Ministry of Agriculture, Livestock, Fisheries, and Cooperatives

PRESS RELEASE

Government intensifies efforts to address perennial challenges of poor governance and m ismanagement in Cooperatives Sector

2020 Regulations requiring non-deposit taking SACCOs to be regulated by SASRA take effect

FOR IMMEDIATE RELEASE
Safari Park Hotel, Nairobi – February 3, 2021

The Cabinet Secretary Ministry of Agriculture, Livestock, Fisheries and Cooperatives (MoALF&C) Hon. Peter Munya today addressed National stakeholders and a representatives of SACCOs drawn from Nairobi and Kiambu counties, in the first of a series of orientation meetings to ensure full compliance by the June Deadline.

SASRA Chairman Hon. John Munuve thanked CS. Munya for his support in the development of the 2020 regulations, the reform process which he noted would serve to strengthen the sector. "Despite the shocks experienced in individual and business incomes as a result of job losses and disruptions of value chains brought about by the advent of the COVID-19 pandemic from March 2020, we are glad to report that the SACCO sub-sector performed relatively well, with an upturn in all the key performance indicators" he expressed.

The new regulations require Non-Deposit Taking SACCOs are expected to comply by applying to the Authority within six months of the Regulations 2020 having come into legal effect (June 30, 2021), for authorization to operate. As a start, thes SACCOs are required to file their detailed particulars with the SACCO Societies Regulatory Authority (SASRA) within 30 days of a notice published in the national press last Friday (January 29, 2021) by the Authority.

Also targeted under the new regulations, to be implemented by SASRA, are Non-DT SACCOs which mobilise membership and subscription to their share capital through digital or other electronic payment platforms; or those that mobilise membership and subscription to their share capital from persons, "who are ordinarily resident outside the country (Kenya)." CS Munya reported that the Cooperative reforms were an integral part of the ongoing Agriculture reforms, whose cooperatives have been plagued by malpractice in management and poor governance. Some large Savings and Credit Cooperatives, in addition to agriculture cooperatives (notably Tea, Coffee and Dairy) have over time, have over the years benefitted from public investments and bail outs, Munya said, adding that "this money belongs to Kenyans, and as Government, we have a responsible to safeguard this overriding public interest… I hasten to add that the Regulations 2020 will complement the member accountability mechanisms of holding annual general meetings during when, the elected directors report to the members".

The Cabinet Secretary gave an example of the Kenya Tea Development Authority, which he reported was spending farmers' money to retain expensive lawyers without a legitimate mandate by the farmers. "Although the Media reports that 51 factories have gone to court, it is not the farmers, but individuals whose time is up and need to relinquish their offices to allow tea farmers to benefit from the new regulations".

CS Munya announced that the Government woulkd be targeting the **Housing Sector** next, which he reported had become prone to misuse of citizen's savings. He emphasised that The government would be streamlining regulations to safeguard investments from members of the public. "Kenyans love to buy land and unsuspecting members of the public have been making investment decisions based on advertisements they hear over the radio, and when they lose their money they have had nowhere to turn". He announced that the The Government has a responsibility to safeguard and put in place control measures to safeguard against malpractices through proper regulation mechanisms.

that in spite of the harsh economic times caused by the COVID-19 pandemic, Kenya Despite the shocks experienced in individual and business incomes as a result of job losses and disruptions of value chains brought about by the advent of the COVID-19 pandemic from March 2020,

These reforms consistent with the policy developments articulated in the Cooperative Development Policy, approved by the Cabinet in 2019. Specific to the SACCO sector my Ministry has given priority to the following **policy reforms**:

a) Central Liquidity facility and Shared Technology platform
b) Operationalization of the deposit guarantee fund for SACCOs
c) Establishment of the SACCO Fraud Investigation Unit
d) Prudential Supervision of the non-deposit taking Saccos, commonly referred to as Back Office Services Activity, BOSA SACCOs.

On the **SACCO DGF**, the appropriate legal amendments have been drafted and will again be submitted to the National Treasury for inclusion in the Financial Bill for 2021. In the meantime, SASRA is working with the SACCOs on the nomination of representative Trustees which will be forwarded to the Cabinet Secretary for appointment to the DGF Board by June 2021. The Board of Trustees shall serve as the governing organ for the DGF overseeing its operations.

The CS also announced the operationaliuzation of a **Fraud Investigation Unit**, which he reported had been staffed by specialized officers seconded from the Directorate of Criminal Investigations supported by SASRA's technical staff. "So far, I am told that the Fraud Unit has finalized an investigation, caused an arrest and prosecution of a fraudulent embezzlement including recovery of over Kshs 1.3 Million from the suspect. the Fraud Unit has been able to disrupt the operations of a huge pyramid scheme - like entity, which was defrauding the public of their savings by purporting or pretending to be SACCO Society when it was not" the CS said.

Note to the Editor:

<u>Key performance indicators SACCO Subsector:</u>

- Total Assets at the end of Q4 stood at KSh622 billion, compared to KSh556 billion at the end of Q4 in 2019, a growth of 12 percent p.a.
- Gross Loans were at KSh469 billion at the end of December 2020, compared to KSh420 billion same period in 2019, a growth of 11.5 percent.

- Member Deposits held by the DT SACCOs stood at KSh425 billion and KSh381 billion by close of 2020 and 2019 respectively, a 12 percent improvement.
- The Non-Performing Loans Portfolio (NPL) for DT SACCOs closed the year 2020 at KSh30.44 billion, out of a total loan book of KSh469.02 billion, representing 6.49 percent of the total portfolio. This is against KSh25.79 billion, out of gross loans of KSh419.55 billion as at December, 2019 (6.15 percent of the loan book)

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