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Police DT SACCO**
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and launch of Kenya Police Sacco Stadium

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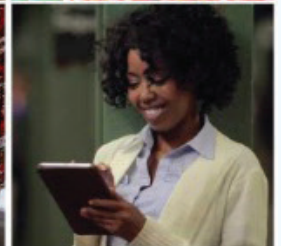
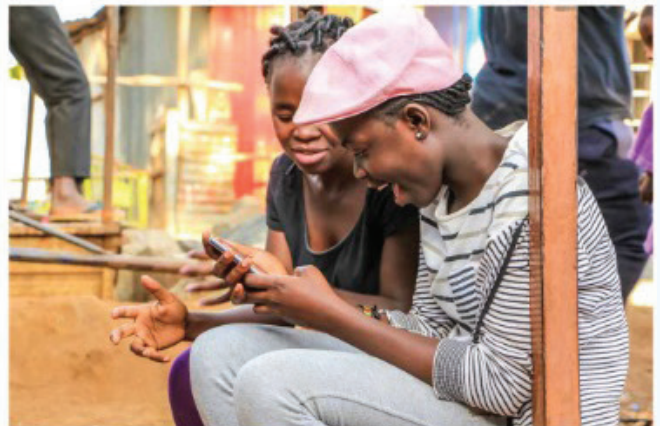
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CO-OPERATIVE
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The National Apex for Kenya's Co-operative Movement

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MR.DANIEL MARUBE
CAK CEO

Letter From CEO

The Cooperative has also been identified as key to market aggregation and value addition, which dovetails well with the objectives of the Cooperatives that has been promoting value addition and marketing in many agriculture products.

In Kenya, the Cooperative movement has grown by leaps and bounds since first Dairy Cooperative was started in Rift Valley. So far, the sector holds an estimated 30 per cent of the total national savings. It has employed about 500000, making it a single major driver of development. The World Council of Credit Unions has ranked it seventh globally and number one in Africa.

The Shared Services Platforms, give hope that the Cooperative will play a greater role in financial and services intermediation in the country and will unlock the great potential that lies in the Cooperative movement.

Letter from Chief Executive

The launch of Shared Services Platform in March was a momentous undertaking that is meant to upscale digitization of the Cooperative financial services. The Shared Platform that has end-to-end lending, loan and collateral management, document management and Enterprise Resource Management (ERM) has elevated the services in the sector to those of conventional banks.

Among the benefits of the digital payment ecosystem to the users will be mobile payments, utility fees and billing, government payments, cheque book issuance and processing and card issuance and processing (Visa Mastercard). Through an embedded shared fund management platform that supports inter-Sacco lending and cross-Sacco funds transfer, the Saccos have breached the digital gap that existed in the sector, particularly for those

entities whose financial base cannot support heavy investment in versatile systems.

Even more encouraging is that the Shared Platform enables the Sector to hook up to the National Payment Systems in a seamless manner, which will make it easy to disburse Hustler Fund.

It's encouraging that the Government has identified the Cooperative sector as the key driver of its transformative agenda. In its new role, the sector will be among those that will disburse Hustler Fund to boost Small and Medium Enterprises.

In the rapidly changing technology and globalization world, the role of the Cooperative cannot be overlooked as it offers an alternative to capitalist model, anchored more on profit motive. The Cooperative cannot therefore remain at the periphery as it enhances financial inclusion and equity.

In Kenya, the Cooperative movement has grown by leaps and bounds since first Dairy Cooperative was started in Rift Valley. So far, the sector holds an estimated 30 per cent of the total national savings. It has employed about 500000, making it a single major driver of development. The World Council of Credit Unions has ranked it seventh globally and number one in Africa.



Letter From MANAGING EDITOR

MR. MWANIKI WAHOME
Managing Editor

Letter from Managing Editor

The Cooperatives are set to play a greater role in the development agenda of the government, and in this issue the Cabinet Secretary Co-operatives and Micro, Small and Medium Enterprises Development Mr. Simon Chelugui sheds light on what the government intends to achieve through the various programmes that will be channeled through the ministry.

Among the new roles is disbursing the Hustlers Fund, value addition and marketing of agriculture products, that promises to place the ministry at the centre of the government stated transformative agenda meant to empower those at the bottom of the pyramid.

It's encouraging that this policy shift coincides with the signing of the new Cooperative Policy that is meant to unlock the potential, and place the sector in a competitive advantage against others, particularly the private enterprises. At pace is the technological transformation in the sector that saw the launch of Shared Services Platform that will enable the sector to come at par with other financial service providers.

It encouraging that the Savings and Credit subsector has offered its members the financial support, even declaring huge dividends over the

years. The sector has demonstrated its values and principles of solidarity, democracy, good governance and responsibility.

However, the agriculture Cooperatives would do well to learn from others in other parts of the world like India, celebrated in this Magazine, which last year had two of its Cooperatives, one in Fertilizer Manufacturing and the other in Milk Production, Processing and Marketing, to scale greater heights.

Still, the Cooperative movement is not short of options as the Kenya Diaspora Saccos have showed for the over a decades existence, with more Kenyans abroad embracing the Cooperatives for personal development at home. It is expected that with the Cooperative Policy finally concluded, stakeholders' participation will change the architecture, management, interactions and outlook of the Cooperatives and place them on a faster growth trajectory.

The reforms are expected to enable the sector to better cope with the demands of the fast changing economic and technological environment and participate more in housing, health, food security, and industry.

With the right policy framework, government support and technology

the sector will be in pole position to play greater role in the development of the country, improve on financial inclusion and equity.

The Cooperative movement is not short of options as the Kenya Diaspora Saccos have showed for the over a decades existence, with more Kenyans abroad embracing the Cooperatives for personal development at home.



50TH ANNIVERSARY CELEBRATIONS & LAUNCH OF KENYA POLICE SACCO STADIUM

What a refreshing story that is Kenya National Police DT Sacco



BY HON. SIMON CHELUGUI, EGH, CABINET SECRETARY FOR CO-OPERATIVES AND MICRO, SMALL AND MEDIUM ENTERPRISES

It gives me great pleasure to join the Kenya National Police DT SACCO family in celebrating 50 years of member empowerment. Kenya National Police DT SACCO has made great strides since its registration in 1972. Today, the SACCO boasts of more than 71,000 members, with an impressive Ksh48 billion worth of assets and a loan book of Ksh41 billion. With a membership that is spread all over the country, these statistics put the SACCO in the league of Co-operative giants in this country and the region at large. The celebration of your 50th anniversary today provides an opportunity to reflect and take stock of past performance, as well as to cast a look at what the future holds in order to develop strategies to move the SACCO forward.

I express my gratitude to the National Chairman and the entire Board, for great stewardship of this Society. The positive results by the Society and the various awards won during Ushirika Day celebrations demonstrate an organisation that is solid, and further serves to enhance member confidence. I encourage the SACCO to continue in this direction and sustain the momentum. The Co-operative movement in Kenya is over 110 years old. The first Co-operative Society in Kenya, Lumbwa, was formed in the Great Rift Valley at the current day Kipkelion, in 1908 by white settlers, to market their dairy products. At that time, there was no specific Co-operative legislation, and Lumbwa Co-operative Society was registered under the Business Practices Ordinance as legislated in Great Britain, adopted in India and practised in Kenya. The society was also to address the farming needs, livestock requirements and marketing channels for the products from the area under its operation. I am happy to note that the Co-

operative business model has now been embraced by a majority of Kenyans and Co-operatives have become the preferred vehicles for resource mobilisation, income generation, and employment creation, at the very grassroots of the economy.

SACCO industry

The SACCO industry has recorded impressive growth in the last year, with total deposits growing by 9.8 percent in 2021 to reach Ksh564.89 billion, from the sum of Ksh514.46 billion recorded in 2020. On the credit front, the sub-sector's gross loans increased by 9.67 percent in 2021 to reach Ksh608.75 billion, from the Ksh555.05 billion reported in 2020. Notably, high retention of surplus led to increased industry capitalisation during the year 2021, giving SACCOs the much-needed funding to invest back in the business. Total membership stood at 5.99 million by the end of 2021. The non-remittances by institutions to SACCOs remains a challenge at Ksh3.4 billion, a 32 percent drop from the Ksh5 billion reported in 2020.

Impacting the community

The impact that Kenya National Police DT Sacco has made in the community has not gone unnoticed. I wish to commend you on your flagship CSI project in particular, of supporting bright and needy students of deceased members through secondary education to the

first year of university studies. Over and above this, you have also been able to support Utumishi Girls Academy with a classroom block and a modern computer laboratory, as well as donating laptops to Utumishi Boys Academy. These are indeed very noble gestures aimed at transforming communities by investing in education.

Through the Construction of a clinic at the GSU Ruiru Camp, the Society has also played a crucial role in promoting access to healthcare by police officers and the wider community as a whole.

Police SACCO Stadium

Today, we launch the Police SACCO Stadium as another CSI initiative to support your core membership in sports. The National Police Service has top-notch talents in sports and has made Kenya proud in international competitions. This is therefore a worthy investment. I thank the National Chairman, the Board of Directors and the Management of the Society for a job well done. It is highly commendable how you have put concern for the community at the core of your business operations. As I conclude, I urge the Kenya National Police DT SACCO Board of Directors, Management and the membership to keep up the good work that we have witnessed here today, for continued prosperity into the future. Let me also take this opportunity to wish you all a successful year ahead.

We've gathered enough arsenal with which to face the future with confidence



BY DAVID S. MATEGWA, OGW, DSA, ICDU, NATIONAL CHAIRMAN, KENYA NATIONAL POLICE DT SACCO

It is with immense pleasure that on behalf of the Kenya National Police DT SACCO Board of Directors, Management and Staff, I welcome you to join us in this celebration of our 50th anniversary and the launch of the Police SACCO stadium. The story of Kenya National Police DT SACCO cannot be complete without mentioning the 690 members who, in 1972, embraced the Sacco idea to improve their social and economic fortunes. Since then, the Society has grown to be an industry leader supporting many other SACCOs across the country through benchmarking. The SACCO has also witnessed immense growth, with membership rising to over 71,000. This growth has enabled the Society to increase its asset base to Ksh48.7 billion, the loan book to Ksh41 billion, and member deposits to Ksh29 billion. The SACCO has a Board of nine Directors, three Supervisory Committee Members, and 135 members of Management and Staff. The growth of this Society can be

attributed to carefully formulated strategies and policies that have been diligently implemented over the years. Currently, our strategy gravitates around three key pillars: Good governance; membership and service excellence; and institutional capacity development. While the core membership of the Society comprises Police Officers, the Society opened up its common bond to enhance financial inclusion. Moreover, today, The Society runs eight strategically located branches, in a move that was engineered way back to take services closer to members. Also, there is a digital branch dubbed "M-tawi", which enables members to access financial services at their convenience. This digital branch accounts for 35 percent of our current business, which is a ringing endorsement of our strategy to go heavy on adoption of modern technologies. The Society implements a quality management system based on the ISO 9001:2015 model. This has enabled us to align our focus on the member, with quality at the centre of the product offerings. Following a global credit rating audit conducted last year, the GCR upgraded the Society's national scale long-term issuer rating to A-(KE) from BBB+(KE), with a stable outlook, and affirmed the short-term

issuer rating of A2(KE). The impressive performance over the years is attributable to a strong governance culture, a deliberate and direct focus on member services excellence, and a desire to continually enhance institutional capacity. The Society has a committed Board of Directors that sets the tone at the top, creating a good rapport with industry stakeholders, and provides a conducive internal working environment that enhances performance. The day-to-day operations of the Society are overseen by a professional and dedicated team of management and staff. The Society endeavours to enhance the capacity of the Board, Delegates, and Staff through continuous education, training, and personal development, as well as benchmarking locally, regionally and internationally to expose them to international best practices. This creates sufficient capacity for the SACCO to mobilise savings and provide innovative financial solutions to members, while prudently managing resources to empower them for quality life. In line with the co-operative philosophy of concern for the community, Kenya National Police DT SACCO has been able to take part in various CSR initiatives with the flagship being the sponsorship of bright and needy children of de-

ceased members through secondary education to university. Currently, the programme has 117 students in various secondary schools and universities. As a Society, we look back to our rich history with much pride. It has been a long journey, at times with challenges, but our resilience has seen us through. What we have gathered, though, is a strong arsenal to enable us face the future with courage and determination. As we look into the future, we are still motivated by the desire to empower our members for improved quality of life. We look forward to rolling out more products on the digital platform, engaging in more partnerships and collaborations, and maximising value for our members. I thank our founder members and the leaders who have been at the helm of this great Society at different times. My gratitude also goes to the Board, Delegates, Members and Staff of the Society. Special mention goes to the Government, the National Police Service, the regulatory agencies, together with the apex bodies at the national, regional and international level, for their committed support to the society. It is our hope that the same spirit of support is extended to us to the future. Thank you and God bless you!

"The growth of this Society can be attributed to carefully formulated strategies and policies that have been diligently implemented over the years"



KENYA NATIONAL POLICE DT SACCO

Celebrating



His Excellency President William Ruto planting tree during Kenya National Police DT Sacco 50 Years Anniversary



Kenya National Police DT Sacco Trophies



Kenya National Police DT Sacco 50 Years Anniversary



Kenya National Police DT Sacco receives the Kenyan flag



Kenya National Police DT Sacco 50 Years Anniversary
His Excellency President William Ruto and Nairobi Governor Sakaja



His Excellency President William commissions Kenya National Police DT Sacco



BANDARI SACCO SOCIETY LIMITED 48th ANNUAL DELEGATES MEETING: WILD WATERS AMUSEMENT PARK PARK

BOARD OF DIRECTORS REPORT

The Chief Guest- Commissioner of Co-operatives

The Director, County Co-operatives-Mombasa,

Honorable Delegates,

Board Members

Sacco staff

Distinguished Guests,

Ladies and Gentlemen

Allow me to welcome our chief guest the Commissioner of Co-operatives, who is gracing this occasion.

Good Morning,

It gives me special pleasure to join you in this assembly to reflect on how we can strengthen and consolidate Bandari Sacco's position as the gateway to financial success.

Key Milestones

1. Sacco Strategic Plan 2023-2027

Honorable delegates, the significance of a strategic plan cannot be overemphasized as this is the road map through which goals are attained. Following the lapse of the 2018-2022 Strategic Plan, we developed the 2023-2027 Strategic Plan to guide the Sacco operations for the next five years. The Strategic Plan was developed through a participatory approach

that involved discussions with the Board, Supervisory Committee and Sacco management. This ensured that views of key stakeholders were incorporated.

The development of the Strategic Plan culminated in the refinement of the Sacco Vision and Mission statement

Our new Vision is: "A Socially and Economically Empowered Membership" and

Our new Mission is: "Championing Social and Economic transformation of our members through innovative Products and Services."

We therefore request our honorable delegates to formally adopt these proposals.

2. Enhanced Brand visibility.

Honorable Delegates, In December 2022, we were humbled to be rated as "the Most Preferred Micro Finance institution" by the Mombasa Business awards for the second consecutive year.

3. The Mombasa Business awards is one of Kenya's most prestigious awards that recognizes the contribution of innovative businesses with inspiring vision, leadership, and achievement.

This coveted award is a true manifestation of our vision towards "A Socially and Economically Empowered Membership."

Social media has taken the world by storm and is now the new normal in connecting and strengthening relationships with members. Going forward, it is the Board's intention to

enhance the Sacco brand visibility through enriching the social media channels.

4. Nairobi CBD branch

Honorable Delegates, in line with concerns raised in the 47th ADM in relation to Inaccessibility of ICDN Branch, the Board conducted a feasibility study that re-affirmed the viability of establishing a new branch outside the KPA Inland container Depot. Currently, a bigger proportion of the membership of Nairobi ICD branch is from outside the common bond but are disenfranchised from accessing the port at will. Establishing a new branch in Nairobi Central Business District will therefore go along way in bringing services closer to our members as well as capturing new business opportunities.

5. Sacco Performance

Honorable Delegates, despite external shocks that continued to negatively impact on our economy

such as the aftermath of the COVID-19 pandemic, erratic weather patterns, and rising cost of living occasioned by the Ukraine-Russian global conflict, it is encouraging to note that the Sacco was able to withstand such shocks to record relatively impressive growth rates in the key performance parameters. During the year 2022, the Sacco's total assets grew by 9%, the gross loans grew by 7.4%, and the total deposits grew by 7.9%, while Sacco incomes grew by 12.9% thereby underscoring the resilience of our business model in the wake of external shocks.

The performance indicators of growth in the financial year under review are as summarized below:-

Parameters (Kshs)	% growth	Year 2022	Year 2021
Share capital	+16.3%	419,103,243	360,253,028
Non-withdrawable deposits	+7.9%	7,537,214,477	6,987,339,615
Total Income	+12.9%	1,571,587,686	1,391,530,535
Loans to members	+7.4%	7,740,765,048	7,208,954,445
Total assets	+9.0%	12,007,780,440	11,015,769,823
Membership	+20%	22,345	18,584

6. Dividend on Share Capital and Interest on Deposits

Honorable Delegates, due to the macro economic challenges meted by the global pandemic, the Board proposes to pay dividend on share capital at 18% and interest on members' deposits at the rate of 11.5 % (FOSA /BOSA deposits) for the year ended 31st December 2022.

CONCLUSION

As I conclude, allow me to thank you once again for your tireless efforts and unwavering support. I am certain that if we maintain this trajectory of teamwork and unity of purpose, our Sacco will reach unprecedented heights of prosperity.

We look forward to the future with hope, marching towards the horizon with confidence while adhering to best practices in corporate governance.

Thank you for the honor of addressing you today. May God bless you all.

Kenneth Sungu

CHAIRMAN

BOARD OF DIRECTORS



KENYA HIGHLANDS SACCO AS A WHOLE

KENYA HIGHLANDS SACCO AS A WHOLE

OUR VISION

To Champion the Social and Economic Development of Our Members.

OUR MISSION

To offer competitive member-focused financial services that empower our members economically and connect with

CORE VALUES

Relationships, Professionalism, Integrity, Creativity, Teamwork, Effective Leadership and Governance

Kenya highlands SACCO society limited was registered on 8th august 1991 under the ministry of co-operative development and marketing. It was established with the objective of promoting the quality of life of its members by providing quality products and services.

The society is a deposit-taking SACCO undertaking FOSA and BOSA activities. Kenya Highlands Membership is available to all clients from all walks of life, including, tea farmers, dairy farmers, sugar

cane farmers, coffee farmers, civil workers, members of the business community, micro-organizations, and public and private companies. The percentage market share of the society has increased significantly with the introduction of more customer-responsive products and services such as asset financing and check-off loans. Growing branch networks and alternative service delivery channels such as mobile banking, agency banking and ATMs have enabled access to services by members conveniently and cost-effectively.

Kenya highlands Sacco has 5 fully-fledged branches and 2 satellite offices.

- ◆ Kapsoit (head office) Temiik building kapsoit market
- ◆ Kabianga branch at Kabianga market
- ◆ Kericho branch At Kericho town opposite(KCB bank)
- ◆ Litein branch at litron centre along kericho litein road
- ◆ Bomet branch at Silibwet market
- ◆ Kaptumo (satellite) at kaptumo market (Nandi county)
- ◆ Kiptagich(satellite) at kiptagich market (Nakuru county)

By focusing on potential members in the FOUR counties that is Kericho

County, Bomet County, Nakuru, and Nandi County, the Sacco has successfully achieved diversification and financial inclusion. This is in line with the Government policy, which encourages financial inclusion, outreach, and access for the vast majority of the populace to engage in the formal market economy. The entire SACCO board and management did an incredible job of ensuring that the branches established are a success.

The society currently has an asset base of 3.946 billion, a loan portfolio of 2.9 billion, and a membership of 118,000. Sacco members received increased returns for the financial year 2022 at the rate of 13.5% on deposits and 14% on dividends on shares.

The Kenya Highlands Sacco being a reliable and stable financial institution of choice, encourages all people who have not yet joined them to do so, so that we may all fulfill their mission and aim of achieving financial independence.

'Kenya highlands sacco PAMOJA TWANAWIRI'



STATE TO SHOWCASE COOPERATIVES AT NATIONAL FETE

By The Cooperative Magazine correspondent

This year's Madaraka Day celebrations to be held in Embu County on June, 1st, 2023 will have the theme of Cooperative's and Small and Medium Enterprises as driver of economic transformation that fosters inclusivity and sustainable environmental conservations.

The Cooperatives, small and medium enterprises Cabinet Secretary, Simon Chelugui said a Ministerial Committee had been formed to oversee the preparations of the National celebrations.

"We have formed a Ministerial Committee that will work with other stakeholders before, during and after the celebrations. Several media houses have accepted to broadcast from there during that period" he said. The national fete during last year's Jamhuri Day celebrations had the theme of Information Communication Technology "connect, innovate,

inspire with technology and digital economy" had attendees offered free scholarships in a bid to make Kenya the top talent of the world and the region.

This year the State adopted the theme of Cooperatives and Small and Medium Enterprises to celebrate the roles they have played in the transformation of the economy over the years. Kenya's Cooperative movement is first in Africa and seventh in the world, according to World Council of Credit Unions. The sector holds assets worth Ksh 1.5 trillion and forms 30 per cent of national savings through its 14 million membership cutting across the various sectors. It is also major employer with an estimated 500,000 employed directly and another 1 million indirectly.

The day will be preceded by five days of exhibitions and talk shows during which the entities will showcase their activities. The exhibitions that are expected to attract various

Cooperatives and Small and Medium Enterprises spread across the spectrum of the economy will be in Kangaru Boys School, Kangaru Girls' School and University of Embu, and will be open to the public.

The government last year decided to adopt themes for the national holidays like Madaraka Day, Mashujaa Day and Jamhuri day as a way of highlighting the milestones in various sectors over the years. The previous government introduced rotational hosting of national fetes by Counties, and the present government added theming into the arrangement.

"In an effort to compliment the rotation of the host County for national days, all national celebrations will exhibit a sectorial theme," the Cabinet resolved.

It envisaged that the theming of public holidays will bring greater focus on the various sectors, giving them the much needed publicity while celebrating the strides made over the years.



CS Simon Chelugui
Ministry of Co-operatives and Micro, Small and Medium Enterprises Development

Kenya Kwanza Government created the ministry of Co-operatives and Micro, Small and Medium Enterprises Development and appointed Simon Chelugui as the first Cabinet Secretary on October 26, 2022. The ministry was given the responsibility of disbursing the Sh50 billion Hustler Fund to the Small and Medium Enterprises (SMEs. Recently our Senior Writer NICHOLAS WAITATHU had an interview with Chelugui in his office over this, and other wide range of issues. Below are experts.

1. What do you consider to be challenges that require immediate attention in the Cooperatives movement?

CS. Poor governance, leadership wrangles, slow technology adoption, resources protection, low youth participation and lack of capacity to regulate Saccos.

2. You took over Co-operatives at a crucial time when a new role of shepherding Hustler fund was added. How prepared is the ministry?

CS. The cooperative movement has very elaborate governance structures thus making it one of the highly regarded in the world. President William Ruto launched the Ksh 50 Billion Hustler Fund on December 1, 2022 and domiciled it in the Cooperative and Micro and Small Enterprise ministry. This is a revolving fund. The Government is committed to expanding it, based on

THE BIG INTERVIEW

performance to respond to the gaps in local lending business. Early this year, the ministry constituted a board and secretariat to help in managing the fund. This is over and above the wealth of experience from field cooperative officers. More than five months since it was started, the fund has attracted more than 20 million Kenyans who have demonstrated their appetite by borrowing more than Sh25 billion. This has been possible through embracing technology, and engaging the telecommunications and financial institutions, making it easy for Kenyans to borrow and repay quickly.

3. You recently said the hustler fund would be scaled up from Ksh 50 Billion. What are your projections of fund uptake?

CS. Yes, the fund will be up scaled, although the amount is not yet agreed on. The initial budget is Ksh50 billion and we are on course to disbursing it. Currently, the Government is keenly monitoring the performance and the repayment pace. Furthermore, the Government is considering the introduction of new products like health insurance, education and e-commerce. But largely, the increase of the Fund will be dictated by the demand and repayment pace.

4. What is the link between Cooperatives and SMEs?

CS. The two business value chains are interlinked and have a lot in common especially in business models. Cooperatives are generally small businesses and thus can be referred to as SMEs. Therefore the core mandate of the ministry is to promote cooperatives and ensure they adhere to good governance. The ministry is focused on promoting aggregation of the cooperatives and boost efforts to support the growth of SMEs. As the ministry advocates for the launch of shared services platforms the same will be advanced in the SMEs circles to strengthen their operating systems. **The launch of the hustler fund will contribute to strengthening of the SMEs and mainstream then in the national business platforms.**

5. Studies confirm that most Small and Medium Enterprises (SMEs)

fail in the first year. What measures has Cooperatives put in place to ensure sustainability of these businesses?

CS. Most of the SMEs are family and friendship based entities. The average life of the majority of them is one year or less. This is largely due to poor governance and lack of sound preparation of the businesses by the founders. The small businesses suffer from lack of mentorship, low attention by investors and lack of confidence by service providers, among others. The SMEs embryonic phase is in most cases is one of panic, lack of governance structures, competition among the founders and low understanding of roles. All these challenges among others have contributed to the collapse of most SMEs in the first year of their operation. We intend to encourage better governance through the cooperative officers.

6. The government has indicated its intention to go big in value addition of agriculture products. What role will the ministry play in this?

CS. Government intention in the next five years is to revert to import substitution. Kenya kwanza administration is working on strategies geared towards ensuring the country benefits from locally produced commodities.

To this end, the government has identified key challenges businesses are grappling with in the value addition chain. The missing link in the whole business value chain is low aggregation and consolidation. In key food growing areas, focus will be to aggregate farming groups and enable them to enjoy economies of scale, and in the long run to add value to their produce. This way, there will be less wastage of food which will ensure constant supply in the local market, and leave some for export. We are working with Kenya Association of Manufacturers (KAM), Kenya Private Sector Alliance (KEPSA) and MSEA among other secondary players. For example, in the potato industry, the Government is working with other stakeholders to set up cooling storage facilities in potato.

In the milk industry, the Government is working with other players is distributing 650 milk coolers as well as strengthening current processing milk establishments. Building of markets fitted with modern cooling systems to guarantee longevity of fresh produce.

Further efforts will be intensified to support coffee farmers' cooperative societies to adopt simple technologies so that they can process and package coffee at the factory level. These among other strategies will help in value addition and therefore assure high income to farmers.

7. At the tail end of the last Government, the new National Co-operative Policy was nearing its end to become law. Where are we now? And when is it expected to kick in?

CS. The policy is already signed and will be escalated to the next levels of legislation to allow its full implementation. The policy will be realigned to conform to the aspirations of the Kenya kwanza Government as stipulated in its manifesto. The policy seeks to improve service delivery in the movement, increase membership and eradication of corruption. The policy also has underscored interconnection and governance issues. The policy has equally emphasized discharging of roles between the National Government, Counties and Council of Governors. The policy appreciates that the sector cannot succeed without sound financial support from various quarters.

8. What do you think will fundamentally change in how the Cooperatives are managed in Kenya when the new policy takes effect?

CS. We expect issues of governance will improve. The dismal performance of some cooperatives follows grand corruption by leaders and in most cases they escape scot free. Members in some known incidents have lost their hard earned money and the implicated directors and managers were not prosecuted. In the new dispensation, no leader heading a cooperative movement will go scot free for misappropriated resources. My ministry in conjunction with other agencies will tighten the

current governance structures to ensure the movement is free of corruption. We expect under the actualization of the strategy the sector will benefit from increased financial inflows especially to fund experts and other designed programmes.

9. The Conference of Parties (COP) meeting ended recently in Egypt and there are commitments that were made in mitigation of climate change. What role will Cooperatives play in this?

CS. Climate change is affecting every other sector and has contributed to numerous challenges such as low food production, emergence of pests and diseases, among others. Cooperatives are not exceptional and hence are struggling in mitigating the shocks. The role of cooperative societies in mitigating the effects of global warming are highly appreciated, particularly in prudent wastage management practices and conservation. Furthermore, the cooperatives will be required to use production methods that aren't disruptive to the environment. The movement has more than 14 million members that can participate in tree planting activities in the country and conserve environment they operate in.

10. Savings and Credit Societies hold 30 per cent of national savings but several have been facing difficulties in meeting financial ratios required by the regulator. What plans are there for such Saccos?

CS. Kenya Saccos are globally credited with effective deposit taking business and thus enduring cut throat competition in the money market. Currently, the Saccos control more than 30 per cent of the national savings. Sacco Societies Regulatory Authority (SASRA) has played a key role in supervision to ensure they adhere to financial ratios to protect members' interests. Currently, SASRA is regulating a total of 359-Saccos consisting of 176 deposit taking Sacco's and 183 non-withdrawable deposit taking Sacco's. By February 2023, the 359 Sacco's had total assets amounting to Sh894 billion mobilized and Sh625 billion savings portfolio and a loan book of

Sh693 Billion.

Going forward, the capacity of Sasra will be enhanced to enable it to handle all the Saccos in the country. Recently I signed additional regulations increasing the fees charged to Saccos for supervision. All Saccos irrespective of their business nature will be checked.

11. You have so far launched two shared services platforms in the cooperative movement. What does this mean in terms of deepening financial integration and mainstreaming the cooperative financial institution into the national payment system?

CS. The launch of the share services platform was long overdue in the Deposit Taking Savings and Credit Cooperative organisations (SACCOs). Saccos have for long relied on the big boys in the money market in terms of executing payments to their customers. This model of businesses has denied the credit unions numerous opportunities especially from benefiting in the technological advancing global market. Shared services platforms seek to quench the thirst the institutions have grappled with for years in terms of offering full financial transactions to their customers.

12. What are the major and immediate benefits of the share services platform?

CS. The shared services platforms will enable Saccos to enduring the cut throat competition in the financial market in the country. It will expose the credit unions to new opportunities, for example, receiving remittances from Kenyans in Diaspora, electronic funds transfer (EFT) and Real Time Gross Settlement (RTGS). Furthermore, Saccos will benefit from issuing branded cheques, Automated Teller Machine (ATM), mobile banking and other latest forms of payments. This will enhance efficiency and reduce cost in service delivery. It will also benefit Saccos through direct participation in the National Payment System.

BONUS

WEAK SHILLING BOOSTS TEA FARMERS' EARNINGS

By The Cooperative correspondent

Tea farmers' received major boost from a weak shilling earning Ksh5.5 billion for the first six months of the 2022/ 2023 crop year ending December 31st and first two months of this year.

Kenya Tea Development Agency said the earnings rose to Sh88 billion in the period, compared to Sh83 billion a year earlier, at a time when the average exchange rate for the dollar was Sh116 in compared to Sh108.75 the same period in 2021/ 2022.

Tea Directorate figures indicate that farmers earned Sh5 billion more from tea sales between January and August last year, mainly due to higher unit costs and a weak shilling. The average tea prices at the auction stood at Ksh326 per kilogram of made tea compared to Ksh306 in the same period in 2020/2021. KTDA has two step payment model where farmers are paid monthly and an interim (mini bonus) and a final (bonus) payment based on factories' performance.

Some 449 million kilograms of green leaf were delivered to the

factories by farmers over the six-month period. The unit price rose from \$1.95 to \$2.51, translating to 28 per cent increase. This helped to offset the loss that would have been realized in earnings after exported volumes of tea dropped by 86 million kilos in the eight months to 303 million kilos.

The early bonus payment to farmers was part of reforms being instituted by the KTDA Holdings Board that introduced reserve price of \$2.43 per kilo of made tea. The mini bonus since change -over of the board will see tea bonus payment spread through the year compared to the previous one-off payment.

"Of this amount, Ksh2.7 billion is the payment with respect to mini bonuses for the factories whose directors passed resolutions to pay mini bonuses to their farmers. The balance of Sh2.8 billion will go towards paying farmers for the December green leaf delivered to factories," KTDA directors said.

KTDA Chairman David Ichoho said factories in zones one to nine will receive the mini bonuses, while those in zones ten to twelve, traditionally

holding off to make a singular payment as part of the final bonus later in the year.

The bonus payment came against the backdrop of claims that KTDA took a loan of Ksh18.2 billion to pay farmers an early bonus last year as a bait ahead of the August General elections.

Agriculture Cabinet Secretary Mithika Linturi acknowledged that there had been borrowing to pay bonus in the past but added that current payment were proceeds from tea sales.

Among the changes by the new board include an increase in monthly payment to Ksh20 per kilo to growers in regions five, six and seven, and Ksh21 for regions one to four; reduction of interest rates charged by Greenland Fedha to 8 per cent per annum for affordable credit and reduction of loan burden for tea farmers. The Agency also lobbied for a fertilizer subsidy from the government.

COOPERATIVES TO DRIVE THE BOTTOM-UP GROWTH MODEL



By *The Cooperative Magazine* correspondent

The government has identified the Cooperative movement as a key driver of the bottom up growth model. The chief economic advisor to the President, Mr David Ndii says the Cooperatives will be provided with funds to enable them offer cheap credit to farmers to increase incomes and create jobs.

The objective is to mimic the giant Kenya Tea Development Agency (KTDA) that manages the tea factories across the country, through creating product value addition and market chains in the agriculture sector.

“KTDA is the largest manufacturer in Kenya controlling 20 per cent of black tea market in the world. It’s the most successful farmer collective in the world involving 650,000 small-holder farmers with between one acre and three acres and we plan to replicate this in all the sectors,” he says.

He says the objective is to institutionalize aggregation of the product value chains in agriculture like dairy, avocado, sugar, coffee, rice, fish, and livestock, among others, to increase farmers’ incomes and create mass jobs leading to expanded consumer and revenue

collection bases to spur economic growth.

“We have to deconcentrate the capital which today is in few hands for profit motive, and disperse it to where we will create more jobs and increase incomes. The current arrangement has been crowding out farmers and small and medium enterprises from the credit market, thrusting many into the hands of predatory lenders. We want to capitalize the Cooperatives and other farmer collectives to reach those at the bottom of the pyramid,” he says.

He says the Cooperative model reconciles the market economy and the social capital and is best suited to implement the bottom up economic model. He adds that to this end, the government had managed to remove 14 million borrowers from the blacklist of loan defaulters who would now be able to access credit for farming and small businesses.

“We have built a successful Cooperative movement and we intend to encourage more farmers’ organizations to form so that the government can offer them money for loan facility to farmers to increase production. For example, study shows that a dairy cow would require Ksh 4000 in a season to double milk production. The farmer will be given this as credit, and the

amount deducted when payment of the proceeds of the milk delivered is done,” he says.

The Cooperatives and Small and Medium Enterprise CS Mr Simon Chelugui says the government regards Cooperatives as essential vehicle through which it would achieve its transformational objectives of promoting financial inclusion and environmental sustainability hence helping in creating a more prosperous and equitable society.

He says the national governments’ bottom up economic model is best exemplified by the cooperative business model that taps its strength from members adding that Cooperatives are best placed to effectively mobilize those at the bottom of pyramid.

Cooperatives Alliance of Kenya (CAK) Chief Executive Office, Mr Daniel Marube says Cooperatives play a key role in socio economic development in Kenya as they are found in all spheres of economy including agriculture, finance, hospitality, housing investments, transport, insurance and even Diaspora. Kenya has over 28,000 cooperatives with membership of over 14 million and controls assets worth over Ksh 1.5 trillion.



COOPERATIVES KEY TO PLANTING 5 BILLION TREES

Cooperatives key to planting 5 billion trees envisaged by State

The move will enable the country to mitigate the negative effects of climate change and tap into the growing Green fund markets.

By The Cooperative Magazine correspondent

The Cooperatives hold the key to realizing government's ambitious plan of planting 5 billion trees in the next five years. The 28,000 registered Cooperatives across the country and spread in all sectors provides a long tested structure through which tree nurseries and actual planting of trees can be implemented.

In Kenya, the government protected forests cover only a small footprint, and this means most of the tree cover is found in private farms where a sizeable population of the small-holder farmers are members of agriculture oriented cooperatives, who can be used as vehicles of delivery on the plan.

President Ruto appealed to individuals to plant at least 100 trees whenever they celebrate birthday of

their children. Cooperative Alliance of Kenya (CAK) CEO Daniel Marube has also in the past challenged the cooperative movement to venture into commercial tree planting activities to improve their income base and preserve the fragile ecosystem.

Speaking during a tree planting exercise for cooperators to mark the cooperatives environment day at the Nairobi ASK show ground, Mr Marube argued that if the over 14 million members planted each ten trees, the country's forest cover would increase exponentially.

"We are encouraging each member of cooperative movement who has space in their farms to plant at least 10 trees and nurture them. This has been our natural activity within the cooperative calendar and every year in either June or October we encourage and bring all cooperators together to plant trees" he said.

Goodwill isn't enough to prompt action from the communities. Beyond the good intentions lies monumental challenges with the shrinking of land sizes, spawning competition between food production and other activities like tree planting. Many of the trees

have been cut down in recent years to give way to food production as population grows.

Admittedly, the government will have to surmount administrative, social, economic and even political challenges to achieve its objective of planting five billion trees in such a short time. This will require policy interventions that include provision of resources, public education and awareness, incentives to tree planting in individual small holder farms, among others.

As Kenya prepares to join the league of few African countries that have unveiled Green Bond, it is worthy for all-both public and the local investors- to know that such debt instruments come with stringent adherence to promotion of National Determined Contribution (Paris Agreement) of reducing the carbon emissions responsible for global warming. Tree cover footprint is just one of the measures.

The communities and investors who want to tap into the Green Fund will have to deploy knowledge to align their activities and business models to the Sustainable Development Goals that emphasizes, among other things environmental conservation and regeneration. These activities should cut across the spectrum of the manufacturing, service, agriculture, transport, energy, hospitality, among others.

Developing countries like Kenya, with heavy reliance on natural resources, hence more vulnerable to the adverse effects of climate change, have to demonstrate direct and indirect beneficiaries. In Kenya, most of the carbon emissions are from agriculture, transport and manufacturing, and forest cover is important aspect of mitigating on carbon emissions.

GLOBAL BODY CITES THIRD PARTY DIGITAL SERVICE PROVIDERS AS HIGH RISK



World Council of Credit Unions International Advocacy in its 2023 Global Regulatory Update says the likelihood of a cyber incident at a financial institution having spill-over effects across borders and sectors is high.

Cyber incidents and cybersecurity continue to be high on the list of priorities for regulators worldwide as a risk to financial institutions. Both the frequency of and sophistication of cyber-attacks are ever increasing, and the pressure of increasing and improving cybersecurity is growing.

At the same time, the cyber threat landscape is continually changing and expanding amid rapid digital transformation. Geopolitical tensions, combined with the concern over the use of third-party service providers, are at the forefront of regulatory concerns.

The growing interconnectedness of the financial system increases the likelihood of a cyber incident at a financial institution or an incident at one of its third-party service providers having spill-over effects across borders and sectors. To that end, the G20 in its recent

Leaders' Declaration, asked the Financial Stability Board (FSB) to deliver a report on achieving greater convergence in cyber incident reporting. 2022 also saw the adoption of the Digital Operational Resilience Act (DORA) in the EU, with a five pillar approach to cybersecurity by addressing areas of:

- ICT Risk Management
- ICT related incident reporting
- Digital operational resilience testing
- ICT third-party risk
- Information sharing.

DORA focused on strengthening the financial sector's resilience to ICT (Information and communication technology)-related incidents and introduced very specific and prescriptive requirements across the entire EU.

Critical ICT third parties, which provide ICT-related services to financial institutions, such as cloud platforms, data analytics and audit services, were brought into the scope of this new framework.

Notably, the act demonstrated a high level of involvement by EU regulators with a hands-on approach to reporting, communication and

assessments that need to take place on a frequent basis, with a single supervisory approach. Other jurisdictions are expected to model this approach to revisions.

Due to advocacy efforts by the World Council International Advocacy team and the European Network of Credit Unions (ENCU), the EU acknowledged the need for proportionality in DORA, allowing national-level regulators to tailor many aspects of the regulation for credit unions.

Without 2023 Global Regulatory Update such tailoring, many credit unions would be unable to continue their operations. It is also noteworthy the EU adopted DORA alongside the Markets in Crypto-assets regulation (MiCA), which is responsible for regulating virtual assets. The connection between virtual assets and cybersecurity is one that cannot be overlooked. Anticipate that cybersecurity will continue to be a top concern for many regulators, as the sophistication of attacks continues to rise, and costs associated with them continue to increase. Expect regulators in 2023 to also focus on the fact that human error and behavior are often the weak points in many cybersecurity preventative measures.

The Bottom Line:

Cybersecurity continues to be a priority for many regulators, representing a systemic risk for all financial institutions. International standard setters continue to work on standards and other information-sharing tactics to strengthen the financial sector. Foreseeably, there will be additional regulations that will alter how credit unions are addressing cybersecurity concerns. (2023 Global Regulatory Update)



SACCOS' RECOVER TO PAY HIGH DIVIDENDS TO MEMBERS

Savings and Credit Co-operative Societies (SACCOs) recovered from the Covid-19 economic slowdown to give substantial dividends and interest on members' to their members.

By Coop Writer

The Regulator, Sacco Societies Regulatory Authority had issued guidelines in 2020 that only deposit-taking Saccos that had declared a surplus and demonstrated capacity to pay the declared dividend in their approved audited accounts could pay. It discouraged external borrowings for purposes of paying dividends and interest on members' deposits.

SASRA said any decisions to pay dividends must be made with utmost diligence taking into account the potential negative impact of the Covid-19 pandemic on liquidity and earnings of the Sacco.

Most of the Saccos paid more than 10 per cent to their members for the financial year ended 31st December 2021 on improved surpluses, increased membership and the waiving of Covid-19 restrictions.

Nyati Sacco paid a dividend on share capital at the rate of 21 per cent and interest on members' deposits

at 11.3 per cent, making it the top payer. Others are Mombasa Port Sacco which came second is the second paying at the rate of 20 per cent. Same with Magadi Sacco and Tower Sacco.

Those that paid at 18 per cent included Solution Sacco, Mafanikio Sacco; TransNation Sacco, Bandari Sacco, Hazina and Biashara Sacco to make up 10 top best dividend-paying Saccos in 2021.

Further, Kenya Police Sacco paid a dividend at the rate of 17 per cent, Cosmopolitan Sacco at 15 per cent, Stima Sacco at 14 per cent and Invest & Grow (IG) Sacco at 12 per cent.

There is a category of Saccos that paid the highest Interest on members' deposits led by Magadi Sacco 14 per cent, Transnation Sacco 13.1 per cent, Solution Sacco 13 per cent, Biashara Sacco 13 per cent, Tower Sacco 13 per cent, New Forties 12.9 per cent, Kitui Teachers Sacco 12.57 per cent, Mombasa Port Sacco 12.5 per cent, Unison Sacco 12.5 per cent

and Muranga-based Mentor Sacco 12.1 per cent.

The high dividend pay outs in 2021 is an indicator that the slowdown has eased, and the sector is poised for better performance with improved surpluses, deposits and uptake of loans.

Some financial expert have been arguing against the appetite for high payment of dividends saying they reduce the funds that would be used to lend more to members but on the other side there are those who argue that dividends are a demonstration of shared prosperity.

Most of the Saccos paid more than 10 per cent to their members for the financial year ended 31st December 2021 on improved surpluses, increased membership and the waiving of Covid-19 restrictions.



INDIA SHINES IN GLOBAL RANKING AND LESSONS FOR COOPERATIVES IN KENYA

By The Cooperative Magazine correspondent

Cooperatives in Kenya have a lesson to learn from India after two of their cooperatives emerged among top 300 in the world. The World Cooperative Monitor 2022 shows that the two cooperatives topped in category of cooperatives based on turnover over Gross Domestic Product per capita. WCM produces a robust database every year on economic importance of cooperative business model and highlights global impact of cooperatives and mutual on members and communities. This is its 11th edition.

India Farmers Fertilizer Cooperatives had a turnover of \$ 2765078 and Gujarat Cooperative Milk Marketing Federation Ltd had turnover of \$2746721 beating Groupe Credit Agricole of France with turnover of \$2279060, Sistema Unimed of Brazil with \$2182186 and REWE Group of Germany with turnover of \$1684902.

IFFCO is a multi- state cooperative society and is wholly owned by cooperative societies in India. It is engaged in business of manufacturing and marketing fertilizers. As the Kenya prepares to set up fertilizer

manufacturing plant, it could learn from the Indian model of ownership, manufacturing and marketing. On the other hand, Gujarat Cooperative Milk Marketing Federation Ltd is a farmers cooperative marketing dairy products of milk cooperatives in state of Gujarat. Its Amul brand is the most recognizable and it says in its website that it intends to diversify into juices, sauces and jams leveraging on its name recognition and brand image. Perhaps Kenya could borrow from India as it gears to form farmer's collectives in various agriculture sectors to engage in value addition and creating jobs.

The top 300 cooperatives are from the most industrialised nations with USA dominating with 71, France 42, Germany 31 and Japan 22. India is the sixth largest economy in the world and has ambitions of becoming a developed state by 2047.

Out of top three cooperatives in terms of turnover, two are in financial and one in commercial enterprise. As was the case in 2021, the first two positions were taken by the French Groupe Crédit Agricole \$88.97 billion and the German co-op REWE Group \$77.93 billion. Cooperative Financial Network Germany – BVR came third with \$58.02 billion.

The Top 300 cooperatives and mutuals in the world command a total turnover of more than \$2 trillion. These organizations operate in various economic sectors, with Insurance (101 enterprises) and Agriculture (100 enterprises) leading the list. Wholesale and Retail Trade represent the third biggest economic sector (59 enterprises) in the ranking.

The World Cooperative Monitor 2022 shows that the two cooperatives topped in category of cooperatives based on turnover over Goss Domestic Product per capita.

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AFYA SACCO DEFIES HARSH ECONOMIC CONDITIONS TO POST GROWTH

By Nicholas Waitathu

Afya Sacco withered harsh economic conditions to maintain stable growth in the last three years. The 52 year old credit union recorded inspiring growth targets in nearly all the business segments in the 2022 financial year. Only loans and advances recorded a slight drop which the board of directors attributed to low uptake of credit by members and loan buy-off by their banks.

“However, this situation is reversing as the society has come up with new products which are meeting the member’s needs,” said Beatrice Mogire, the Sacco Chairman during the annual delegates’ conference.

To ensure a sustained growth pace, the Sacco is implementing a five year strategic plan (2023-2027) to meet the increasing needs of its members. Mogire said that the society’s assets grew to Sh20.91 billion, a slight drop, compared to Sh20.87 billion in the 2021 fiscal year. While deposits increased to Sh15.62 billion from Sh15.61 billion in the previous year, the loans and advances dropped to Sh6.09 billion against Sh6.32 billion

advanced in 2021.

She said the Sacco is one of the many that has suffered financial challenges due to continued non-remittances of employee dues by employers, especially the County governments and parastatals. Despite the challenge, Sacco managed to pay shareholders dividends at a rate of 7.5 per cent.

The ambitious five year strategic plan focuses on customer services, business growth, technology and operations efficiency, human resource, and investments. Key strategies include enterprise risk management and governance leadership to ensure sustainable growth is achieved by 2027 financial year. The introduction of Sharia, Mwaliko and Kubamba loan products will further expand existing loan portfolios.

Mogire said the Sacco leadership has resolved to focus on growing business over the next five years by increasing membership that experienced decrease by 1.6 per cent since 2018, standing at 28,000 members in September 2022. The focus will be to activate the dormant

accounts membership and work towards increasing member retention rate.

“The declining number of members, point towards decrease both in business, potential business and more so the liquidity of the Sacco. These will be achieved through an overhaul of the membership acquisition and customer service strategies,” she said.

She said the Sacco leadership will adopt a complete shift from the current member acquisition strategies in bid to increase membership to 60,000 from the current less than 28,000 members, and maintaining an active membership of 95 per cent every year from 2025. Loans disbursement will be increased by 15 per cent every year to 2027 and 95 per cent loan collection and reducing risk portfolio to below 5 per cent each year to 2027 while achieving 80 per cent customer satisfaction from 2025 and beyond.

Other strategies to be pursued to stimulate business in the next five years include growing the total deposits 17 per cent, growing the share capital by 10 per cent, and increasing Sacco revenues and

dividends by 15 per cent and 10 per cent respectively per year to 2027.

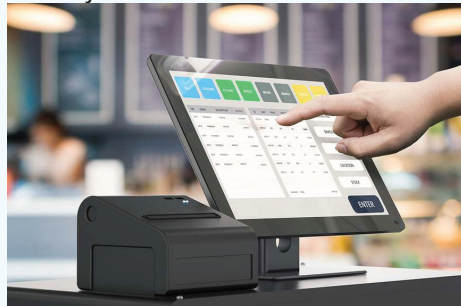
To enhance investment Mogire said the Sacco leadership plans to increase the Society's income from an average of Ksh 117 million per year to 200 million each year for the next five years.

In addition to reducing the investment's wing cost to income from the current average of 47 per cent to 30 per cent, the Sacco aims to grow assets base by Ksh250 million each year to 2027.

Other strategies include growing and retaining customer patronage levels by 5 per cent ensure full statutory compliance in all projects and programs.

During the period, the Sacco CEO Peter Gisemba said efforts will be made to upgrade the ICT system and fully integrate it with the mobile and other payment systems platforms to

ensure that it is both robust and user-friendly.



“The integrated platform will be used to collect and withdraw savings, disburse loans, receive payment at the operational level, and provide clients access to banking services on 24-hour basis.

It will also integrate finance functions to the database to facilitate report generation on savings mobilization, loan portfolio, finance reports, and bank reconciliation,” said Mr. Gisemba.

The focus will be directed to ensure cost to income ratio is maintained at 45 per cent and below, and to

continuously enhance alternative business channels.

“The Sacco will digitize all manual records to achieve a fully computerized environment, enhance robustness of the ICT infrastructure to tolerate redundancy incidences on one area of the network establish a seamless system upgrade in the year 2023.”

He added, “And to establish a strong web presence to facilitate online service delivery, digitize user support request reporting and to reduce internal and external system security threats by end of 2023.”

“The focus will be directed to ensure cost to income ratio is maintained at 45 per cent and below, and to continuously enhance alternative business channels.



“The Sacco will digitize all manual records to achieve a fully computerized environment

SASRA TO REGULATE NON- DEPOSIT TAKING SACCOS IN EXPANDED MANDATE



The CEO Peter Njuguna

By Nicholas Waitathu

Sacco Societies Regulatory Authority (SASRA) mandate has been expanded to bring all registered entities under its supervision. In the new arrangement, the Non-Deposit Taking Saccos will file returns periodically for closer monitoring to prevent possible loss of members funds.

The Co-operatives and Micro, Small and Medium Enterprises Development cabinet Simon Chelugui said it had become prudent to expand the supervision as part of taming cases of fraud, cyber insecurity, financial mismanagement and leadership wrangles, among other challenges.

“Recently I signed additional regulations increasing the fees charged to Saccos. The enhanced capacity will enable the regulator to cast its net wide and ensure there is order in the Saccos subsector. All Saccos irrespective of their business nature should expect to be checked,” he said.

The new mandate has come through operationalization of the provisions of Section 15 of the Sacco Societies Act and Section 5(d) that creates a Levy Order. The legislation imposes a Sacco Societies levy to be paid by Deposit Taking Saccos and Non-Deposit Taking Saccos upon authorization pursuant to the

Regulations 2020. Currently Deposit Taking Saccos remit a levy of 0.175 per cent on deposits held to Sasra. The rate applicable to Non-Withdrawable Deposit Taking-Saccos has been set at 0.165 per cent with a maximum capping of Sh8 Million.

Mr Njuguna said Non Deposit Taking Savings and Credit Cooperative Organisations will pay new levies pursuant of the Sacco Societies (Non-Deposit Taking Business) Regulations 2020.

“Taking into account the fact that the intensity of supervisory and regulatory activities over Deposit Taking Saccos is higher than that expected of the Non-Withdrawable Deposit Taking Saccos, it follows from a cost recovery model that the rate payable by the latter should be less than that payable by the former,” Mr Njuguna said.

In the new regime all cooperatives will be audited, their management committees will conduct elections and file returns every year.

“The Government aspiration is that all cooperatives are made accountable and governance enhanced to ensure the members’ interests are guaranteed. For all the institutions handling members’ money, they should expect to be checked,” said Mr. Chelugui.

There are many Non- Withdrawable Deposit Taking Saccos that have deposits of over Ksh 100 million, and have been under supervision of the Commissioner of Co-operatives, which has had difficulties of arresting problems when they happen. Some of the management in these entities have taken advantage of the loose supervision to pilfer members’ funds. Chelugui said the ministry would assist Counties to put in place regulation mechanisms in their jurisdictions since the management of Cooperatives are in the rank of devolved functions.

Commissioner for Cooperative David Obonyo said the expanded Sasra

mandate was inevitable owing to the increased number of cooperatives over the last decade. He said majority of the cooperatives in the country are not audited, do not file annual returns and rarely change their leadership, which is a recipe of mismanagement. “For instance, in the last two years we have registered over 4,000 institutions or 200 cooperatives per month. This demonstrates the appetite by Kenyans to form and join cooperative societies but on the other hand, the enormity of their supervision,” Mr. Obonyo said.

At the end of the first quarter of this year, 25,000 cooperative institutions had been registered, out of which 70 per cent are active. Obonyo said out of the active 70 per cent, 60 per cent are Saccos drawn from various economic subsectors.

Going forward, he said regulation model will be based on current administrative levels, adding that Saccos were at a different level from the farmers’ cooperatives. Already 359 Saccos consisting of 176 Deposit Taking Sacco’s and 183 Non-Withdrawable Deposit Taking Sacco’s and classified as Tier 1 and 2, and are regulated by the SASRA under specified regulations. They have to meet specified financial ratio benchmarks to be allowed to operate. The Government in conjunction with other stakeholders is considering creating other two levels that involves Counties and the Office of the Commissioner as the regulating agents. This will ensure all the cooperatives in the country are supervised.

This will involve a review of Cooperatives Act, and an amendment to the Sacco Societies Act 2008 to create a central liquidity and shared services facility to provide for inter-cooperative short-term borrowing, and access to National Payment Systems.

The reforms, he said, target coffee, dairy, cotton, tea, pyrethrum, fish, edible oil, leather, livestock, mining, sugar cane, maize, horticulture and cereal cooperatives.

DIASPORA SACCOS CURVE A NICHE IN KENYA



By Lewis Njoka

Diaspora Saccos have entrenched themselves as part of the country's saving culture, increasing the sector's portfolio and freeing savers from predatory relatives, some of who fleeced them for lack of viable vehicles of investment. And increasingly, the Diaspora Saccos are gaining recognition as a key player in Kenya's Cooperative movement in the country.

In the last ten years, the Diaspora Saccos have steadily grown and expanded while providing convenient alternative to banks that have stringent requirements of accessing loans and mortgages. The growth of these entities has seen the members' access savings, loans and investment products. Previously, most of Kenyans living abroad were saving through local investment clubs (Chamas) and through their relatives, with varied experiences, some quite bitter.

There currently exists several thriving Diaspora Saccos started by Kenyans living in the United States of America, Canada, the United Kingdom, Germany and Australia, among other countries. Notable Diaspora Saccos include the Kenya North America Diaspora Sacco, Kenya Germany Diaspora Sacco, Kenya Canada Diaspora Sacco, Kenya USA Diaspora Sacco, Stoke UK Diaspora Non-DT Sacco, Kenya Qatar Diaspora Sacco, and Kenya

Australia Diaspora Investment Cooperative Society, among others. The Saccos offer a wide range of products and services including savings products, loan products and investment products.

To facilitate saving, many of them allow deposit of funds through a wide range of money transfer services such as Western Union, MoneyGram, M-Pesa, and local bank RTGs among others.

Cooperative Alliance of Kenya (CAK), the national apex organization for Kenya co-operative movement, has pledged to continue supporting the Saccos saying they play a key role in the economy.

“Well-run Diaspora Saccos are good for the individual savers, the cooperative movement, and the economy as a whole. We will continue supporting them so that they can continue to deliver value to their members,” said CAK's Chief Executive Officer, Daniel Marube.

According to Marube, the Saccos would contribute more to the country's economy if well supported by industry stakeholders, both governmental and non-governmental actors. Recently, the cooperative movement launched a Sh800 million technology platform, dubbed CoopTech, that will oversee the security of depositors' funds through a shared platform.

The shared platform will be used by all Saccos in their daily

transactions. Kenyans living abroad find it challenging to invest their savings back home in a ways that enables them to maintain control and accountability.

Cases of Kenyans living abroad entrusting their hard-earned money with their siblings and relatives only for the money to be squandered are common. Well managed Diaspora Saccos are helping savers navigate this challenge, hence, their rising popularity.

Diaspora remittances are now Kenya's largest foreign exchange earner, earning the country more foreign currency than coffee, tea and horticulture. And with the government trained on encouraging more remittances, the Diaspora Saccos are set to play a greater role in boosting the dollar basket in the country.

In 2022, Kenya's diaspora remittances rose by 8.3 per cent to hit \$ \$4.027 billion (Sh547 billion).

“Due to the huge sums involved, remittances are now being recognized as an important contributor to the country's growth and development,” states the Central Bank of Kenya on its website.

Just like the Cooperative movement, the government too has recognized the huge potential of Kenyans living abroad and has established a state department to respond to specific issues of Kenyans abroad.

STANDALONE MINISTRY REKINDLES HOPE FOR BETTER DAYS IN CO-OP MOVEMENT



George Ototo,
Chief Executive of the Kenya Union of
Savings and Credit Cooperatives (KUSCCO)

By Lewis Njoka

In the last ten years, the cooperative sector was a department in a ministry but the current government has elevated it to a full-fledged standalone ministry rekindling hope that the cooperative movement will get more attention like it did between 2003 and 2012.

With the creation of the ministry, leaders of the cooperative movement are confident that issues that have remained thorny in the sector will be prioritized and resolved swiftly.

“I want to thank the President for creating a standalone ministry for us. That is quite significant because we believe that some of the policies and legislation that are still stuck at various stages will be facilitated,” said the Chief Executive of the Kenya Union of Savings and Credit Cooperatives (KUSCCO), George Ototo.

According to the Cooperative Alliance of Kenya (CAK), the creation of a standalone ministry for the cooperative movement is an

important milestone for the sector and will make it easier for the movement to play its rightful role in the economy.

“As a movement, we have wanted to have a standalone ministry. We are happy that we finally have one. This will make it easier for the movement and policy makers to exchange ideas and find solutions to challenges in the sector,” said CAK Chief Executive Officer, Daniel Marube.

He said he was confident that the existence of the ministry will hasten problem-solving in the sector resulting in faster growth for the cooperative movement as a whole. The creation of the Ministry of Cooperatives and Micro Small and Mediums Enterprises (MSMEs) Development was first announced by President William Ruto during his inauguration speech.

“We shall establish a Ministry of Cooperatives and SME Development mandated to ensure that every small



business has secure property rights, access to finance and a supportive regulatory framework,” said President Ruto during his inauguration in September last year.

Simon Chelugui was then appointed the Cabinet Secretary in charge of that docket in October 2022. Some of the activities movement leaders hopes will be fast-tracked by the new ministry include the review of the Sacco Act and the rollout of the National Cooperative Development Policy to enhance the role of Cooperatives in the handled by economy.

They would also want the establishment of a central liquidity for Saccos fast-tracked as well as the operationalization of the Sacco Societies Fraud Investigation Unit domiciled within the Sacco Societies Regulatory Authority (Sasra).

The new ministry will provide oversight to the cooperative movement and the MSME sector. Prior to the creation of a standalone ministry late last year, matters pertaining to the movement were handled by the State Department for Cooperatives under the Ministry of Agriculture.

The creation of a standalone ministry is recognition of the key role the movement plays in the economy. Cooperatives in the country have mobilized over Sh730 billion in member savings and deposits and issued out over Sh700 billion as loans to members. The movement’s asset base is over Sh1 trillion making it a key player in the country’s economy.

“Co-operatives have played a significant role in socio-economic development of nations for centuries and are a reminder to the international community that it is possible to pursue both economic viability and social responsibility,” says the Ministry of Cooperatives and MSME Development on its website.



USE OF ADR TO SETTLE DISPUTES TAKES ROOT IN COUNTIES

By The Cooperative Magazine correspondent

Two years since Alternative Dispute Resolution (ADR) services were started in Meru and Nandi Counties, success is visible with 33 cases having been amicably resolved out of 37 cases that were brought to the Cooperative Officers desks.

Cooperative officers trained and certified through a partnership funded by the US Agency for International Development (USAID) Cooperative Development Program (CDP), NCBA CLUSA, Cooperative Alliance of Kenya and Kenya Union of Savings and Credit Cooperatives in 2020, effectively reduced cases filed in conventional commercial courts, cutting on time and costs.

The ADR initiative was a culmination of the findings by a CAK sponsored poll that found out that dispute resolution was the most pressing

challenge among the cooperative members, so CAK set out to design and implement a certification course. NCBA CLUSA assisted the certified cooperative officers from Meru and Nandi Counties to establish ADR helpdesks at the County government offices, and these officers subsequently trained other officers to build these skillsets in their offices. For publicity, launches were held, and Counties were helped to spread the word about the new ADR services through CDP activities and helpdesks referrals.

Cooperative Departments in Meru and Nandi developed three levels of services. For a cooperative's internal dispute, the goal is to train the management and board on effective ways of mediating and resolving the issue on their own. If a dispute cannot be resolved internally or involves an external party, the second level is for a Sub-county officer to step in and mediate. If the case still cannot be resolved, it is taken to the County

helpdesk.

The Cooperatives have an option of using Alternative Dispute Resolution whenever conflicts happen that involves resolving disputes through negotiation, enquiry, mediation, conciliation, expert determination, and arbitration.

ADR is a constitutional principle under Article 159 (2) of the Constitution of Kenya that prescribes that **“(c) alternative forms of dispute resolution including reconciliation, mediation, arbitration and traditional dispute resolution mechanisms shall be promoted.”**

With Kenya's cooperative movement being huge business, and key driver of the economy, controlling over 30 per cent of national savings, and employing about 500,000 people, occasional conflicts are inevitable. ADR helps parties resolve disputes amicably, speedily and cheaply.

The Cooperative Societies Act, Cap

490 of the Law of Kenya under section 77 establishes the Cooperatives Tribunal with a mandate to resolve disputes in the sector. The sector has been experiencing a backlog of cases, slowing down the growth of the sector.

In ADR, parties involved in disputes of a civil nature are encouraged to explore resolution of conflicts by agreement directly or with the help of a third party, conciliator or mediator than proceeding to court that produces a formal winner or loser as happens in commercial claims and property disputes.

With liberation of the Kenyan economy in the late 1980s, the government drastically reduced its control of the cooperative movement, hence operating as private business enterprises. Following the policy shift, dispute resolution, previously done the Commissioner for Cooperatives was transferred to the Cooperative Tribunal under the Ministry of

Cooperative Development. In this arrangement, the Tribunal was meant to operate as a friendly arbiter of cooperative disputes and has evolved from being state controlled to a self-regulating movement that operates in tiers.

With the new structure of government- National and County- the Cooperative Tribunal moved to the Judiciary, thus losing the appearance of a friendly arbiter and acquiring the appearance of a normal court. And with Cooperatives being a devolved function, and with limited capacity for sustenance and further growth, conflict areas have increased, stretching the capacity of Cooperatives Tribunal, leading to delays in dispute settlement.

There is need to build capacity for ADR within the movement, to not only to compliment the Cooperatives' Tribunal but to also provide other cheaper and less tedious avenues that stakeholders can utilize in conflict resolution.

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INTERNATIONAL DAY of Cooperatives

COOPERATIVES FOR SUSTAINABLE DEVELOPMENT: 2023 INTERNATIONAL DAY OF COOPERATIVES THEME ANNOUNCED

Cooperatives help to move forward the UN 2030 Agenda and make SDGs a reality.

On 1 July, the cooperative movement will celebrate the 2023 International Day of Cooperatives.

United by the slogan Cooperatives for sustainable development, we will show how the cooperative way of working, inspired by the cooperative values and principles, has the accomplishment of the Sustainable Development Goals (SDGs) as part of its DNA.

In September 2023, the international community will mark the mid-point in the implementation of the 2030 Agenda for Sustainable Development and seek ways to accelerate progress in the SDGs. It is thus a real key moment to demonstrate the contribution of cooperatives in advancing the achievement of the SDGs.

Being one of the world's oldest and largest business networks, the cooperative movement was the first group of enterprises worldwide to endorse the SDGs and be recognised as a partner in achieving these goals.

As natural vehicles of collaborative partnership and prosperity for all, cooperatives contribute to economic, social, and environmental sustainability across regions and economic sectors. It is inherent among them to safeguard community relations, enhance local resources, advocate social responsibility, and adopt sustainable and long-term business practices.

“At the mid-point of the 2030 Agenda, efforts need to be deepened, and this can only be done with more cooperation. Enterprises, which are responsible for organising the production and distribution of goods and services, must focus on people and the planet. Cooperatives have a model for doing this, and have been demonstrating it for almost 200 years says the President of the International Cooperative Alliance (ICA), Ariel Guarco.”

The ICA invites cooperators across the globe to celebrate the International Day of Cooperatives and show the world what can be achieved through the power of cooperation.

The 2023 #CoopsDay action pack including the logo, key messages and other digital resources will be available soon. Join the #coops4sdgs campaign!

About the International Day of Cooperatives

Celebrated worldwide for more than a century and officially proclaimed by the United Nations General Assembly on the centenary of the ICA in 1995, the International Day of Cooperatives is annually commemorated on the first Saturday of July.

The aim of #CoopsDay is to increase awareness of cooperatives. The event underscores the contributions of the cooperative movement to resolving the major problems addressed by the United Nations and to strengthening and extending the partnerships between the international cooperative movement and other actors. Since 1995, the ICA and the United Nations, through the Committee for the Promotion and Advancement of Cooperatives

(COPAC), have jointly set the theme for the celebration of #CoopsDay.

This year's theme is **"Cooperatives: partners for accelerated sustainable development"** and the celebration will mark the 29th International Day of Cooperatives recognized by the United Nations and the 101st International Cooperative Day.

Through #CoopsDay, local, national, and international policymakers, civil society organisations and the public in general can learn about the contribution of cooperatives to a just and sustainable future for all.

About COPAC

The Committee for the Promotion and Advancement of Cooperatives (COPAC) is a multi-stakeholder partnership of global public and private institutions that champions

and supports people-centred and self-sustaining cooperative enterprises as leaders in sustainable development.

It consists of the International Cooperative Alliance (ICA), the United Nations Department of Economic and Social Affairs (UNDESA), the International Labour Organization (ILO), the International Trade Center (ITC), the Food and Agriculture Organization of the United Nations (FAO), and the United Nations Research Institute for Social Development (UNRISD).

2030 Agenda for Sustainable Development

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and

the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

(Adopted from International Cooperative Alliance website)





A PLUNGE IN GLOBAL COFFEE PRICES SENDS SHOCK WAVES LOCALLY

High coffee volumes from traditional rivals Brazil, Indonesia and Vietnam, and low quality local beans blamed for the drop in prices late last year even as looming global recession is expected to depress prices this year.

By Nicholas Waitathu

A production surge from traditional rivals Brazil, Indonesia and Vietnam coupled with low quality of local coffee beans conspired to drop coffee prices by half late last year, sending shock waves to farmers who have enjoyed good incomes in the last two crop years.

Experts in the coffee sector say although farmers cumulatively raked in Sh36 billion in 2021/2022 crop year, prices in the second half of last year were generally low, and the looming global recession could further inflict pain on the farmers.

By December 2022 coffee prices at the Nairobi Coffee Exchange (NCE) had dropped sharply with the top grade Kenya AA selling in the range of US\$200 (Sh27,000) per 50 kilogramme bags from nearly \$400 (Sh54,000) for the same quantity early this year.

International Coffee Organisation

(ICO) Composite Indicator Price – (I-CIP) lost 10.6 per cent from September to October 2022 underwriting the drop in the international prices. The ICIP averaged 178.54 US cents/ib for the latter whilst posting a median value of 177.22 US cents/ib. In October ICIP fluctuated between 159.30 and 194.92US cents/ib.

Nairobi Coffee Exchange Chief Executive Officer Mr Daniel Mbithi attributes the drop in coffee prices to bumper harvest from producers such as Brazil, Indonesia and Vietnam that are flooding the international market with their produce. Recovering from severe frost three years ago, Brazil is expected to record even higher yields that will depress coffee prices in the global market.

The local coffee prices also suffered from low quality beans produced towards the end of the calendar year, and there is fear that the looming global recession will equally undermine incomes.

“The world’s leading coffee producers are expecting a bumper harvest. The leader, Brazil, spurred by good weather is expected to produce about 8 million bags more this season to make a total of 64 million 60kg bags of which, 41 million bags are Arabica. Vietnam -the leading Robusta coffee producer and Indonesia too are expecting higher volumes,” says Mr. Mbithi in an interview.

He adds, *“It is being predicted that there might be recession in 2023. A recession would mean business will be hurt and investors will be afraid to invest and thus affecting most commodity prices. One of the most challenging aspects of investing in a tough economy is that predictions are hard.”*

However some farmers are reading mischief. Under the umbrella of the National Coffee Co-operative Union (NACCU), they allege that the price decline is work of manipulation by a clique that dominate marketing of the produce in the country.

NACCU chairman Francis Ngone claims the cartel has been offering rock bottom prices locally and selling at extremely high prices internationally as economies continue to recover from Covid-19 downturn.

“We are witnessing with shock and pain unprecedented low coffee prices...where an AA 50kg bag that was selling at over US\$400 more than a year ago, has now dropped to US\$200. There is an attempt to justify an artificial pricing mechanism that continues to exist in the NCE due to the collusion of players within the auction. Coffee marketing agency companies are owned by the same coffee buying companies,” Ngone says.

At the end of April 2023 average prices of all coffee sold through the Nairobi Coffee Exchange that runs an auction reached US\$175.74 (Sh23, 883).

Players in coffee market however say that the quality of coffee received at the tail end of the season referred as fly crop coffee, is mostly of lower quality compared to the main crop hence fetches lower prices.

Production

Data by the Coffee Directorate indicates that coffee production increased by 50.2 per cent to 51, 853 Metric tonnes in the 2021/22 production period compared to 34, 512 metric tonnes in 2020/21.

Earnings also increased by Sh9 billion from Sh27 billion in 2020/21 to Sh36 billion in 2021/22 crop year out of which 20 per cent were proceeds from direct sales.

The Co-operatives and Micro, Small and Medium Enterprises Development cabinet secretary Simon Chelugui says the Government is committed to increase production by more than 80 per cent in the next five years.

Kenya recorded peak production in

1987/88 crop year of 129, 637 metric tonnes, but since then production has been oscillating between 30,000 metric tonnes and 50,000 metric tonnes. The major challenges in the sector are aging farmers, poor coffee drinking culture, corruption and smuggling, lack of seedlings and weak coffee cooperative societies.

Chelugui says the Government intends to increase coffee output to 94,000 tonnes in the next five years.

“The Government mission is focused to fix the NCE and ensure market forces are the key determinants of prices. Efforts will be directed to shield farmers against manipulation by value chain players,” he says.

To this end, he says, the government intends to have local prices at Nairobi Coffee Exchange quoted based on the New York Coffee Exchange (NYCE) which he says is more transparent.

“Fixing the NCE will help in ensuring prices are shared with coffee farmers’ cooperative management to display them on the notice boards. In this way farmers will be well acquainted with the marketing system,” adds Chelugui.

Furthermore, a team of players in the sector has been formed to come up with a workable programme to implement reforms in the sub sector. These include Cooperative Bank, Coffee Sub-sector Reforms Implementation Standing Committee, Kenya Cooperative Coffee Exporters

(KCCE), Capital Markets Authority (CMA), private sector and representatives of coffee farmers and coffee cooperative societies.

The US dollar has continued to rally against other currencies and therefore making the cost of living a bit too high. Coffee being a luxury drink, some consumers can choose to do without it.

“We are witnessing with shock and pain unprecedented low coffee prices...where an AA 50kg bag that was selling at over US\$400 more than a year ago, has now dropped to US\$200.



There is an attempt to justify an artificial pricing mechanism that continues to exist in the NCE due to the collusion of players within the auction. Coffee marketing agency companies are owned by the same coffee buying companies,”



SACCOS GIVE MERGERS A WIDE BERTH

By Lewis Njoka

Saving and Credit Cooperative Organisations have defied calls by the regulator, Sacco Societies Regulatory Authority to enter into voluntary mergers to enable them compete effectively in the money market. Bigger Saccos enjoy economies of scale by buying in bulk and getting huge discounts, while reducing cost of transactions.

In its 2021 Sacco Supervision Annual report, Sasra, recommended that small Saccos amalgamate so as to compete effectively with their bigger and better-resourced counterparts.

However, no Sacco has declared the intent to enter into a merger so far according to the Competition Authority of Kenya (CAK).

“To enjoy economies of scale, these small Saccos can amalgamate, merge, or consolidate with each other based on similarities of fields of membership or common bonds, so as to enjoy economies of scale and compete effectively, not just within the Sacco subsector space but also within the national financial sector space,” said Sasra in the report. “In the absence of such consolidation and given the opening of common bonds by nearly all the financially endowed and larger Saccos, particularly the Government-based Saccos, it is

clear that the smaller Saccos shall feel the heat of competition with their larger counterparts eating into their market pie more and more,” it added.

Responding to a query about possible mergers from The Co-operative Magazine, Competition Authority of Kenya said it has not received any request so far. The law requires entities seeking to merge whose combined net worth for the previous year is Ksh1 billion or more, to seek approval from the Competition watchdog.

Kenya Union of Saving and Credit Cooperatives (KUSCCO) chief executive, George Ototo, defended the Saccos hesitancy to merge arguing that a merger is a tough business decision and is usually dictated by market dynamics.

“The heterogenous nature of Saccos makes it difficult for them to merge because things such as differences in geographical location, economic status, and social stratification. Again, Kenya is not a sophisticated economy like the developed world where such easily happen. You must also consider the political dynamics within the Sacco ecosystem,” he said.

According to the Sasra 2021 report, 67.59 per cent of all Saccos controlled a paltry 36 per cent of the

subsector’s total assets and deposits while the remaining 32.41 per cent controlled a whopping 64 per cent of the subsector’s total assets and deposits.

There are 49 agriculture-based Saccos in the country, but which control less than 10 per cent of the subsectors’ total assets and deposits. The situation is no different in private-sector based Saccos where there were over 107-Private sector based Saccos but whose total assets and total deposits portfolios is less than 13 per cent of the subsectors’ total assets and deposits.

Since the larger Saccos can meet the member demand at competitive prices, the smaller Saccos will always remain at a disadvantaged position to effectively compete.

In recent times, the wider financial sector has witnessed several mergers and acquisitions with bigger banks acquiring smaller institutions both locally and across borders.

Notable recent mergers and acquisitions include the merger of Equity Group and DRC Banque Commerciale du Congo (BCDC), the acquisition of Jamii Bora Bank by Cooperative Bank, the acquisition of National Bank by KCB Group, and the acquisition of certain assets and liabilities of Spire Bank by Equity Group among others.



SACCOS GROWTH LEAPFROGS IN SIX YEARS

The Deposit Taking Saccos have registered phenomenon growth in the last six years, according to the figures from the regulator. The entities that are spread in various sectors, but mostly dominated by government employees at 37, teachers at 43 and farmers 49 have registered an average of 11 per cent on every aspect including assets, core capital, capital reserves and total incomes.

Sacco Savings Regulatory Authority shows that the asset base of the 175 entities it licences, supervises and regulates grew their asset base by 11 per cent between 2016 and June 2021, and in real terms from Ksh 393 billion to Ksh650 billion indicating healthy profitability cementing good will and positivity essential for attracting more members.

In their core business of lending, the loans and advances rose from Ksh297billion to Ksh493billion in the period, significantly contributing

to individual growth, expansion of business and overall economy. According to other studies, most of the borrowed funds goes to education, constructing of houses and boosting or setting up business.

The members' deposits increased from Ksh272.5 billion to Ksh454.8 billion representing 11 per cent growth, enabling the entities to provide varied financial products that suit the needs of their members. The healthy balance sheet enabled the sector to wether the shocks brought about by the near shutdown of the economy in 2020 owing to the Covid-19 restrictions meant to control the spread of the deadly virus.

Capital reserves grew by 15 per cent from Ksh 61.3 billion to Ksh124 billion cushioning the Saccos from shocks as there is cash available to for future expenses, and to offset possible capital losses. The surplus is an indicator of a healthy, thriving business.

Core capital also increased by 15 per cent from Ksh54 billion to Ksh110 billion indicating the ability of the Saccos to extend loans to earn interest, cementing the sector's place in the national financial sector.

Total incomes rose from Ksh55.3 billion to Ksh 85 billion in 2020, and a further Ksh 46.7 billion by June 2021 affording the entities more finances to expand their businesses, particularly new, relevant and high yielding products.

As a result of the thriving business that expanded individual ability to access affordable loans, the membership numbers in Saccos have been increasing over the years topping 5.4 million in 2020 from 3.6 million in 2016, representing a 12 per cent growth. The branch network rose from 424 to 537 in 2020 in the same period.



SACCO LEADERS CAUTIOUSLY OPTIMISTIC ABOUT 2023

By Lewis Njoka

Sacco leaders have expressed cautious optimism about the current financial year, 2023, saying it portends both opportunity and adversity.

They said while demand for loans is expected to increase this year, the tough economic times currently being experienced in the country could see savings plummet making it harder for Saccos to extend loans to members. Worse still, Saccos could be forced to borrow money from banks for onward lending to members which will make Sacco loans more expensive.

Currently, commercial banks are offering personal loans at interest rates as high as 20 per cent, a factor that could see more people turn to Saccos for loans.

“We expect good growth in terms of loan uptake and turnover performance. But on the other hand, we are expecting higher cost of funds and that may bring dilution of what we

will probably be giving out as interest on deposit and dividends at the end of the year,” said Harambee Sacco Chief Executive Officer, George Onchiri.

“In terms of manpower, given the uncertainty of the job market many Saccos may not expand so we may not absorb many people into the job market. Many Saccos will be taking a conservative approach, dealing with what you have as you watch the market,” he added.

Despite the challenges, Onchiri expects that the performance by Saccos this financial year will be better than in 2022.

A similar view was expressed by the former Chief Executive Officer of Mwalimu National Sacco, Alphonse Kaio, who said Saccos in Kenya were likely to experience a flat growth in 2023.

“I am foreseeing what you can call flat growth where you find that the margin of growth between 2022 and 2023 is so small because the cost

of living is going to impact on Sacco business. We are also likely to see the default rate increasing this year because things are tough,” he said.

“We may not realize much growth this year. The economy is struggling and many people do not have much to save, what they have is going to consumption. Things can only change when the cost of living comes down,” he added.

According to Kaio, Saccos could find themselves in a catch 22 situation where as much as they want to lend they lack the money to give out. Lending requires that they first mobilize money from the members, a tall order given the current economic situation.

“Saccos must control their costs because that is a major problem. They must also make sure they collect all their funds from the various employers of their members,” he warned.

According to the Kenya Unions of Savings and Credit Cooperatives (KUSCCO) chief executive,

George Ototo, Saccos are likely to start witnessing the problem of non-remittance of member contributions by their employers due to tough economic times the country is experiencing.

“The main concern we may have is that our members who are in the Micro Small and Medium Enterprises (MSMEs) may find it difficult to service their loans because there is low demand for consumer goods due to high inflation,” Ototo said.

“We expect to see a lot of loan buy-off from mainstream financial institutions because some of our members who have borrowed from these institutions will find it more expensive to repay.

These are some of the factors that will push an increase in loan demand,” He added.

He noted that loan defaults will force Saccos to increase their provision for bad loans, affecting the institutions bottom line.

He said compared to last financial year, he expects a decline in performance in the sector because the variables at play are not very conducive for business.

In addition to the tough economic times, Saccos are facing stiff competition from banks and interventions such as the Hustler Fund.

The Sacco leaders recommended that Saccos embrace the use of Information and Communication Technology, enhance their marketing activities and follow up on employers to remit member dues.

They further called on the government to stabilize the shilling against major world currencies and fast-track the enactment of various regulations that is currently underway.





By Mwaniki Wahome

Buoyed by increasing business against the backdrop of cyber fraud threats, versatile core banking systems have become urgent for Cooperatives to safeguard members' funds. The exorbitant cost of procuring such ICT systems that mirror conventional banks, however have been a drawback, leaving many exposed to cyber risks, for a sector that is still pressed by financial obligations to their members.

Many have resulted to use of vendors or third party service providers, some of whom, end up becoming facilitators of cyber fraud in the Cooperatives, having acquired knowledge and access to essential system credentials.

Egged by this grim reality, the Cooperative Alliance of Kenya, the apex body of the Cooperatives, in March launched a Shared Services and Solutions Platform in Mombasa that will relieve these Savings and Credit Co-operative Organisations (Saccos) from the increasing cost of procuring, maintaining and upgrading the systems.

Through CoopTech, a financial technology –led company owned by Cooperative Alliance of Kenya, Cooperatives and individual members, the initiative seeks to fill the technology gap that has prevented Cooperatives to access versatile ICT systems to stem the rising cases of cyber fraud. The shared platform will also enable the entities to expand market share and deepen productivity in the sector.

“A good number of Saccos owing to lack of strong financial muscle are unable to install current ICT models but through the new platform they will be able to access crucial services and more so expand their market share,” said Cooperatives and SMEs Cabinet Secretary, Mr Simon Chelugui.

It is envisaged that the shared platform will help in upscaling digitization of the cooperative financial services through an embedded shared fund management platform to support inter-Sacco lending and cross-Sacco funds transfer. This includes hook up to the National Payment Systems for seamless transfer of funds such as the Hustler Fund to the Saccos. Other money transfers from Diaspora Saccos will now be made easier

through the shared platform.

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

“It will give the Cooperatives a reliable, secure and affordable shared platform that will enhance financial transparency, optimize operating efficiencies and mitigate on risks of cyber fraud that has been main challenge. Through this platform, we seek to elevate our Saccos to the level of Credit Unions in America” said CAK Chief Executive Officer, Mr Daniel Marube.

It is expected that the shared platform will assist the Cooperatives to attract and retain customers through personalized, relevant services and products afforded by continuous innovation and upgrade. He said it will now be possible to negotiate bulk tokens for the members for utility services such as water and electricity.

“When cooperative societies come together through the CoopTech platform, we will be able to employ the most expensive technology and most experienced people to protect our members. Its built by us for us,” he said. To be eligible, the Sacco or cooperative has to be registered by the regulator, SASRA or the Ministry of Cooperatives and should provide three years of audited accounts. Individual members will be drawn from the Saccos that have gained membership into the Shared Services Paltform.





According to experts in core banking systems, Kenya and many other African countries, banks mostly use foreign technology solutions tailored for European markets or Enterprise Resource Planning (ERP) crudely customized for banking automation. These solutions are expensive, lack local technical support and are susceptible to fraud.

The regulator, Sacco Societies Regulatory Authority issued a cyber security guidelines for issuance of Deposit Taking Saccos to form a minimum standard for their operations and commissioned a study to form a basis for shared ICT platforms in the face of increasing vulnerability of the sector to the cyber fraud.

According to the sector reports, the top six attacks in Saccos involve fraudsters using data base breaches, abuse of privileged access, malware (key loggers), critical data manipulation, email phishing attacks and ransom ware.

Marube said a simple ICT system costs over Ksh100 million, which is a strain to the Cooperatives that have to meet the financial obligations to their members in an increasingly

competitive financial market. "Instead of each Cooperative buying own system, we are saying let's come together, spend (each) about Ksh10 million so that the rest Ksh90 million can be available to the members as loans," he said.

"We will be able to borrow money amongst ourselves, we will be sending remittances and receiving money from all over the world. We can also be able to negotiate with the Government once we have enough funds to invest in different bonds. This is the beginning of building a strong financial institution," he added.

He said the shared platform would assist in mending the dented image of the Cooperative that lags behind in technology, is less attractive to the youth, and is bedeviled by constant delays in processing loans, loss of documents and old machinery and equipment.

"The platform will help uplift all the cooperatives into a completely new world of technology that will attract the technology enabled youth. At the end of the day, we want to have one Cooperative movement with one till number and we will be respected as

cooperatives," he said.

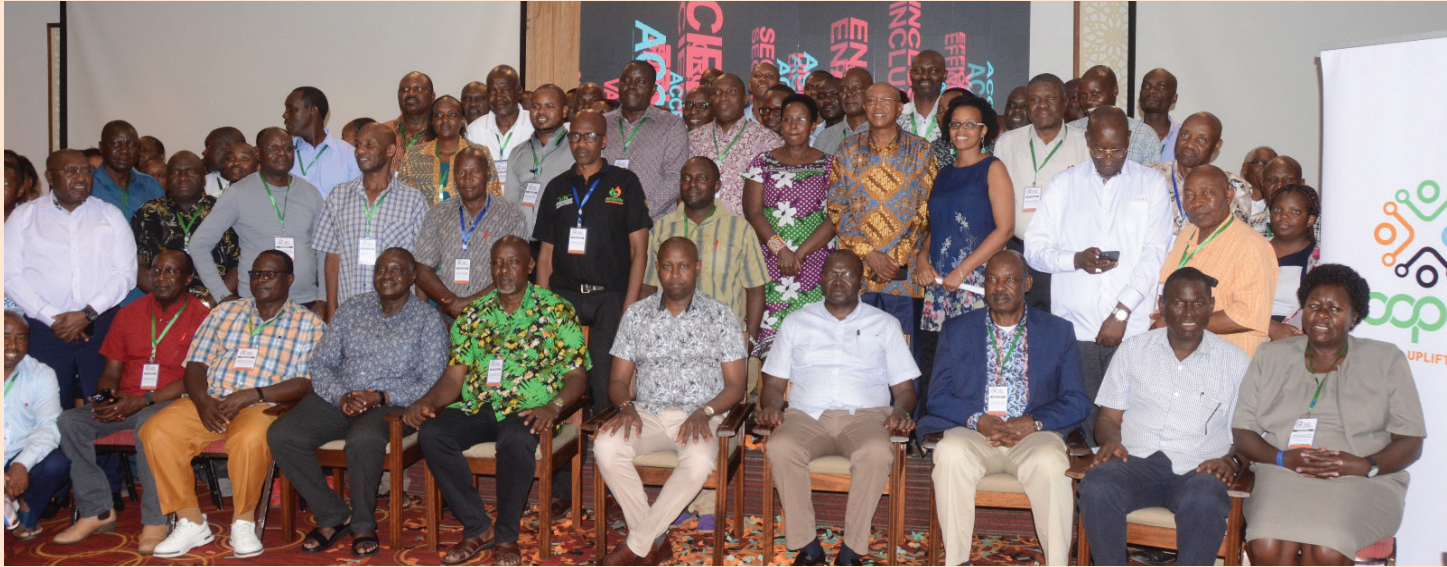
In the arrangement, the Cooperatives will buy 65 per cent of shares, while 35 per cent are open to individual members whose cooperatives are members of the platform

"The government has identified the Cooperatives as a channel to achieve its transformative agenda of financial inclusion and sustainable environment for an equitable society," said Mr Chelugui.

He said the Cooperative business model that emphasizes inclusivity is consistent with the objectives of the government of uplifting those at the bottom of the pyramid.

"Instead of each Cooperative buying own system, we are saying let's come together, spend (each) about Ksh10 million so that the rest Ksh90 million can be available to the members as loans,"

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We exist to economically and socially empower our members through savings mobilization and provision of quality and affordable financial services.

Vision

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Mission

To mobilize savings and provide affordable, innovative and quality financial solutions to members

Motto

United We Prosper - Pamoja Twastawi

Spirit

Save Regularly, Borrow Wisely and Repay Promptly

Values

Quality, Integrity, Professionalism, Team work, Excellent Customer Service, Creativity & Innovation

Boresha Deposit Taking SACCO was registered in 1976 with initial Share Capital of **Kshs. 60,000**. The vibrant and fast growing SACCO has over 60,000 active Members strong and Asset base of **Kshs. 9.0 Billion**. Savings/Deposits is **Kshs. 6.5 Billion** while Loan book is **Kshs. 7.8 Billion**. The Society is among Tier One SACCOs in Kenya as per SACCO Societies Regulatory Authority (SASRA).

The Area of operation Republic of Kenya with Base in **Baringo County**. The SACCO has however expanded to **Uasin-gishu, Nakuru, Nandi, Laikipia and Elgeyo/ Marakwet Counties** - Total of 17 Branches. Continuous investment in Robust Technology by the Sacco has ensured that members are served effectively and efficiently in all the Branches and beyond.

The SACCO is stable and has stood the test of time as a reliable Financial Provider of Choice. Members attest the positive change that the SACCO has caused and are proud of the efficiency and array of all inclusive quality Savings & Loan products and Services offered.

The SACCO operates a Members Welfare fund scheme that gives bereaved Members funds for funeral expenses hence

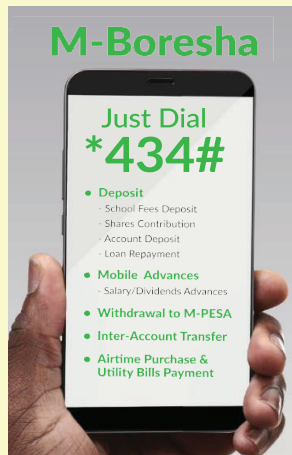
according a decent send off for departed Members and their immediate families. In addition, upon demise of a principal Member, Savings/Deposits is doubled and paid to the next of kin. The deceased Member loans is also written off against the Welfare Fund.

Boresha DT Sacco is an economic hub in the region. We have lived to the core-mandate of affording Customer friendly Savings and Credit Financial Services to Members and the unbanked in the Community. The Economic change and prosperity has been realized. Members are encouraged to Save Regularly, Borrow Wisely & Repay Promptly. Quality, Integrity, Customer Focus, Innovation, Professionalism and Teamwork are our Core Values.



Join Boresha D.T SACCO to enjoy:

- Guaranteed and attractive return on your Savings/investment
- A wide range of value products and services
- Timely/quick loan and Salary processing
- Loans up to 4 times your Deposits
- Flexible repayment period up to 84 Months
- Top up and buy-off of Loans
- Members welfare scheme benefits
- Competitive rates on Fixed Deposits



Membership is open to:

- Teachers (Public & Private) Institutions
- Medical Staff - Doctors, Nurses
- Civil Servants of all Cadres
- National & County Government Staff
- Individual Business persons and Farmers
- Private and Public Institutions staff

Email: info@boreshasacco.co.ke | Website: www.boreshasacco.co.ke

Pamoja Twastawi - United we Prosper

THE Co-operative

THE VOICE OF THE CO-OPERATIVE MOVEMENT



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