State Department will be anxiously waiting for the resolutions arising from this Roundtable meeting.

THANK YOU VERY MUCH!

