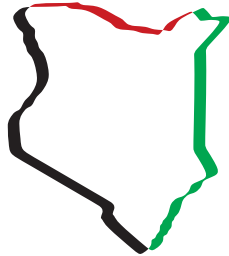




**MINISTRY OF COOPERATIVES AND MICRO, SMALL AND
MEDIUM ENTERPRISES (MSMEs) DEVELOPMENT**
STATE DEPARTMENT FOR COOPERATIVES



**Committee of Experts – Review
of SACCO Legal and Regulatory
Framework**

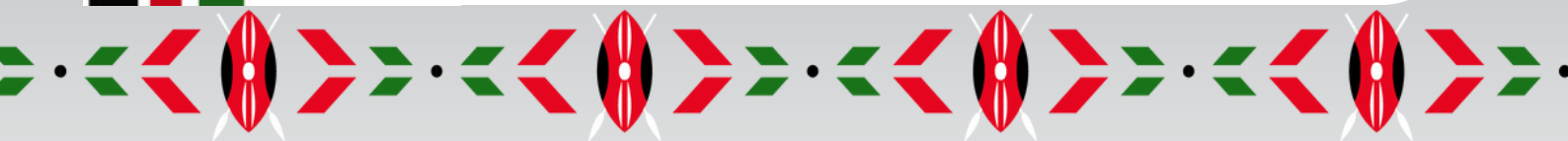
A REPORT ON TRANSFORMATION OF THE SACCO SYSTEM IN KENYA

**Signed By: Committee of Experts - Review of
SACCO Legal and Regulatory Framework**

**Commissioned By: Hon. FCPA Dr. Wycliffe A.
Oparanya (EGH) - Cabinet Secretary, Ministry
of Co-operatives and MSMEs Development**

16th February, 2026

Supported by:





REPORT ON TRANSFORMATION OF THE SACCO SYSTEM IN KENYA

“Kenya’s 31,000+ co-operatives, mainly SACCOs, play a key role in financial inclusion by offering accessible services to many excluded from formal finance. They are central to the Government’s BETA Plan, empowering grassroots communities to create wealth, jobs, and reduce poverty, ensuring development benefits reach underserved areas and promote equitable livelihoods nationwide.”

*Hon. FCPA Dr. Wycliffe Ambetsa Oparanya, Cabinet Secretary, Ministry of
Co-operatives and MSMEs Development*

February 2026

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International benchmarking enriched this process through engagements with the Central Bank of Ireland, the Irish League of Credit Unions, the Irish League Foundation, the Bank of England/Prudential Regulation Authority, the Financial Conduct Authority (UK), the Financial Services Compensation Scheme (FSCS), and the National Credit Union Administration (NCUA, USA).

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MARLENE SHIELDS OBE
Chairperson, Committee of Experts

FOREWORD

Kenya's Savings and Credit Co-operative Societies (SACCOs) are among the country's most important vehicles for financial inclusion and community empowerment. With over 7.4 million members and a growing asset base, SACCOs mobilise domestic savings, provide affordable credit, and support agriculture, housing, and enterprise development. They are indispensable to the achievement of the Bottom-Up Economic Transformation Agenda (BETA) and to Kenya's broader vision of inclusive and sustainable growth.

Despite this success, the sector has faced persistent challenges. Fragmented regulation, governance weaknesses, insider lending, duplication of functions, and limited access to modern financial infrastructure have slowed the sector's progress and exposed its members to unnecessary risk. Recent crises, including governance failures within apex institutions, have further underscored the urgency of comprehensive reform.

In recognition of both the opportunities and vulnerabilities within the SACCO system, the Government of Kenya through the Cabinet Secretary for Co-operatives and Micro, Small and Medium Enterprises (MSMEs) Development mandated a Cabinet-led review in April 2025. The Committee of Experts was tasked to: review the legislative and regulatory framework, propose reforms to strengthen deposit protection and liquidity management, develop pathways for harmonisation of oversight across all SACCOs, and benchmark Kenya's system against global best practices.

This report presents the Committee's findings and recommendations. It sets out a roadmap for transformation anchored on five pillars:

- Regulatory harmonisation and prudential oversight to bring all SACCOs under an effective supervisory framework.
- Deposit protection and liquidity support through a Deposit Guarantee Fund, a Central Liquidity Facility, and a Stabilisation Protection Scheme.
- Governance reform through a Mandatory Code of Corporate Governance and an Approved Persons Regime.
- Digitisation and shared services to increase efficiency, transparency, and competitiveness.
- Consolidation and member education to strengthen resilience, restore trust, and preserve the co-operative identity.

The Committee of Experts firmly believes that implementing these reforms will build a SACCO sector that is modern, stable, and globally respected where member deposits are secure, governance reflects professionalism and accountability, and SACCOs are positioned to deliver lasting value to Kenyan households and communities.

We commend this report to the Cabinet Secretary and to all stakeholders as a framework for decisive action and collaborative implementation. Together, we can ensure that SACCOs remain pillars of financial democracy, inclusive growth, and economic transformation for present and future generations.

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ABBREVIATIONS AND ACRONYMS

ACH:	Automated Clearing House
ADM:	Annual Delegates Meeting
AGM:	Annual General Meeting
AML:	Anti-Money Laundering
BETA:	Bottom-Up Economic Transformation Agenda
CBK:	Central Bank of Kenya
CEO:	Chief Executive Officer
CFO:	Chief Finance Officer
CLF:	Central Liquidity Fund
CMA:	Capital Markets Authority
CPD:	Continuing Professional Development
CUs:	Credit Unions
CUK:	Co-operative University of Kenya
CUSO:	Credit Union Service Organization
DGF:	Deposit Guarantee Fund
DT:	Deposit Taking SACCOs
EU:	European Union
ESG:	Environmental, Social, and Governance
FCA:	Financial Conduct Authority
FSCS:	Financial Services Compensation Scheme
FOSA:	Front Office Service Activity
ICA:	International Co-operative Alliance
IFRS:	International Financial Reporting Standards
KDIC:	Kenya Deposit Insurance Corporation
KETSA:	Kenya Teachers' SACCO Association
KNBS:	Kenya National Bureau of Statistics
Ksh:	Kenya Shillings
KUSCCO:	Kenya Union of Savings and Credit Co-operatives
MIS:	Management Information System
MTOs:	Money Transfer Operators
MSMEs:	Micro, Small and Medium Enterprises
NASSD:	National Steering Committee for SACCO Development
NCUA:	National Credit Union Administration

NCUSIF:	National Credit Union Share Insurance Fund
NPS:	National Payment System
NSE:	Nairobi Securities Exchange
NWDT:	Non-Withdrawable Deposit Taking SACCOs
OECD:	Organisation for Economic Co-operation and Development
PRA:	Prudential Regulation Authority
PSP:	Payment Service Provider
PwC:	PricewaterhouseCoopers
RB:	Risk-Based (regulation)
ROSCAs:	Rotating Savings and Credit Associations
RTGS:	Real-Time Gross Settlement
SACCOs:	Savings and Credit Co-operative Societies
SASRA:	SACCO Societies Regulatory Authority
SMEs:	Small and Medium Enterprises
SPS:	Stabilisation Protection Scheme
SPS-K:	Stabilisation Protection Scheme – Kenya
USA:	United States of America
UK:	United Kingdom
UGX:	Uganda Shillings
WOCCU:	World Council of Credit Unions

DEFINITIONS OF KEY TERMS

Approved Persons Regime	A system for vetting, approving, and publicly listing individuals who can hold key SACCO leadership roles such as Board Chair, CEO, CFO to ensure accountability and professionalism.
Central Liquidity Fund	A sector-wide liquidity pool enabling SACCOs to manage liquidity collectively—by contributing to, and drawing from, a central reserve to meet temporary shortfalls.
Common Bond	The shared characteristic such as workplace, geographic area, profession, or community that defines SACCO membership eligibility.
Credit Union	The international equivalent of a SACCO. Many jurisdictions use this terminology.
Deposit Guarantee Fund	A safety mechanism designed to protect members' deposits in the event of SACCO failure.
Deposit-Taking SACCO (DT-SACCO)	A SACCO licensed by SASRA to mobilize withdrawable deposits and offer front-office banking services (FOSA).
Front Office Service Activity	Banking-like services offered by deposit-taking SACCOs, such as cash deposits, withdrawals, and payments.
Governance Code	A proposed legally binding code prescribing governance, competency, and ethical standards for SACCO boards and executives.
Kenya Union of Savings and Credit Co-operatives	The national apex body for SACCOs in Kenya providing advocacy, training, and financial services. The recent KUSCCO scandal exposed systemic governance and oversight weaknesses.
Non-Withdrawable Deposit-Taking SACCO	A SACCO authorized by SASRA to mobilize non-withdrawable deposits (member shares) but not cash deposits. These SACCOs primarily provide loans secured by member savings.
Risk-Based Supervision	A regulatory approach that prioritizes oversight based on the size, complexity, and risk exposure of a SACCO rather than a one-size-fits-all framework.
Rotating Savings and Credit Associations	Informal community-based savings groups that predate SACCOs and laid the foundation for Kenya's cooperative movement.
SACCO Societies Regulatory Authority	The statutory body established under the SACCO Societies Act, 2008 to license, regulate, and supervise SACCOs that meet the legal threshold.
Savings and Credit Co-operative	A member-owned financial co-operative that provides savings, credit, and other financial services to its members.

Society	SACCOs operate on democratic governance and mutual aid principles, serving individuals, groups, and organizations.
Shared Services	Collaborative platforms that provide SACCOs with cost-effective access to common services such as ICT, compliance, training, and audit, reducing duplication across the sector.
Stabilisation Protection Scheme	A proposed mechanism modelled on Ireland’s SPS, to support struggling SACCOs through expert intervention, merger facilitation, or orderly closure.
Unregulated SACCOs	SACCOs registered under the Co-operative Societies Act and overseen at the county level but not licensed by SASRA. They account for the majority of SACCOs in Kenya (5,000 plus+) and pose systemic risk due to weak supervision.

EXECUTIVE SUMMARY

Kenya's Savings and Credit Co-operatives (SACCOs) are a cornerstone of financial inclusion, with over 7.4 million members and contributing more than 30% of GDP, particularly in agriculture, housing, and SME financing. They are central to the Government's Bottom-Up Economic Transformation Agenda (BETA), enabling community wealth creation and equitable growth.

Despite their impact, the sector faces systemic weaknesses: fragmented regulation, poor governance, insider lending, brand dilution, liquidity gaps, and limited access to modern financial infrastructure. The recent KUSCCO scandal, involving misappropriation of KSh 13.3 billion, further exposed vulnerabilities and eroded public trust.

In April 2025, the Government launched a Cabinet-led sector review and appointed a Committee of Experts to review the SACCO Societies Act and align it with national priorities, propose reforms on deposit protection, liquidity management, and shared services, develop pathways for legal harmonisation and regulation of all SACCOs, and benchmark with international best practices.

Key Findings

- Over 5,000 plus SACCOs are believed to remain unregulated, posing systemic risk.
- Governance failures include politicised boards, insider lending, and poor oversight.
- Duplication of services has led to inefficiency and unhealthy competition.
- Regulatory gaps undermine financial stability and member protection.

Priority Recommendations

1. Regulatory Reform – Harmonise laws, expand SASRA's mandate, and enforce higher prudential standards.
2. Deposit Protection and Liquidity – Establish a Deposit Guarantee Fund (DGF) under the Kenyan Deposit Insurance Corporation (KDIC), a Central Liquidity Fund (CLF), and a Stabilisation Protection Scheme (SPS-K).

3. Governance – Enforce a Mandatory Code of Corporate Governance, fit-and-proper criteria, and an Approved Persons Regime.
4. Shared Services – Scale a shared platform through a collaboration between SACCO Central, Cooptech, KETSA, for efficiency, compliance, and access to the National Payment System.
5. Consolidation and Rebranding – Encourage mergers, rebrand regulated SACCOs as Credit Unions, and maintain a moratorium on new SACCOs until new rules take effect.
6. Member Education – Launch nationwide financial literacy, education and savings strategies, and transparency initiatives to restore credibility.

The vision is a modern, resilient, and trusted SACCO sector in Kenya that is aligned with global credit union standards where member savings are as safe as bank deposits, governance is transparent, and SACCOs are positioned to drive Kenya's economic transformation.

1.0 SECTORAL BACKGROUND

Kenya's Savings and Credit Co-operative Societies (SACCOs), which are known internationally as Credit Unions, form the backbone of the national co-operative sector, and are a crucial part of the financial sector. A SACCO is a member-owned financial co-operative that provides savings, credit, and other financial services to its members. SACCOs are foundational to Kenya's financial inclusion agenda, especially among rural and underserved communities, and are one of Kenya's most powerful engines of financial inclusion and grassroots economic empowerment.

Unlike banks, SACCOs are not-for-profit and operate on principles of mutual aid, democratic governance, and community empowerment. For clarity, membership includes not only individuals but also legal persons such as registered groups, chamas, and corporate bodies. This reflects the current practice in Kenya where collective entities participate in SACCO membership and ensures inclusivity in regulation and governance.

The economic impact of SACCOs in Kenya is considerable with over 7.4 million members in 5,000 plus licensed SACCOs. They contribute 30%+ of Kenya's GDP, especially through agriculture, housing, and SME financing. SACCOs enable housing development, support rural industrialisation, especially in dairy, coffee, and other co-operative sectors. SACCOs are more than financial institutions—they're pillars of trust, vehicles for dignity, and tools for equity. SACCO's help Kenyans to:

- Build wealth sustainably
- Access credit without collateral
- Invest in homes, farms, and businesses
- Navigate life's financial ups and downs with community support

It is estimated that over 1 trillion Kenyan Shillings are held in SACCOs and the three largest SACCOs are bigger than some of the banks regulated by the Central Bank of Kenya.

1.1 Deviations from Global Best Practice in Kenya's SACCO Sector

While Kenya's SACCO sector plays a vital role in financial inclusion and economic empowerment, several structural and operational practices have emerged that diverge

from internationally recognised credit union standards. These deviations, though often rooted in historical, legal, or contextual realities, pose risks to governance, integrity, financial stability, and member trust. Addressing them is essential to align Kenya's SACCO ecosystem with global benchmarks and unlock its full potential. Key observations of divergence from global credit union standards which were observed during the Committee of Experts stakeholder engagement, included:

1.1.1 Dual Regulatory System

Kenya operates a two-tier framework of regulated and unregulated SACCOs, creating inconsistencies in supervision, compliance, and member protection. Globally, credit unions are typically subject to unified oversight to ensure prudential standards across the board.

1.1.2 Fragmented SACCO Typology

The existence of both Deposit-Taking SACCOs (DTS) and Non-Withdrawable Deposit-Taking SACCOs (NWDT) adds complexity and confusion. Internationally, credit unions maintain a single, transparent deposit structure governed by clear liquidity and withdrawal rules.

1.1.3 Insider Lending Practices

The prevalence of insider loans, often extended to board members or senior officials, undermines governance discipline and exposes SACCOs to reputational and financial risk. Global best practice mandates strict conflict-of-interest policies and independent credit committees.

1.1.4 Overlapping Loan Guarantees

The common practice of multiple members guaranteeing multiple loans simultaneously dilutes accountability and increases systemic risk. Mature credit union systems rely on risk-based lending and credit scoring rather than informal guarantees.

1.1.5 Dividend Payments from Borrowed Funds

Some SACCOs in Kenya resort to borrowing to pay member dividends, a practice that compromises financial sustainability and misrepresents profitability. Globally, dividends are paid from retained earnings, subject to capital adequacy thresholds

being met. To curb the unsustainable practice of SACCOs borrowing to pay member dividends, several jurisdictions have implemented caps and conditions on dividend payouts. These measures are designed to reinforce financial discipline, protect member savings, and ensure that dividends reflect genuine surplus, not artificial profitability. This practice should be urgently reviewed as it is unsustainable and has been proven to be one of the main reasons SACCOs are in financial difficulties or failing.

1.1.6 Board Eligibility

Requiring minimum non-withdrawable deposits or share capital to qualify for board membership may exclude capable leaders and concentrate power among wealthier members. International models prioritise democratic governance and member representation over financial thresholds.

In Kenya, due to previous challenges, capacity to lead, competency, and investment in the SACCO should be all considered for Board membership. A set of clear guidelines on Board membership minimum requirements should be developed. This will avoid a monopoly of leadership by a few wealthy individuals and inclusion of other important factors such as fit and proper criteria, minimum levels of education, a requirement for continuing professional development and certification. See Appendix IX for draft recommendations.

1.1.7 Diluted SACCO Brand

Minimum requirements to register a SACCO have led to brand dilution, with entities lacking operational capacity or governance discipline entering the market. In contrast, global credit union systems enforce rigorous licensing, capitalisation, and governance standards. Re-branding of regulated SACCOs, may be a necessary first step to differentiate SACCOs that are transforming, and that have access to increased powers and benefits such as a Deposit Guarantee Fund, a Central Liquidity Fund and Shared Services. Re-branding as Credit Unions would align to the international market and provide a separation from those institutions using the name SACCO but are transport co-operatives and also from SACCOs that are unregulated. This change would also support separation in the public market that Credit Unions are regulated and when the

DGF is operationalised, that savings are safe in a SACCO. This will require legislative amendments.

1.1.8 Member Share Capital as Core Capital

Heavy reliance on member share capital to meet core capital requirements can create liquidity constraints and limit institutional flexibility. Internationally, credit unions diversify their capital base through retained earnings, reserves, and institutional capital. The co-operative model is built on member empowerment and flexibility. Locking in funds contradicts the principle of voluntary participation and financial autonomy. Also, members cannot access their share capital when they need it, whether for emergencies, retirement, or exiting the SACCO. A deeper discussion, with the SACCO Sector, on the future business model and how to transition to a model which doesn't rely on "locked in" capital, and is aligned with international best practice, is needed to provide the best outcome for members and the institution.

1.1.9 Trading of SACCO Shares

The practice of trading SACCO shares between members or on the National Securities Exchange deviates from the co-operative principle of member ownership and long-term participation. Globally, credit union shares are nominal, typically non-transferable and redeemable only by the institution. Trading on the NSE is expected to bring about confusion for members and not likely to be in their best interests due to costs incurred to trade or poor trading conditions. However, given the scale of "locked in" savings in the Kenyan SACCO system currently, it is important that members who have share capital, which they cannot access, should have a vehicle to "trade" those shares. Any such vehicle, whether the National Securities Exchange, or some other vehicle, should ensure that members' interests are paramount.

1.1.10 Governance

The Sector is facing numerous governance challenges due to a move away from global best practice on a number of levels, some of which have already been highlighted. It is vital for SACCOs to adopt improved governance practices, to refocus on its core focus, and to adopt best practice based on the international Credit Union Operating Principles. This report makes recommendations later for the introduction of a Mandatory Code of Corporate Governance.

1.2 Strategic Implications

These deviations highlight the urgent need for legal harmonisation, governance reform, and regulatory consolidation. Aligning Kenya's SACCO sector with global best practices will strengthen member protection, enhance financial integrity, and position SACCOs as credible vehicles for inclusive growth.

1.3 Cabinet-Led Sector Review

In April 2025, Hon. FCPA Dr. Wycliffe Ambetsa Oparanya, Cabinet Secretary for Co-operatives and MSMEs Development, launched a comprehensive sectoral review. The initiative is visionary, collaborative, and reform-focused, aimed at creating a well-structured, sustainable SACCO sector that avoids redundancy, duplication and fragmentation.

To deliver significant structural reforms, the Cabinet Secretary convened a Committee of Experts with members from Kenya, the United Kingdom and the United States of America. The Committee was mandated to review the legislative and regulatory frameworks that SACCOs operate under, to review the structure which supports the SACCO sector, and to operationalise a Deposit Guarantee Fund, Shared Services and a Central Liquidity Fund for the benefit of the Sector and its members.

This Cabinet-led sector review promotes integration, digitisation, and shared infrastructure. It will be essential to actively follow up on the proposals and advance the recommendations from the Committee of Experts and it is further recommended that a new Advisory Board with representatives from across the SACCO sector, chaired by the Ministry for Co-operatives is convened. This Board will be addressed later in this report.

Prioritising integration, digitisation, and the development of shared infrastructure will drive greater efficiency, foster collaboration, and position the sector for sustainable growth. Consistent follow-up ensures that these trans-formative changes move beyond policy into practical implementation, maximising their impact across the industry.

Central to this mandate is the commitment to create a SACCO system that is fit for purpose for today, tomorrow and the future; that ensures SACCO deposits are as secure as those in commercial banks, and that the eco-system safeguards the future success of the Sector, and its responsibilities to members. The mandate is designed to develop the Sector to increase collaboration and reduce costly duplication, it is intended to help SACCOs in Kenya align with international best practice. As SACCOs scale up, achieving parity in financial safety is not only urgent, but also foundational to sustaining member confidence and sectoral credibility which is currently very low

1.4 The Mandate

The Committee of Experts was tasked to:

1. **Evaluate** the relevance and effectiveness of the SACCO Societies Act.
2. **Align** the Act with Cabinet-approved policy priorities, including
 - a) Establishment of a Central Liquidity Facility for SACCOs
 - b) Creation of a SACCO Deposit Guarantee Fund
 - c) Development of a legal and administrative framework for shared services
3. **Review** existing SACCO Regulations to enhance implementation fidelity.
4. **Analyse** current SACCO operations within the regulatory framework.
5. **Benchmark** against global SACCO models and recommend locally viable solutions.
6. **Evaluate** administrative structures for performance, efficiency, and purpose alignment.

1.5 Key Findings and Emerging Issues from Stakeholder Engagement

Key findings reveal structural and regulatory gaps that undermine sector resilience, particularly in liquidity management, deposit protection, and shared service delivery. These gaps expose SACCOs to systemic risk, while fragmented oversight, limited access to banking services, and inadequate digital infrastructure hinder operational efficiency. The Legislative and Regulatory frameworks need to be updated to create a modern-day SACCO system.

Key findings from stakeholder engagement further revealed:

- Poor governance practices are a significant challenge for the sector. Boards have become politicised and are stepping outside their remit, often becoming Executive Boards, or Executive Chairpersons taking control of day-to-day decisions. There is also evidence of CEOs stepping into strategic decision making or withholding key information from Board members.
- The registration framework, under the country governments' is not effective and is not fit for purpose. With so few requirements to set up a SACCO, and only 10 people needing to agree to save together, the marketplace has multiplied with small, unsustainable SACCOs.
- A reform of priorities is needed, e.g. legal harmonisation, the deposit guarantee fund operationalised, a central liquidity fund to be delivered, and there also needs to be more stakeholder alignment to avoid duplication and division of the sector.
- Strategic outcomes need to be developed e.g. member protection, financial stability, global benchmarking in relation to business models, governance and revisiting the core purpose of SACCOs.
- Credibility in the Sector is low, partially due to failures, fraud and governance issues. Financial losses in the sector, and Board's being politicised are having a detrimental impact on SACCOs across the country.
- The majority of SACCOs are not regulated, which increases the risk of financial instability for the sector and ultimately for members.
- The different types of SACCOs are confusing for members and potential members and are not aligned with international best practice. A review of the business model and a harmonisation is needed.

Stakeholder engagement revealed three immediate challenges:

- **Regulatory Gaps:** Unregulated SACCOs require a clear pathway to more formal oversight in the short term, and full regulation in the longer term. Regulation is the cornerstone of sectoral health and member protection, and Kenyan SACCOs require a more robust, permissive regulatory framework.
- **Structural Misalignment:** The current sector architecture diverges from continental and global co-operative norms. A recalibration is needed to restore institutional focus and coherence. SACCOs need to refocus on their core purpose and align with international credit union business models.

- **Duplication of Functions:** Multiple institutions within the sector are duplicating products and services to the sector, e.g. training and education and liquidity funding, leading to inefficiencies and unnecessary competition and division.

1.6 Recommendations to Improve SACCO Sector

To address these challenges, this report recommends solutions to the vision set out in the Mandate, and to other issues raised through the Stakeholder engagement. It is important that solutions are aligned to the stages of SACCO development and the pathway to maturity, which is already characterised by a few large progressive SACCOs with open common bonds, that are already delivering a wide range of financial services, embracing ICT/digitisation, and have professional Boards and Leadership Teams.

These solutions will be addressed throughout the report in fuller detail, and includes:

- **Legal Harmonisation:** Amendments to the SACCO Societies Act and related Acts are needed to clarify and improve the mandate for SACCOs; streamlined supervision and enhanced enforcement is critical for success.
- **Institutional Strengthening:** Establishment of a Central Liquidity Fund and a SACCO Deposit Guarantee Fund to safeguard member deposits and ensure sector-wide stability is urgent. Establishment of a Stabilisation Protection Scheme (SPS), to support SACCOs in difficulty, is needed. Mergers and collaboration need to be accelerated and should be mandatory for SACCOs that are not sustainable. A **mandatory** Code of Corporate Governance should be implemented (see Appendix VI for draft Code of Corporate Governance).
- **Shared Services Framework:** Development of a legal and administrative structure to support cost-effective, scalable service delivery across SACCOs. This can be achieved by bringing those institutions already operating a form of shared services together.
- **Global Benchmarking:** Adoption of best practices from high-performing co-operative/credit union jurisdictions is needed and tailored to Kenya's socio-economic context is critical. This is especially important in relation to the structure of the sector and the relationship between key stakeholders.
- **Stakeholder Sensitisation:** A roadmap for reform implementation, anchored in consensus-building and inter-agency coordination is needed.

- **Licensing, Regulation and Oversight:** The development of a new strategic approach to regulation that brings all SACCOs into regulation over a period, is critical to the success of the sector. New structures at Commissioner and County level to support supervision, oversight and enforcement of minimum standards are required. An improvement in minimum standards for registering a SACCO is needed and minimum prudential standards for continuing trading must be implemented. The development of a Stabilisation Protection Scheme is critical to supporting those SACCOs which are unstable.

This report will address, in-depth, the issues the SACCO Sector in Kenya is facing today. The report will highlight the challenges and opportunities; it will make recommendations on the way forward to ensure a collaborative approach to building a strong SACCO Sector that is fit for the future. The report will set out priorities over the short, medium and long term.

Central to these recommendations is a continuation of the moratorium on the registering of new SACCOs which the Cabinet Secretary set in May 2025. This will allow for new SACCOs to be registered under any new regulations adopted.

2.0 METHODOLOGY

The Committee of Experts adopted a rigorous and inclusive methodology to ensure that the review and recommendations presented in this Report are evidence-driven, participatory, and aligned with international best practice in cooperative financial regulation. The process combined extensive consultations, structured analysis, legal and institutional review, and global benchmarking.

2.1 Stakeholder Engagement

Over a period of 16 weeks, the Committee conducted an extensive programme of stakeholder engagement across the SACCO ecosystem. The purpose was to capture diverse perspectives, ensure inclusivity, and build ownership of the reform agenda. This process included:

- **High-Level Consultations:** Meetings with Government Ministers, Members of Parliament and Senate Committees, the Commissioner for Cooperatives, Principal Secretary, Council of Governors Secretariat, and senior regulatory officials.
- **Sectoral Consultations:** Dialogues with apex bodies and associations such as SASRA, KUSCCO, KETSA, SACCO Central, the Co-operative Alliance of Kenya, and the Co-operative University of Kenya.
- **Regional Outreach:** Town hall sessions and regional meetings with SACCO CEOs and board members, management teams, staff, and members across counties to reflect grassroots realities.
- **Individual Consultations:** One-on-one interviews with senior SACCO leaders and regulators to capture candid perspectives on governance, risk management, and regulatory challenges.
- **Structured Surveys:** Questionnaires circulated to selected SACCOs to generate quantitative insights that complemented the qualitative data gathered.

This approach ensured triangulation of evidence and incorporated the views of policymakers, practitioners, and members. Issues raised beyond the formal mandate were documented where relevant to sector transformation.

2.2 Legal and Institutional Review

The Committee undertook a comprehensive review of the legislative and institutional frameworks governing SACCOs. This included analysis of the SACCO Societies Act (2008), the Co-operative Societies Act, the Banking Act, the Companies Act, the Microfinance Act, and related statutes. Special focus was placed on overlaps, inconsistencies, and gaps between national and county jurisdictions.

Institutional reviews were conducted to assess the mandates, roles, and operational capacities of key actors, including the SASRA, the Office of the Commissioner for Cooperatives, and County Governments.

2.3 International Benchmarking

To ensure alignment with international standards, the Committee engaged with peer institutions and regulators across leading cooperative financial systems. Benchmarking missions and exchanges were held with:

- **Ireland:** Central Bank of Ireland, Irish League of Credit Unions, Irish League Foundation.
- **United Kingdom:** Bank of England/Prudential Regulation Authority, Financial Conduct Authority, Financial Services Compensation Scheme.
- **United States of America:** National Credit Union Administration (NCUA).
- **Africa:** Comparative references to the Deposit Protection Funds of Uganda, Ghana, and cooperative regulatory frameworks in other African jurisdictions.

These engagements provided insights on deposit protection, liquidity management, governance, regulatory proportionality, and stabilisation mechanisms that can be adapted to Kenya's context.

2.4 Data Collection and Analysis

Primary data from stakeholder consultations and questionnaires was supplemented with secondary data from regulatory reports, SACCO financial statements, and national statistics. The Committee conducted thematic analysis to identify governance weaknesses, systemic risks, and opportunities for reform. Evidence was synthesised into actionable reform priorities and structured to inform this Report's recommendations.

2.5 Validation and Consensus Building

To ensure credibility, emerging findings were presented back to stakeholders through workshops and validation forums. This iterative approach allowed stakeholders to critique and refine proposals, thereby strengthening sector-wide consensus and ensuring that recommendations are practical, inclusive, and implementable.

3.0 CONTEXT, OPPORTUNITIES AND CHALLENGES FOR SACCO SECTOR

3.1 Context

Savings and Credit Co-operatives (SACCOs) in Kenya are member owned, and member controlled financial institutions, that serve people and communities. Traditionally SACCOs have been organised through a commonality such as a workplace, an industry, a place of worship or a specific community; this community forms the “common bond” under which licensing is organised.

Currently there is a dual framework for licensing and regulating SACCOS. At present 355 SACCOs are licensed and regulated by the SACCO Societies Regulatory Authority – SASRA. It is estimated that the 355 regulated SACCOS currently hold around 87% of assets held by SACCOs in Kenya. A SACCO must reach 100m Ksh in deposits to be regulated by SASRA. According to data produced by KNBS there are over 5,000 plus+ SACCOs which sit outside the regulatory framework.

Unregulated SACCOs registered (incorporated by the Commissioner, a National Government office) are thereafter presumed to be supervised by County Government. Presumed because County Governments, through their County Co-operative Officers, implement the Cooperative Societies Act, in the absence of their County Specific Cooperative Laws. (NB-A few County Governments e.g. Meru County have enacted their Co-operative legislations, but their actual implementation is doubtful). It is important to note that the Courts have ruled that in the absence of County Specific Cooperative Legislation, the County Governments are free to implement the Co-operative Societies Act as it is for the Cooperatives including SACCOs within their Counties, and without reference to the Commissioner for Co-operatives.

Due to the lack of data on unregulated SACCOs it is not possible to fully estimate the number and value of assets held and whether they are active or dormant. However unregulated SACCOs pose a significant systemic risk to the credibility of the Sector in Kenya and a pathway to regulation for all is critical. This is even more important as the sector moves forward to implement a Deposit Guarantee Fund, a Central Liquidity Facility, and Shared Services, which should only be accessible to regulated SACCOs, as is international best practice.

SACCOs offer access to financial services tailored to members' needs, they support MSMEs, farming, and housing. They help to organise farmers, traders, and workers into economic or geographical units (common bonds) to access loans, investments and banking services. SACCOs inject liquidity into local economies, supporting consumption and enterprise growth. Their member-led model fosters accountability, equity, and community empowerment.

Kenya's SACCO sector, however, has evolved in a way that is out of step with global co-operative norms, and there is a need to restructure its governance, regulation, and institutional orientation to restore coherence and safeguard the co-operative identity.

Globally, financial co-operatives are typically governed under a unified co-operative financial sector law, which reinforces consistent prudential standards, safeguards member-centric values, and preserves the distinct co-operative identity. In contrast, Kenya's fragmented regulatory framework where SACCOs fall under multiple oversight regimes, has led to operational inefficiencies, regulatory arbitrage, and a gradual cultural drift. As a result, some SACCOs increasingly mirror commercial banks in behavior and structure, diluting their co-operative ethos and weakening their role as instruments of inclusive finance.

3.1.1 Classification by Regulation: Deposit-Taking vs Non-Withdrawable Deposit vs Unregulated

Regulatory oversight of SACCOs in Kenya operates under a dual framework, which is distinguished between regulated and unregulated institutions. Even within this framework there are two distinct types of SACCOs – Deposit Taking SACCOs and Non-Withdrawable Deposit Taking SACCOs, which adds to the confusion of members, and the public at large. This split structure has led to duplication of functions, inconsistent service standards, and notable regulatory blind spots, undermining sector-wide coherence and member protection.

The SACCO Societies Regulatory Authority (SASRA) licenses and supervises large Deposit-taking SACCOs, as well as large Non-withdrawable Deposit-taking SACCOs with assets more than Ksh 100m. SACCOs with less than Ksh 100m remain under the general oversight of the Commissioner for Co-operative Development and County

Governments as per the Co-operative Societies Act. Table 1.0 summarises the categories and numbers of SACCOs as of 2025:

Category	Number of SACCOs	Notes
Deposit-Taking SACCOs (DTS)	178	Licensed by SASRA to take withdrawable member deposits and offer front-office savings services (FOSA). These are the regulated SACCOs that function similar to co-operative banks.
Non-Withdrawable Deposit-Taking SACCOs (Non-Withdrawable DT-SACCOs)	177	Authorised by SASRA as credit-only SACCOs (no withdrawable deposits). They mobilise non-withdrawable member shares and predominantly provide loans secured by those savings. Introduced under 2020 regulations to bring large credit SACCOs under oversight.
Unregulated SACCOs under license with county government	Approx. 13,156 (KNBS 2024)	Not regulated by SASRA – the remainder of SACCOs (mostly small and community-based). They are registered under the Co-operative Societies Act but oversight is by the Commissioner for Co-operative Development and county governments. These include small rural SACCOs, farmer co-operatives, and others below the threshold for SASRA supervision.

Table 1.0: Source List of Licensed and Authorised Sacco Societies in Kenya for the Financial Year Ending 31st December 2025

As shown above, 355 SACCOs are under SASRA regulation in 2025 (178 deposit-taking and 177 non-withdrawable deposit-taking). These regulated SACCOs are larger institutions that collectively hold the vast majority of the sector's assets and membership. In 2025, regulated SACCOs accounted for over 85% of total SACCO assets and serve 7.4million members. They are subject to prudential standards like banks (capital adequacy, liquidity, reporting requirements, etc.). Notably, SASRA

expanded its mandate in 2021 by requiring the larger non-withdrawable deposit taking SACCOs to come under regulation. Non-WDT SACCOs with more than Ksh 100 million in member deposits now must be authorised by SASRA. This brought 170+ formerly unregulated credit co-operatives into compliance, enhancing transparency and stability. Smaller SACCOs with less than Ksh 100M in deposits and very localised operations, remain outside SASRA's remit. These unregulated SACCOs, numbering over 5,000 plus+, are typically supervised at the county level and often face capacity challenges in respect of governance, digitisation and capitalisation.

A further complication is the number of other types of institutions that use the term "SACCO" but do not operate under the same business model as traditional SACCOs. For instance, the transport cooperatives which are using the name "SACCOs" instead of "Transport Cooperatives". Thought must be given to how to differentiate mainstream savings and credit institutions from those using the term SACCO. It is recommended that consideration be given to a rebrand of regulated SACCOs to Credit Unions to create a separation from SACCOs not regulated by SASRA, to increase credibility, as well as align to international standards.

Globally, the norm is for SACCOs to be licensed and regulated, regardless of size, and to adhere to strict prudential standards (capital adequacy, liquidity, risk-based supervision) that mirror commercial banks, whilst maintaining their co-operative ethos and principals. Given the majority of SACCOs in Kenya are not regulated by SASRA, this poses a systemic risk not to only members, but the financial services sector generally. Rapid growth has led to governance challenges — board members not adhering to by-laws, using the SACCO for political purpose or personal gain, has resulted in unsustainable business models, weak member education, and instances of mismanagement or fraud.

Research and benchmarking with other jurisdictions, with successful SACCO (Credit Union) sectors, has shown a direct link to success when there is a strong emphasis on member education, transparent governance, and external audit support which keeps co-operatives accountable. SACCO members in Kenya often lack real power due to scale, complexity, poor governance and regulatory frameworks.

Many SACCOs in Kenya have achieved impressive scale and outreach. However, their structural design increasingly reflects hybrid models—blending co-operative principles with commercial banking practices. This shift diverges from global co-operative norms, where institutions remain distinctly member-driven, adaptable, and embedded within co-operative ecosystems. This is commonly referred to as “structural misalignment.”

3.2 Challenges SACCOs are Facing

Unlike commercial and micro finance banks, those SACCOs that are regulated, operate under a restrictive legislative and regulatory regime that limits their ability to offer a full suite of modern financial services to their members. As a result, SACCOs are unable to provide services such as foreign exchange, digital wallets, direct credit/debit card issuance, money remittance, and investment services.

SACCOs do not have direct participation in the National Payment System (NPS). This means SACCOs must use a mainstream bank to provide access, which results in time delays and additional costs for SACCOs, as well as exclusion from the delivery of some products and services to members, e.g. foreign exchange. All of this undermines SACCO efficiency, service delivery, and innovation.

SACCOs in Kenya are at a further disadvantage in that they do not have access to a Deposit Guarantee Fund (DGF). Savings deposited in a SACCO in Kenya are at risk in the event of failure. Access to a deposit guarantee fund is critical to the growth of the SACCO Sector, to build trust and credibility for members and potential members.

Liquidity challenges, both excess liquidity, and limited access to liquidity in time of high loan demand or withdrawal of savings, provides additional risks to the business, and means additional costs to the SACCO. Often significant costs are incurred by SACCOs because of having to purchase additional funds at significantly higher rates through the banking system, or due to earning less on liquid funds because of having to spread investment risks.

The Kenyan SACCO Sector has become very fragmented and has somewhat moved away from the international operating principals and business models. This has

resulted in duplication of services and product delivery to SACCOs, e.g. training and development, as well as unhealthy competition among key stakeholders. The Sector has gradually been moving away from international best practice in relation to the structures, and the effectiveness of key stakeholders has been diluted.

The Sector in Kenya has become very complex in respect of the types of SACCOs, but also the business model does not reflect international credit union norms. Examples of this are the types of SACCOs e.g. Deposit Taking SACCOS (DTS) versus Non-withdrawable Deposit Taking (NWDTS) SACCOs. Also, not all SACCOs are regulated, despite a regulatory framework being in place. A further example of deviation from international norms is the level of share capital required from members, and the dependence on this non-withdrawable share capital to contribute to core capital.

SACCO licensing and oversight needs to be reviewed and transformed as a matter of priority. There are an estimated 5,000 plus SACCOs in Kenya, with only 355 regulated by the SACCO Societies Regulatory Authority (SASRA). SACCOs with less than Ksh100m are not regulated. It is believed this limit needs to be reviewed, bringing more SACCOs into SASRA Regulation, especially as Kenya charts a path toward a unified, resilient SACCO sector. Reviewing the role and capacity of SASRA is essential to ensure it can effectively deliver on the long-term vision: bringing all SACCOs under a single, robust regulatory framework. The importance of reviewing the Regulator is addressed later in this report.

3.3 Opportunities for Growth

SACCOs are a natural fit for Kenya's Bottom-Up Economic Transformation Agenda (BETA) — they're already embedded in the grassroots economy and have the infrastructure to drive inclusive financial growth. SACCOs align with and can accelerate BETA's goals through:

- **Economic Inclusion and MSME Support:** SACCOs serve the underserved — farmers, traders, and informal workers — the very groups BETA prioritises. They offer affordable credit, investment and savings mechanisms tailored to individuals and micro and small enterprises.
- **Legal Harmonisation and Governance Reform:** The government is actively realigning SACCO laws and regulations to support BETA programmes. This

includes harmonising regulatory frameworks to ensure transparency, sustainability, and member protection. Changes to the laws and regulations will support a more robust infrastructure. However, such changes need to bring all deposit taking SACCOs (both withdrawable and non-withdrawable) into regulation to increase credibility, which has been impacted due to recent scandals (e.g. KUSCCO) and SACCO failures. This is needed to strengthen oversight and to restore public trust.

- **Digital Transformation and Efficiency:** BETA emphasises technology-driven service delivery — SACCOs need to increase access to digital platforms for core banking, mobile access, and inter-SACCO lending. This will be supported through the operationalisation of shared services and a Central Liquidity Fund. The Kenyan SACCO system is not yet mature enough to have more than one shared services institution. A single shared services model will reduce operational costs, provide access to improved digitisation, and improve compliance. A Central Liquidity Fund (CLF) will enable SACCOs both to contribute to (and improve income), and withdraw from a CLF in time of need, to serve members better. These innovations align with BETA’s push for cost-effective, scalable financial solutions.
- **Community Wealth and Asset Building:** SACCOs can help members mobilise savings for housing, land ownership, and education, directly contributing to BETA’s goals of asset creation and social mobility. They support co-operative investment models that build local wealth and reduce dependency.
- **Fiscal Decentralisation and County Engagement:** SACCOs are key players in county-level economic development, enabling localised financial ecosystems. BETA’s county support programmes can leverage SACCO networks for targeted interventions and data-driven planning.

SACCOs are not new, they have been serving members in Kenya for many years. The evolution of SACCOs dates back decades as is shown in Table 2.0

Date	Evolution
1950s–1963: Informal Foundations	<ul style="list-style-type: none"> • Community-based ROSCAs and mutual aid groups • No formal legal framework or government support
1963–1980s: State-Led Expansion	<ul style="list-style-type: none"> • Post-independence push for co-operative development • SACCOs formalised under the Co-operative Societies

	Act <ul style="list-style-type: none"> • Rapid growth in rural savings mobilisation
1990s–2008: Governance Challenges and Legal Reform	<ul style="list-style-type: none"> • Sector plagued by mismanagement and weak oversight • Enactment of SACCO Societies Act (2008) • Establishment of SASRA to regulate deposit-taking SACCOs
2009–2020s: Regulatory Changes and Digital Shift	<ul style="list-style-type: none"> • Introduction of prudential standards and licensing • Risk-based supervision and financial reporting • Early adoption of digital platforms and mobile services
2020s–Present: Strategic Reforms and Vision 2030 Alignment	<ul style="list-style-type: none"> • Legal harmonisation and expansion of regulatory perimeter • Inclusion of non-deposit-taking SACCOs • Focus on digital infrastructure, liquidity frameworks, and member protection

Table 2.0 History of SACCO Sector

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Over the past few years SACCOs continue to fail for various reasons, this includes both regulated SACCOs under the supervision of SASRA as well as non-regulated SACCOs under county governments. Weak internal controls, lack of qualified professionals leading the SACCOs, poor governance, and financial mismanagement have all played a part in the failure of SACCOs. Other failures have been because of low member literacy, poor financial management, diversion of funds into non-core business and poor loan portfolio management.

As a result of macro-economic conditions in Kenya, a practice which is becoming increasingly prevalent and is now known to have a serious detrimental impact on SACCOs, in some cases to the point of failure, is the non-remittance of deducted savings by employers to the SACCO. This practice is leaving SACCOs and members in very vulnerable situations and needs to be addressed as a matter of urgency. Even though there are already provisions in place for members savings through employers to be handed over to the SACCO, this is not happening and stronger provisions and penalties on employers need to be considered ensure funds are handed over timeously, but also to protect members.

The Sector does not have a common vision or strategy, nor does it have a stabilisation strategy for those SACCOs which are facing challenges and at risk of closure or liquidation, but could potentially either be saved, or merged into another SACCO. The development of a Stabilisation Protection Scheme (as was seen in Ireland) is needed as a matter of priority to support SACCOs that can be “saved” with the right expertise and help. For those SACCOs that cannot be saved, the SPS should recommend either a SACCO to merger into a stronger institution or liquidate.

3.4 Governance Failures and Lessons from the KUSCCO Scandal

Currently the Sector is also dealing with the fallout from the serious fraud at the National Apex KUSCCO Ltd. Throughout stakeholder engagement, by the Committee of Experts, SACCO Leaders expressed specific concerns about KUSCCO, the impact of the losses incurred, but also a “real fear about investing in KUSCCO, or any other unregulated institutions again in the future” as was quoted by several senior leaders in the sector.

A forensic audit revealed misappropriation of over KSh 13.3 billion from member SACCOs. Fraud methods included illegal cash withdrawals, unauthorised transfers, and unsupported executive loans. Transactions were allegedly authorised using the signature of a deceased official, exposing severe internal control failures. At least 23 senior staff were implicated, including top leadership. Legal action was taken against four suspects, with KSh 82 million allegedly used to buy land in Nairobi. Deposits from over 247 SACCOs were put at risk, with KSh 12.5 billion still unaccounted for.

The KUSCCO scandal is one of the most sobering wake-up calls in Kenya’s co-operative finance history. The fraud exposed deep systemic vulnerabilities that threaten not just financial stability, but public trust in SACCO governance.

It is imperative for the future success of the Sector that all entities that hold member or SACCO funds are regulated. It is also important that organisations within the SACCO ecosystem remain focused on their core mission and purpose and work together to reduce duplication.

The new KUSCCO Board should consider the future strategy of the organisation, particularly as it transitions to a Federation. KUSCCO needs to continue to rebuild credibility within the Sector, to re-visit its core purpose and strategic direction, and the Board should think about its role in supporting the SACCO sector, and its future sustainability as a key partner. The Board should also consider re-branding and moving away from the tarnished name KUSCCO. To minimise fraud in the SACCO sector, the lessons from the KUSCCO scandal must be translated into proactive, systemic safeguards and where possible for these to be mandatory through the regulatory environment, not just for the Apex and Unions, but also for SACCOs.

3.5 Safeguards for Protecting the SACCO Sector and Additional Opportunities

Based on stakeholder feedback and engagement with SACCOs the following areas of concern have been identified. Safeguards and improvements should be considered and implemented:

3.5.1 Governance and Oversight

- **Board Accountability:** Board Accountability: Mandate board training and continuous professional development on fiduciary duties and conflict-of-interest policies. Ensure a system of accountability through regulatory policy. Consider mandatory succession policies. Develop a system of “Approved Persons” for key individuals in decision making roles, and a public register of such individuals, operated and maintained by SASRA.
- **Audit Integrity:** Require independent external audits by approved auditors, this should extend to independent internal audit. To provide best practice and cost efficiencies, audit services could be delivered through Shared Services. It is further important that the Ministry for Co-operatives and SASRA develop a set of rules and guidelines for audit services, and non-compliance should have consequences. The current system of self-regulation has proven not to be as effective as it needs to be and is causing challenges in the SACCO sector. SASRA, as the regulator, needs to be able to sanction where appropriate for poor behaviours or failure by auditors to provide quality services.
- **Whistleblower Protection:** Whistleblower Protection: Develop a robust whistle-blowing policy at the regulatory level and make it mandatory for

SACCOs to have a Whistle Blower Policy that protects individuals that provide evidence of wrong-doing in a SACCO. Establish secure, anonymous reporting channels with legal safeguards for whistle-blowers.

3.5.2 Financial Controls and Risk Management

- **Real-Time Monitoring:** SACCOs and related institutions must employ digital systems for transaction tracking and automated alerts. Audit reporting to leadership and the Regulator, on a regular basis is critical. This is particularly important in respect of reporting on financial and key ratios such as capital and liquidity.
- **Risk-Based Supervision:** SASRA must introduce early warning indicators for financial distress and governance lapses. A system for collecting real time data and measuring robust financial ratios is critical. Working with industry to develop an improved platform for reporting is critical. This should also be rolled out to the county government to gather data on unregulated SACCOs. Support for the development of ICT systems, capable of providing credible and uncontaminated data, to the government and regulator should be developed through the Shared Service Platform. SACCOs must deploy or be made to deploy appropriate ICT systems, capable of providing credible and uncontaminated data to the regulator or county government. SACCOs that do not comply with reporting requirements should be sanctioned until they meet minimum requirements.
- **Develop a Stabilisation Protection Scheme** similar to the SPS system in Ireland identified as part of the bench-marking exercise). The objective of stabilisation protection scheme/fund is to allow a SACCO to trade through its difficulties, or to support and facilitate an orderly transfer of engagements (merger), thereby maintaining services to members. (See Appendix VII)
- **Deposit Insurance:** Accelerate the implementation of a SACCO Deposit Guarantee Fund to protect member savings (See Section 7).
- **Insider Loans:** Tighten controls and transparency for insider loans. Insider loans should follow the same interest rates, repayment terms, and credit evaluation criteria as member loans, preferential treatment should be banned. SACCOs should publicly disclose insider lending and cap the total exposure. Loans to officers must be approved by a neutral committee with no ties to the

borrower. Employee Loans, as a benefit of employment, should also follow strict lending protocols, particularly for affordability, but should be approved by the CEO. The interest rates on such loans should be set by the CEO.

- **External Borrowing:** Restrict external borrowings not just to the prevailing prudential limits i.e. 25% of the total assets and borrower's limits approvals, but also to prior approval by the Regulator. SACCOS that intend to apply for external borrowing, should be required to present a business case to the regulator and approval required. Any deviation from using external borrowing should be treated as mismanagement by the regulator. As previously stated also, SACCOs should **not** be approved to apply for external borrowing to pay dividends.

3.5.3 Digital Infrastructure and Transparency

- **Member Dashboards:** Provide SACCO members with access to real-time statements and performance metrics, educate members to look for red flags in their SACCOs. Shared Services is an ideal vehicle, working alongside SACCOs and fintechs, to deliver a common platform.
- Currently, SACCOs only provide year-end results at the AGM. The SACCO sector can borrow best practices from the Banking Act Cap 488 and CBK prudential guidelines that require banks to provide Half Year and Full Year Financials through a mandatory publication in at least two newspapers of national circulation.
- **Audit Trails:** Ensure all financial transactions are digitally logged and traceable, and that there is an "accountable person" in each SACCO tasked with ensuring transactions are correct.
- **Sanctions Register:** Create a national SACCO sanctions register to deter offenders and ensure they cannot move from SACCO to SACCO. Enhance due diligence through a new "Approved Persons Regime" (See Appendix VIII). SASRA should consider a public register of proven offenders (that have caused a SACCO to fail, or who have mismanaged SACCO funds) and report on anyone that has been sanctioned on the Register. Penalties for fraud or mismanagement need to be punitive, the current regulatory penalties are not a deterrent to bad behaviour or fraud. Consideration should be given to introducing legislation to impose greater financial penalties for poor behaviour

through the Regulations, so that they can be updated as required, and so the regulator can impose penalties based on the seriousness of the fraudulent act. It is easier to update regulations than change an Act of Parliament.

- SASRA to maintain a public register of people approved to hold key positions (e.g. Board Chair, Treasurer, CEO, CFO), similar to the Senior Managers and Certification Regime in the UK, which set standards of competency for key people in the SACCO. (See Appendix VIII).
- **Unified Legal Framework:** Introduce a tiered regulatory approach to SACCOs. Align SACCO laws and regulations across all tiers to eliminate loopholes and regulatory arbitrage by bringing under regulations in one way or the other:
 - a) All Secondary SACCOs taking deposits;
 - b) The small sized SACCOs with deposits below Ksh 100 million;
 - c) The housing and investment co-operatives;
 - d) Subsidiaries of SACCOs through consolidated supervision;
 - e) SACCO owned entities providing common services to SACCOs like shared services;

3.5.4 Legal Harmonisation and Regulatory Reform

- **Sanctions and Enforcement:** Strengthen penalties for governance breaches and financial misconduct. The current situation is that the financial sanctions and penalties are largely aimed at the SACCO as an institution, rather than the officials committing the violations or non-compliance.
- Currently, there are no frameworks for government, and government agencies, like the Commissioner or SASRA to pursue the recovery of embezzled assets or funds from former officials. The surcharge framework has not been effective, because it is often left to the same SACCOs to pursue recovery. There is usually very little incentive for the SACCOs to pursue their former officials for such recovery. Furthermore, the legal framework does not provide for tracing of such assets but leaves it to normal civil recovery proceedings - which has serious loopholes. Lastly, there is no framework for re-unification of traced and recovered assets with the beneficiary SACCOs. This is critical as such assets, should not be appropriated to the exchequer.

3.5.5 Member Education and Stakeholder Engagement

- **Financial Literacy Campaigns:** Build the capacity of members and equip them with tools to understand statements, spot red flags, and demand accountability from leadership.
- **Stakeholder Forums:** Institutionalise regular engagement between regulators, SACCOs, and members. Create a forum of Key Stakeholders operating secondary co-operatives including the Federation and Unions with a mandate to work together and reduce duplication in the Sector.
- **Transparency Scorecards:** Publish SACCO governance and financial health ratings to help members make informed decisions. Include:
 - a) Governance quality (e.g. board composition, mix of skills, audit practices, member participation)
 - b) Financial health (e.g. liquidity ratios, loan portfolio performance, solvency, asset growth)
 - c) Compliance status (e.g. adherence to SASRA regulations, audit outcomes, risk exposure)

3.6 Conclusion

In essence, there are many challenges within the Kenyan SACCO Sector. However, it is apparent, through extensive stakeholder engagement and through the Mandate provided by the Cabinet Secretary for Co-operative MSMEs Development, that there is a real willingness amongst SACCOs and Key Stakeholders, and a desire to build a strong, sustainable SACCO sector, fit for the future. This report will further address opportunities and changes needed to deliver the vision of a world class SACCO sector in Kenya.

The report will provide a set of Recommendations to strengthen the Sector and provide a pathway to regulation for all SACCOs in Kenya.

4.0 STAKEHOLDER ENGAGEMENT

Stakeholder engagement is the cornerstone of successful SACCO reforms in Kenya, not just a formality, but a strategic imperative. The Committee of Experts carried out over 16 weeks of engagement ensuring that it met with people from every part of the SACCO sector as well as institutions that serve or have a relationship with SACCOs. The Committee of Experts met with Ministry officials, SACCO leaders, co-operatives, unions, vendors and international partners, amongst others.

As well as 1-2-1 meetings with key stakeholders, the Committee attended regional meetings, organised workshops with key stakeholders on collaboration, and three workshops on the benefits of shared services. The Committee held a joint workshop with the SASRA Board. Several meetings were held with the Cabinet Secretary for Co-operatives, the Commissioner for Co-operatives and the Principal Secretary. Positive meetings were also held with the Kenyan Deposit Insurance Corporation and the Central Bank of Kenya. The Committee of Experts also met with the Council of Governors Secretariat, and both the Parliament and Senate Committees on Co-operatives, which provided rich engagement.

The Committee centred on the guiding question: **“What does good look like for the Kenyan SACCO sector?”**

Key aspects of this question included:

- a) The enforcement of a system of safety and soundness built on a resilient and risk-sensitive regulatory framework.
- b) Providing public confidence measures in support of the SACCO system.
- c) Establish effective governance, compliance, and oversight rules for SACCOs.
- d) Develop a vision-aligned system that supports growth and innovation.

Stakeholder engagement is critical to ensure the following:

i) Developing Reforms that Mirror Realities

- SACCOs serve a significant number of households with almost 8m Kenyans holding membership in a SACCO. Many of these households are financially excluded and SACCOs provide their only source of credit.

- Engaging members, leaders, and community activists ensure proposed changes reflect real challenges, from liquidity stress to governance failures.

ii) Building Trust and Legitimacy

- SACCOs are built on trust; reforms must preserve and reinforce this principle.
- Inclusive engagement mitigates resistance, fosters ownership, and turns reforms into co-created solutions — essential for long-term sustainability.

iii) Policy and Legal Alignment

- Coordinated input helps avoid legislative overlap, ensures consistency with the SACCO Societies Act, and aligns reforms with Kenya's Bottom-up Economic Transformation Agenda (BeTA).

iv) Cross-sector Collaboration

- SACCOs intersect with housing, agriculture, transport, and MSMEs; reforms need to reflect the needs of these groups and where necessary, separate frameworks.
- Stakeholder engagement strengthens shared service frameworks and digital transformation by gathering expertise across sectors.

v) Data, Insight and Innovation

- Consultation with the sector provides granular insights that desktop reviews cannot.
- Engagement brings about innovative ideas from member driven governance models to tech-enabled supervision that can be scaled nationally.

vi) Accelerating Reform Uptake

- Timely stakeholder buy-in streamlines implementation.
- Regulators and SACCOs are more likely to adopt reforms they've shaped, reducing lag between policy approval and operational rollout.

As well as meetings in Kenya, the Committee of Experts, the Cabinet Secretary and Principal Secretary, together with technical advisors, undertook benchmarking visits to the United Kingdom, the United States of America and Ireland. An online meeting was held with the National Credit Union Administration (NCUA) in the USA to discuss the

merits of the USA Credit Union Deposit Insurance Fund Share Insurance Fund Overview | NCUA. Meetings were held with the Central Bank of Ireland, the Irish League of Credit Unions, the Irish League Foundation, and visits were made to Irish Credit Unions of different sizes.

In the United Kingdom, the team visited with both regulators for the financial services sector, under which Credit Unions (SACCOs) sit, the Bank of England/Prudential Regulation Authority, and the Financial Conduct Authority. A visit to the UK Financial Compensation Scheme (DGF) was also undertaken. In both the UK and Ireland Credit Unions (SACCOs) sit within the national financial services frameworks for regulation and protection (DGF) and are not under separate regulatory authorities to the banking sector. In both the United Kingdom and Ireland, Credit Unions have proportional regulation based on size and complexity of the products and services the Credit Unions offer to members. However, for some products e.g. mortgages, which are high value, longer term loans, credit unions must adhere to the same rules as the banking sector and require increased capital and liquidity requirements.

For context, Credit Unions (SACCOs) in Ireland and the United Kingdom are very similar in size to SACCOs in Kenya. However, in both countries all SACCOs are regulated, regardless of size. Ireland has one of the highest penetration of members globally, with over 75% of the population holding a credit union account, yet there has not been a Credit Union registered since the 1990's. Credit Unions are growing in Ireland, and the UK, through strategic mergers, rather than setting up new credit unions.

The Committee of Experts gathered information, and were exposed to best practice, through the benchmarking visits. Many learnings from these visits can be adapted and adopted to support the success and transformation of SACCOs in Kenya.

5.0 LEGISLATIVE AND REGULATORY REVIEWS

Despite SACCOs holding significant deposits and serving millions of Kenyans, the existing laws severely limit SACCOs in scope both legally and operationally compared to banks. This results in:

- Exclusion from national payment systems (RTGS, Pesa Link, ACH) forcing them to reroute all payments through Banks.
- Inability to offer foreign currency accounts or forex services.
- No licensing path as Payment Service Providers (PSPs) or Money Remittance Providers (MTOs).
- Barriers to issuing digital wallets, credit/debit cards, and running agency networks.
- Lack of access to custodial or investment services, thereby limiting financial innovation.
- The SACCO Act confines SACCOs to trading in Kenyan Shillings.
- The CBK and Banking Acts limit foreign exchange and settlement participation.

These restrictions stem from outdated legislation and narrowly scoped regulatory frameworks, which must be modernised to enable capable SACCOs, i.e. those that meet the minimum requirements of the Central Bank of Kenya and relevant Acts, to access the national banking infrastructure to better serve their members.

5.1 Overview of Legal Framework Within Which SACCOs Operate

The SACCO Societies Act (No. 14 of 2008) was Assented to on 24th December 2008 and commenced on 26th September 2009. This Act established the SACCO Societies Regulatory Authority (SASRA) and laid the legal foundation for licensing, regulating, and supervising **deposit-taking** SACCOs in Kenya. It marked a pivotal shift from loosely governed co-operative models to a more structured financial regulatory framework. **Non-withdrawable deposit-taking** SACCOs officially came under regulatory oversight in Kenya on January 1, 2021, following the enactment of the SACCO Societies (Non-Deposit-Taking Business) Regulations, 2020.

Whilst the SACCO Societies Act, 2008 is the principal law governing SACCOs in Kenya, SACCOs also sit under the Co-operative Societies Act. However, there are other Acts which impact on SACCOs as highlighted in Table 3.0 below.

Act	Impact Area	Positive Impacts	Challenges / Risks
SACCO Societies Act (2008)	Licensing, prudential regulation, governance	Establishes SASRA, strengthens oversight, promotes financial stability	Dual compliance burden for DT-SACCOs
Co-operative Societies Act (1997)	Registration, governance, member rights	Empowers member participation, defines co-operative principles	Outdated provisions, limited enforcement
Income Tax Act (Cap. 470)	Taxation of SACCO income and member benefits	Clarifies tax obligations, enables fiscal planning	Withholding tax on interest (15%) vs. dividends (5%) creates inequity
Finance Act (Annual)	Fiscal policy, levies, digital taxation	Expands SACCO investment scope, aligns with national priorities	Housing levy, DST, excise duty reduces member liquidity
Data Protection Act (2019)	Member data privacy and security	Builds trust, aligns with global standards	High compliance costs, limited DPO capacity in small SACCOs
Employment Act (2007)	SACCO staff contracts and benefits	Protects employee rights, standardises HR practices	Increased payroll costs, housing levy deductions
Companies Act (2015)	SACCO subsidiaries and investment vehicles	Enables structured expansion and diversification	Complex governance for hybrid entities
Microfinance Act (2006)	Overlap with SACCO lending models	Encourages financial inclusion, risk-based lending	Licensing ambiguity for SACCOs offering microfinance-like services
POCAMLA	Anti-Money	Enhances integrity,	Operational burden

(2009)	Laundering and Counter-Terrorism Financing	aligns with global AML standards	for small SACCOs
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Table 4.1 Acts of Parliament impacting on SACCOs

Section 40(3) of the SACCO Societies Act requires that SACCOs maintain their financial records exclusively in Kenya shillings, effectively prohibiting them from holding foreign currency accounts. This restriction limits their ability to serve Kenya’s diaspora community—over 4 million strong—whose financial needs often span multiple currencies and jurisdictions.

The SACCO Societies Act requires SACCOs to contribute to a Deposit Guarantee Fund (DGF) covering members’ deposits up to KSh100,000 per depositor. As the DGF is progressed, this limit needs to be reviewed urgently. Currently banks in Kenya, through KDIC, cover up to Ksh 500,000 which puts members who save at their SACCO at a disadvantage. A Deposit Guarantee Fund needs to be operationalised as a matter of priority with the aim of matching the cover to the same as banks. This will create ideal public messaging that a shilling in the bank is safe as a shilling in a SACCO. Rules on credit information are limited and need to be expanded to support SACCOs accessing member credit files, both positive and negative information, to make less risky lending decisions by being fully informed of a member’s other commitments. SACCOs are required to report negative credit data on delinquent members, but sharing of positive data is optional; sharing of full data needs to be mandatory. The SACCO Societies Act restricts SACCOs from engaging in foreign exchange, visa cards, and other services permitted to banks, limiting them to KSh transactions. Where SACCOs can meet minimum prudential requirements set out by the Central Bank of Kenya, and other institutions, and where SACCOs can evidence best practice and reporting, consideration needs to be given to allow SACCOs to access banking benefits where there is member demand.

5.2 Acts and Institutions that have a Negative Impact on SACCOs

The Central Bank of Kenya Act (CBK) vests the Central Bank with oversight of payment and foreign exchange systems. It defines “authorised dealers” for foreign exchange as authorised banks, FX bureaus, mortgage finance companies, licensed

money-remittance operators, or licensed microfinance banks. **Noticeably, deposit-taking SACCOs are not listed.** Thereby, under current law SACCOs have no status as foreign-exchange dealers, and no automatic right to access RTGS settlement. Only “Central Bank settlement participants” such as banks or designated system operators can participate under the National Payment System Act. In effect, the CBK Act’s definitions and powers give CBK authority over banks, microfinance banks and remittance operators, but do not recognise SACCOs in these roles (e.g. they are not “authorised dealers” by default.

The Banking Act, Chapter 488, regulates the banking sector in Kenya, providing a framework for the licensing, operation, and supervision of banks and financial institutions. The Banking Act provides the legal basis for the Deposit Protection Fund (KDIC), among other things. **SACCOs, being co-operatives, fall outside its scope.**

The Banking Act indirectly affects SACCOs through CBK oversight (CBK Act) and by delineating “bank” vs. other institutions. Since SACCOs are neither banks nor mortgage lenders, they are excluded from banking privileges. For example, payment systems rules under the Banking Act/CBK Act apply to banks but not to SACCOs. In practice this means SACCOs cannot, under current law, directly access banking services such as RTGS, or benefit from banking-specific services like foreign-exchange dealing.

The National Payment Systems Act (2011) governs payment systems and authorises CBK to designate payment systems and license Payment Service Providers (PSPs). It defines a “settlement system participant” as a Central Bank, a bank/institution, or a designated system operator. SACCOs are not included in the eligible list, so they cannot be direct participants in the RTGS or Automated Clearing House (ACH) systems. “Payment service provider” (PSP) is broadly defined to include any entity that processes or facilitates electronic payments, but a PSP license requires CBK authorisation. In practice, non-bank PSP licenses have been granted (e.g. to telcos or fintechs), but no SACCO has obtained such a license, partly because the regulatory framework never envisioned SACCOs as PSPs. The Act itself does not explicitly forbid SACCOs from seeking PSP status, but **existing regulations and policy have effectively excluded them.**

The Capital Markets Act (Cap 485A) regulates securities and custodial services. It does not mention SACCOs explicitly. As such, any SACCO wishing to invest in or custody securities must comply with CMA licensing (e.g. as an investment adviser or custodian bank). Under current law, SACCOs have no special allowance to act as custodians or collective investment managers without obtaining a CMA license (which is typically granted to banks or licensed asset managers). In effect, the Act neither prohibits nor enables SACCOs to offer capital market services, but in practice the capabilities (custody platforms, settlement links) reside outside the SACCO legal framework.

The Microfinance Act (Cap 493C) Act governs deposit-taking microfinance institutions. Like the Banking Act, it sets out authorised activities for microfinance banks (including limited foreign exchange powers) and provides deposit insurance via KDIC. SACCOs operate under SASRA, not this Act. However, microfinance banks enjoy some regulatory parity with banks (e.g. limited FX dealings, RB regulations). The Act is relevant mostly by analogy: it shows how a non-bank depository sector (MFIs) can access certain services, **which SACCOs currently cannot without amendments.**

The Credit Reference Bureau (CRB) Regulations: Credit reporting is governed by CBK-issued CRB Regulations (the latest was 2020, which was subsequently nullified by court). Under the 2013 (pre-2020) rules, only financial institutions licensed under the Banking or Microfinance Acts were mandated to share data; SACCOs were not included by law and had no explicit CRB obligations. The 2020 CRB Regulations (now void) had specifically authorised SASRA-regulated SACCOs to submit and access credit information. Currently, however, legal ambiguity remains. In practice SACCOs have limited credit-sharing, and legislative backing is needed to fully integrate them into the national credit-information system.

Income Tax Act (ITA) – Section 19A

- The ITA defines “‘primary society’ means a co-operative society registered under the Co-operative Societies Act the membership of which is restricted to individual persons.”

- For a designated primary society which is registered and carries on business as a credit and savings co-operative society, interest derived from members is exempt from tax. Other income (e.g., investment income) and interest from non-members may be taxed at 50% of gross interest from non-members).

KRA's current interpretation appears to be that once a SACCO admits corporate, group or unincorporated body membership, it ceases to qualify as a "primary society" under section 19A of the ITA. It will be necessary to engage with Ministry of Finance / National Treasury to amend s 19A of the ITA so that the definition of "primary society" may recognise SACCOs whose membership is individuals but also includes groups/corporate members

5.3 Conclusion

Without legislative and regulatory transformation, the SACCO sector in Kenya will remain inferior to the banking sector and eventually erode the Sector's ability to serve those with fewest financial choices and to be a credible co-operative alternative for those people that want their savings and loans to benefit the greater community.

6.0 PROPOSED AMENDMENTS TO THE ACTS OF PARLIAMENT THAT IMPACT SACCOS

The Committee of Experts undertook a major review of the Co-operatives Societies Act and the SACCO Societies Act, as well as looking at the other Acts of Parliament which impact on SACCOs, with a view to ensuring that the legislation is enabling and permissive.

Appendix 1 of this report details a set of proposed amendments to the SACCO Societies Act aimed at strengthening the sector and unlocking sustainable growth. It also highlights necessary revisions to other Acts of Parliament that currently constrain SACCO operations in Kenya. These legislative changes are essential to support innovation, expand service offerings, and enable SACCOs to better meet the evolving needs of their members.

It is critical that the Co-operatives Societies Act and the SACCO Societies Act are permissive, robust and enable SACCOs to grow.

Key stakeholders, including the Parliamentary and Senate Committees were briefed on the high level recommendations and are supportive of a transformed SACCO sector that supports citizens across Kenya.

7.0 SASRA, COMMISSIONER FOR CO-OPERATIVES AND COUNTY GOVERNMENTS REVIEW

Global best practice dictates that all financial institutions that hold members savings should be regulated. Currently only SACCOs which have deposits over Ksh 100 million are regulated by SASRA. To align with international best practice for Credit Unions, is important that SASRA reviews the minimum threshold limit to be regulated, to ensure that SACCOs which are run on sound business practices, and would meet the minimum requirements to access DGF, CLF and Shared Services, are able to do so.

SACCOs that will have access to the Deposit Guarantee Fund, the Central Liquidity Fund and Shared Services must be regulated, making it imperative that key stakeholders with responsibility for licensing, oversight and regulation work together to develop a pathway to regulation for all SACCOs. Further, SACCOs that have access to a Stabilisation Protection Scheme (SPS) must also be regulated, thereby reducing risks to the sector and funds held in a SPS.

To ensure the long-term goal of the universal regulation of SACCOs in Kenya, SASRA, the Commissioner for Co-operative Development, and County Governors must work in co-ordinated alignment. Each currently plays a distinct but interdependent role in the SACCO ecosystem. The three must work together to develop a pathway to regulation for all SACCOs; to set minimum standards for registration, licensing and trading, and to ensure resources of the three stakeholders are deployed to deliver success. There is currently no legal framework for the County Governments to regulate SACCOs. However, the Senate and Council of Governors should work together, with the support of the Federation, to develop Policies on how to support unregulated SACCOs and guide towards full regulation in the future.

7.1 Review of the SACCO Societies Regulatory Authority (SASRA)

It is critical that a review of SASRA takes place as a matter of priority to ensure that the Regulator has the **capacity and capability** to support the transformation of the Kenyan SACCO Sector. As previously stated, the role and capacity of SASRA is essential to ensure it can effectively deliver on the long-term vision: bringing all SACCOs under a single, robust regulatory framework, but in the short to medium term,

to work alongside the Commissioner for Co-operatives and County Governments, to support the development of a pathway to full regulation for all SACCOs.

7.1.1 Expanding the SASRA Mandate Requires Institutional Reinforcement

SASRA was originally established to regulate Deposit-Taking SACCOs (DTS). Its recent extension to cover specified Non-Deposit Taking SACCOs (NDTS) is a step forward, but the ultimate goal is to regulate all SACCOs, regardless of size or typology. A key weakness of SASRA is the lack of autonomy on levies collected from SACCOs which must flow through the National Treasury. This limits how and when funds are utilised, creating delays and resource gaps, as well as dependence on Treasury priorities and allocation. SASRA should be empowered to collect and use funds for the benefit of the sector with minimal Treasury oversight. This expanded mandate requires:

- Increased staffing and technical capacity
- Enhanced digital infrastructure for supervision
- Broader legal powers to enforce compliance across tiers

7.1.2 Legal Harmonisation Across National and County Jurisdictions

Kenya's SACCO sector is governed by both national law (SACCO Societies Act) and county-level co-operative laws, creating fragmentation. SASRA must be empowered to:

- Harmonise oversight across jurisdictions
- Resolve regulatory overlaps and gaps
- Ensure consistent standards for member protection and financial stability

7.1.3 Risk-Based Supervision for All SACCOs

Unregulated SACCOs pose systemic risks, especially those with large member bases or significant loan portfolios. SASRA must develop the tools and capability to:

- Apply risk-based supervision across the sector.
- Monitor liquidity, governance, and capital adequacy.
- Intervene early to prevent member losses and reputational damage.
- Work closely with the SACCO Stabilisation Protection Scheme (addressed later). to support those SACCOs which can be saved with help.

7.1.4 Data-Driven Regulation and Sector Intelligence

To be able to regulate significantly more SACCOs effectively, SASRA must evolve into a data-driven regulator. This will require:

- Investment in SASRA operations.
- Integration with The Shared Services Institution's MIS and reporting platforms.
- Real-time analytics for compliance, performance, and risk.
- Sector-wide dashboards to inform policy and Cabinet decisions.

7.1.5 Alignment with Global Best Practice

Globally, credit union systems operate under unified, professional regulators. Kenya's two-tier system (regulated vs. unregulated SACCOs) and complicated typology of SACCOs, deviates from this norm. Strengthening SASRA's role:

- Aligns Kenya with WOCCU and OECD standards.
- Builds investor and donor confidence.
- Enhances Kenya's reputation as a co-operative finance leader.
- Improves market confidence and conduct.

7.2 Strategic Recommendations

A formal institutional review of SASRA should be commissioned under the National Steering Group for SACCO Development, (NASSD) focusing on:

- Legal powers and regulatory scope.
- Human and technical capacity.
- Funding model and sustainability.
- Integration with the Shared Services Institution and county oversight bodies.

The NASSD membership as addressed later in this report. For clarity, the remit for this Board should be as follows:

Key Roles:	Benefits to the SACCO Sector:
1. Advise on policy and regulatory reforms.	1. Enhances policy coherence and sector alignment.
2. Coordinate national SACCO development initiatives.	2. Strengthens governance and accountability.
3. Promote integration, digitization, and shared infrastructure.	3. Encourages innovation and operational efficiency.
4. Facilitate stakeholder engagement and knowledge sharing.	4. Supports inclusive and sustainable sector growth.

Table: 6.1 Remit of NASSD

7.3 Minimum Requirements to Set Up a SACCO Need Updating

Currently the minimum standards to set up a SACCO are too low with the basic requirements needing to be improved. Further, there is concern in the Sector that the basic reporting requirements for SACCOs, that are unregulated, are **not** adhered to.

The current requirements to register a SACCO at County level are:

- Minimum of 10 members with shared economic or social interests.
- Formal constitution and by-laws aligned with cooperative principles.
- Elected officials (Chairperson, Treasurer, Secretary) with clear roles.
- Physical address and operational premises.
- Economic appraisal and feasibility study.
- Registration forms (Form A, Form B) and name approval.
- Fit and proper test for directors and senior management.
- Minimum core capital: Ksh 10 million for deposit-taking SACCOs.

The minimum requirements for registering new SACCOs must be increased. There are significant risks to the Sector, and to members funds, if this does not happen, and a pathway developed to enable all SACCOs to be regulated in the future. Risks of not developing a pathway to regulation for all includes:

7.3.1 Regulatory Arbitrage

- SACCOs may register under minimal thresholds to avoid SASRA oversight, creating loopholes.
- Unregulated SACCOs can mimic banks without prudential safeguards.

7.3.2 Member Vulnerability

- Weak governance and poor risk controls expose members to fraud, mismanagement, and insolvency.
- Lack of deposit protection mechanisms (e.g., DGF) leaves savings unprotected.

7.3.3 Sector Fragmentation

- Inconsistent standards across counties and SACCO types undermine national coherence.
- Difficult to implement shared services, digital infrastructure, or credit compatibility.

7.3.4 Reputational Risk

- High-profile collapses erode public trust in SACCOs as safe financial institutions.
- Undermines Kenya's cooperative brand globally.

7.4 Proposed Tiered Regulatory Framework for SACCOs in Kenya

To future-proof Kenya's SACCO sector, a phased transition toward full regulation is recommended. This would begin with the adoption of **new minimum standards** and a **tiered regulatory approach** based on asset size and operational complexity. A new framework ensures proportional oversight while creating a clear pathway toward universal regulation.

The introduction of new Tiers for SACCO regulation and oversight is the first step as outlined in the Table 6.2.

Tier	Profile	Registration Authority	Oversight Focus
Tier 1	Large DT-SACCOs with Ksh 5 billion in assets (includes NWDTS)	SASRA	Full prudential regulation. Conditional access to banking facilities (e.g., National Payment System) where minimum CBK requirements are met. Participation in Deposit Guarantee Fund (DGF), Central Liquidity Facility (CLF), and Shared Services. Enhanced governance to deal with complexity and compliance.
Tier 2	Mid-sized SACCOs with assets of Ksh 1 billion to below 5 billion (includes NWDTS)	SASRA	Full prudential access to DGF, CLF and shared services subject to Compliance with prudential standards
Tier 3	Small SACCOs with assets Ksh100m – 1 billion	SASRA	Full prudential regulation, with transitional support for governance strengthening and mergers facilitation.
Tier 4	SACCOs with assets of 50m–100m.	SASRA	Lighter – touch supervision, with progressive transition to full prudential regulation
Tier 5	Community SACCOs with assets of Below 50 Million	County Co-operative Offices	Basic reporting requirements. Transition support toward mandatory merger

Table 6.2-Tiered Approach to SACCO Regulation

7.5 Pathway to Regulation of All SACCOs

A pathway to full regulation must balance inclusivity, prudential oversight, and operational capacity, especially given the diversity of SACCOs in size, risk exposure, and digital maturity. The following Pathway is recommended to ensure that all SACCOs that meet the minimum requirements to be regulated, licensed and trade will have access to the relevant benefits of the DGF, CLF, Shared Services. Alongside this pathway, a merger strategy should be developed to ensure that those SACCOs that are not sustainable and cannot meet the minimum prudential requirements, can either merge or liquidate.

The pathway must start by looking at the current requirements to register a SACCO. The low entry thresholds have enabled the proliferation of under-capacitated SACCOs and as previously stated, the current moratorium on registration should continue for the foreseeable future. However, at a point in the future, when new SACCOs can be registered, the minimum requirements should be increased to at least the those set out in Table 6.3.

Current Minimum Standards	Proposed Minimum Standards
Minimum 10 members	Minimum 1000 members
Basic Constitution	Mandatory Governance Charter and By Laws approved by the Regulator
No Capital Requirements for Non-DT SACCOs	Tiered core capital based on SACCO type. Sufficient capital to cover setup costs and early operations (standards to be set and time given to reach minimum capital requirements)
	Minimum deposits committed and banked. (Amount to be determined by SASRA)
	Governance and Capacity Building Mandatory training and certification for board members Succession planning Internal audit and whistleblower protocols Fit-and-proper tests for board and management
	Digital Readiness Standards

	Basic MIS and cybersecurity protocols Mobile onboarding and digital member services Integration into national SACCO registry
	Business Plan covering 2 financial years
	Operational MIS and record-keeping systems Risk management and internal controls Volunteer team with diverse skills (finance, IT, community development)

Table 6.3 Proposed Minimum Requirements for SACCOs to be regulated

7.6 Proposed Steps to Regulating all SACCOs in Kenya

To bring non-regulated SACCOs into Kenya’s formal oversight framework, the pathway must be phased, inclusive, and risk-sensitive, especially given the diversity in size, governance capacity, and digital maturity. A structured roadmap should be developed as follows:

Step 1: Legal Harmonisation and Policy Mandate

- **Unify SACCO Laws:** Set a pathway to merge the Co-operative Societies Act and SACCO Societies Act into a single Cooperative Financial Sector Law which will require all SACCOs to be regulated. This is long term strategy as legislative amendments to facilitate with a view to a further review.
- **Amendment of Current Bill:** Fast-track the SACCO Societies (Amendment) Bill, 2025 to empower SASRA with broader jurisdiction and with powers to regulate all SACCOs in the future that meet minimum prudential requirements.
- **Cabinet Directive:** Issue a national policy directive mandating phased regulation of all SACCOs.

Step 2: Sector Mapping and Risk Profiling

- **Nationwide Census:** Identify all active SACCOs, including dormant and community-based ones, critical to understand level of transformation needed for long term strategic direction.
- **Risk Classification:** Develop a tiered approach to risk classification
 - Tier 1: Large SACCOs with systemic impact

- Tier 2: Mid-sized SACCOs with regional reach
- Tier 3: Small SACCOs with limited exposure, but viable
- Tier 4: Small SACCOs that need to merge or liquidate due to not meeting minimum prudential requirements
- **Digital Registry:** Create a centralised SACCO database with real-time reporting capabilities. This should be integrated at SASRA and County level and should be shared with the Federation under the Stabilisation Protection Scheme. SACCOs should be given time to reach the new minimum criteria to remain registered. Those SACCOs that fail to meet the minimum criteria after the expired period will be de-registered.

Step 3: Capacity Building and Governance Reform

- **Training Programmes:** Mandatory certification for board members and management. Develop a national Public Register of Approved Persons similar to United Kingdom Register [Financial Services Register | FCA](#). The Register will provide public confidence in the firm, and that is it regulated by SASRA to offer financial products and services.
- Develop an **Approved Persons** framework like the UK Financial Conduct Authority's Senior Managers and Certification Regime for key leadership roles. [Conduct Rules | FCA](#) Anyone in a SACCO holding a key position would have to be approved as competent and experienced by SASRA.
- **Shared Services:** Pool audit, MIS, and compliance resources for small SACCOs. Deliver Central Liquidity Fund through Shared Services for medium and large SACCOs.
- **Governance Charter:** Standardise bylaws, elections, and fiduciary duties. Develop framework for Boards that includes:
 - Job Descriptions/Statement of Responsibility
 - Mandatory continuous professional development
 - Consequences for poor behaviour (removal from Board)
 - Reinforcement of co-operative principles: Embed WOCCU principles (democracy, member economic participation, education, concern for community) in SACCO bylaws, regulation, and training.
 - Member education programmes: Institutionalise co-operative education so members understand their rights, responsibilities, and the unique value of SACCOs compared to banks

8.0 DEPOSIT GUARANTEE FUND (DGF)

A shared vision in Kenya, from Government, to SACCOs, to members, is that every Kenyan Shilling saved in a SACCO, is as safe as it is in a bank.

A Deposit Guarantee Fund (DGF) is a cornerstone of financial sector resilience, and its introduction into Kenya's SACCO sector will mark a transformative shift in member protection, public confidence, and systemic stability. Deposit Guarantee Funds (DGFs) are a hallmark of resilient credit union systems worldwide. They protect member savings, reinforce trust, and stabilise co-operative finance.

Currently, in Kenya, bank deposits are covered under the Kenyan Deposit Insurance Co-operation up to Ksh 500,000, giving banks a competitive advantage of SACCOs. The SACCO sector should aspire to have the same coverage as a bank (over time) and to maintain parity with banks for cover.

A survey carried out by the Kenyan Teachers SACCO Association (KETSA) included representatives from KETSA, Agricom Savings and Credit Alliance, CEOs and SACCOs. An overwhelming 96.5% of those attending the forum agreed the necessity for a DGF to enhance sector stability. A further 96.4% agreed that a DGF would enhance depositor confidence and trust in SACCOs. A resounding 75% of those surveyed showed support for a risk-based model of contributions for fairness and proportionality. 82.1% supported the need for independence, governance and transparency over regulatory (SASRA) control. Surveys were also undertaken by KUSCCO, Stima SACCO and others, supporting this approach.

8.1 Background to SACCO Deposit Guarantee Fund

The SACCO Deposit Guarantee Fund was legally established under Sections 55–61 of the Sacco Societies Act, 2008 to protect member deposits in licensed SACCOs. However, the Fund remains non-operational due to critical legal and policy constraints:

- **Governance deadlock:** Section 56(1)(f) requires SACCOs to nominate four trustees, but SASRA's coordination efforts have failed due to internal conflicts of interest.
- **Legal gaps:** The Act lacks indemnity provisions for Trustees, Officers, and Employees—standard in public financial entities.

- **Claims misdirection:** Section 59(5) erroneously directs claims to SASRA instead of the Fund, undermining its core function.
- **Funding risk:** No legal mechanism exists to build the Fund's reserves before claims arise, exposing the Government to immediate liability if a SACCO fails.

It is further understood that another core reason the DGF has not been operationalised is because of governance issues, particularly in relation to the SACCO Sector **not** being able to agree representation on the Board of Trustees.

These delays undermine the Kenyan Government's objective of mobilising savings through SACCOs to finance household and enterprise credit.

The operationalising of the DGF will allow SACCOs to operate in a safe, sound, and sustainable manner, reducing exposure to legal, financial, and reputational risks. It will enhance trust and credibility in the sector and supports SACCOs in Kenya to align with Credit Union international best practice.

8.1.1 Key Benefits of a Deposit Guarantee Fund

The Committee of Experts undertook meetings and visits with Regulators and Deposit Guarantee Funds in 4 jurisdictions: Ghana, the USA, United Kingdom and Ireland. It was clear where SACCOs have access to a DGF, there are significant benefits including:

- Enhanced public confidence in SACCOs
- Provides a structured safety-net for depositors
- Complements the Regulators prudential supervision framework

Indeed, a survey of consumers in the United Kingdom in 2024 resulted in the following responses to the UK DGF (the Financial Services Compensation Scheme):

- 91% felt more confident taking out a product with a provider that was FSCS Protected.
- 86% stated that FSCS helped increase their overall trust in the financial services industry; and
- 74% agreed that they were likely to invest more of their money if the provider was FSCS Protected

The benefits of operationalising the Deposit Guarantee Fund for regulated SACCOS in Kenya are 4-fold:

a) Protects Member Deposits

- Guarantees reimbursement (e.g., up to same limits as Banks) if a SACCO collapses due to insolvency or fraud.
- Protects low-income and vulnerable members from catastrophic financial loss.

b) Builds Public Trust

- Encourages more Kenyans to open accounts and save through SACCOs, knowing their deposits are protected.
- Reduces panic withdrawals and contagion risk during financial distress.

c) Aligns SACCOs with Formal Financial Sector

- Brings SACCOs closer to banks and microfinance institutions, which already benefit from deposit insurance via KDIC.
- Enhances credibility and investor confidence in SACCOs.

d) Reduces Government Bailout Risk

- Minimises the need for ad hoc public interventions when SACCOs fail.
- Creates a self-sustaining safety net funded by SACCO contributions.

The SACCO Deposit Guarantee Fund will need to be tailored to the SACCO sector, not just for today but also considering the future growth of the sector. Funding and the ongoing stability of the DGF will require to be developed for the Kenyan SACCO marketplace.

8.2 Results of Benchmarking

The benchmarking visits undertaken by the Cabinet Secretary of Co-operatives, the FCPA Hon. Wycliffe Ambetsa Oparanya, Principal Secretary Patrick Kilemi, technical advisers, and members of the Committee of Experts, provided the following information in relation to coverage of several DGFs, and how the funds are accumulated:

8.2.1 United States – National Credit Union Share Insurance Fund (NCUSIF)

- **Administered by:** National Credit Union Administration (NCUA) which regulates all 4,000 plus Credit Unions, serving over 133m members
- **Coverage:** Up to \$250,000 per member, per account, per credit union, (approximately Ksh 32m per account)
- **Funding:** Credit unions pay premiums based on value of insured savings (1% of insured savings); fund is backed by the U.S. Government Treasury Department.
- **Impact:** Has helped maintain stability across all federally insured credit unions and some state registered credit unions.

8.2.2 United Kingdom – Financial Services Compensation Scheme (FSCS)

- **Coverage:** Up to **£85,000 per account** in credit unions and banks. (approximately Ksh 15m per institution)
- **Scope:** Includes credit unions dual regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).
- **Funding:** Financed by levies on financial institutions, including credit unions. Levies are based on compensation required for payout + management costs – funds recovered – opening balance (negative or positive = levy charged (which is linked to size of institution. Premiums payments are complex but are risk based. As one of the smallest sectors in the UK financial services marketplace, Credit Union premiums are small, compared to mainstream banks.

8.2.3 Uganda – Deposit Protection Fund of Uganda (DPF)

- **DPF** primarily funded through **annual premium contributions from licensed financial institutions**, including:
- **Coverage and Costs:** Up to **UGX 10 million** per depositor. (approx. Ksh 363k) In Uganda the DPF annual premium is 0.2% of weighted deposit liabilities. If rated Marginal an additional 0.1% is paid, If Unsatisfactory an extra 2 % premium is paid. Late payment of premium attracts 035% per day. 0

- **Includes:** Tier 1–3 financial institutions, including SACCOs and microfinance deposit-taking institutions.
- **Goal:** Promote savings and financial inclusion while protecting low-income depositors.

8.2.4 European Union – National DGFs under EU Directive

- **Directive:** Deposit Guarantee Schemes Directive (DGSD)
- **Coverage:** €100,000 per depositor across EU member states (approximately Ksh 13m).
- **Funding Target:** DGFs must hold at least 0.8% of covered deposits.
- **Examples:** Ireland’s DGS covers credit unions under the Central Bank’s supervision.

8.3 Options for Operationalising a Kenyan Deposit Guarantee Fund

There are two clear ways that a Deposit Guarantee Fund for Kenya could be operationalised after improvements on the legal and policy constraints outlined above. For all the reasons outlined in this section, it is recommended that the SACCO sector seek the approval of KDIC to incubate a Deposit Guarantee Fund due to their expertise, resources and credibility. The two options below are viable, but to set up a scheme from scratch, the sector is likely to face the same hurdles, challenges and reasons for not setting up a scheme so far. Also, to start from scratch will take considerably more time.

8.3.1 Option 1 – To develop a new Deposit Guarantee Fund from Scratch (Least Preferred Option)

Whilst there could be advantages in developing a new scheme from scratch in that the DGF would be built according to the needs of the SACCO sector, this comes with great risk and time delays due to the sector not being able to agree a framework, and contributions for operationalising the fund. Lessons learned from other jurisdictions have shown that this approach may take a long time to build the framework, build trust and develop the infrastructure structure needed to start operating. The length of time also depends on how quickly the sector is willing to contribute to the costs of building infrastructure and agree the terms of the fund and contributions.

A meeting with Emanuel Darko, Goodwill Ambassador for ACCOSCA, who was a driver of the Deposit Guarantee Fund in Ghana, stated that setting up a DGF from scratch is not an easy route. He advised that it took Ghana 10 years to operationalise a DGF for SACCOs, and 13 years for the fund to be launched. External donors provided the seed capital to start the fund.

8.3.2 Option 2 – Incubate a DGF through the Kenyan Deposit Insurance Corporation (Preferred Option)

The second option for operationalising a Deposit Guarantee Fund is to work with the Kenyan Deposit Insurance Corporation (KDIC) [Home | Kenya Deposit Insurance Corporation](#).

The Kenya Deposit Insurance Corporation (KDIC) is a corporation established under the Act of Parliament, KDI Act Cap. 487C whose mandate is to provide Deposit Insurance for member institutions (banks), and to Liquidate and Windup troubled banks.

KDIC protects depositors against the loss of all their deposits or bank balance in the unlikely event of a bank failure up to Ksh500,000. The Corporation provides payments of insured deposits thereby enhancing the confidence of depositors, thus inspiring them to keep their savings within the insured banking and payments system. The Corporation was established in response to challenges presented by banking crises and bank failures in the country. Since its inception, KDIC has lived up to its mandate in its thirty years of existence.

The main functions of KDIC are to:

- Provide a deposit insurance scheme for customers of member institutions
- Provide incentives for sound risk management
- Promptly resolve problem banks to proactively mitigate any failure

The Committee of Experts held meetings with the leadership of KDIC and asked directly if it was possible for SACCOs to incubate a SACCO deposit guarantee fund within the Kenyan Deposit Insurance Fund. The COE was advised that the current legislative framework would need to be reviewed to allow SACCOs access the services of KDIC and its deposit insurance fund. However, the leadership advised that

it should be possible for KDIC to incubate a Deposit Guarantee Fund for the SACCO sector. Whilst this would have to be explored in detail with KDIC on costs and deliverables, and indeed the SACCO sector, there are major benefits to this solution.

8.3.3 Benefits of KDIC Incubation vs. Standalone Setup

The strategic rationale for working with KDIC means that the SACCO Deposit Guarantee Fund would be accelerated in terms of delivery and infrastructure. This also further accelerates protection of over Ksh1 trillion in SACCO member deposits. By working with KDIC, this positions SACCOs alongside banks and MFIs in the financial sector resilience architecture which will bring about much needed credibility to the Sector. Further, KDIC incubating a DGF on behalf of SACCOs reduces Government exposure to bailout risk and reputational damage. Table 7.1 provides additional rationale for this approach.

Dimension	KDIC Set-up	Standalone Set-up
Institutional Capacity	Leverages KDIC's existing systems, staff, and risk models for deposit insurance	Requires full recruitment, training, and system development from scratch
Operational Efficiency	Faster rollout using KDIC's tested claims processing and fund management tools	Longer lead time to build infrastructure and operational protocols
Regulatory Synergy	Aligns SACCO oversight with broader financial sector stability frameworks	Risk of fragmentation between SACCO and banking oversight
Public confidence	KDIC's reputation lends immediate credibility to SACCO deposit protection	New entity would require time to build trust and visibility
Fiscal Prudence	Reduces initial SACCO or government expenditure on infrastructure	Higher start-up costs for staffing, systems, and governance structures
Policy Coherence	Harmonises SACCO DGF with existing financial safety nets	Requires parallel policy development and coordination mechanisms

Table 7.1 Rationale for working with KDIC

To assess the feasibility and strategic fit of incubating the SACCO Deposit Guarantee Fund (DGF) within the Kenya Deposit Insurance Corporation (KDIC), the Government and SACCO stakeholders would need to pose a series of targeted questions across legal, operational, financial, and governance dimensions. KDIC would need to be satisfied that a SACCO DGF, within KDIC does not pose an additional system risk to KDIC and the funds under protection.

8.4 Proposed Way Forward on KDIC Incubating a SACCO Deposit Guarantee Fund

It is recommended that the Cabinet Secretary for Co-operatives MSMEs Development works with his counter-part in Treasury to agree a collaboration. The Cabinet Secretary should outline the Government's ongoing reforms to strengthen the SACCO sector and enhance financial stability. A meeting should seek to explore the operationalisation of the SACCO Deposit Guarantee Fund (DGF) as provided under Sections 55–61 of the SACCO Societies Act, 2008 given KDIC's institutional expertise and infrastructure in deposit insurance, but also in risk management and resolution approach to Banks in difficulties.

8.4.1 Proposed Coverage for Consideration:

Coverage should initially be restricted to **Bank/FOSA savings accounts**, which balances alignment with the banking sector, cost containment, and global best practice. However, **flexibility should be built in** to allow individual SACCOs to seek additional coverage for member deposits on an optional, premium-paid basis if they and their members so desire.

To support this process, the Cabinet Secretary should seek KDIC's input on the following key considerations:

1. Legal Mandate and Institutional Fit

- Does KDIC's enabling legislation allow the administration or incubation of a SACCO-focused DGF? If not, does this require legislative change?
- What legal or policy amendments would be required to extend KDIC's mandate to include SACCOs?

2. Governance and Oversight

- What governance structure would be appropriate for the SACCO DGF under KDIC's stewardship?

- How would SACCO representation be integrated into decision-making or advisory roles?

3. Operational Capacity

- What systems, personnel, and protocols would KDIC require to accommodate SACCO-specific claims, data, and risk profiles?
- Can KDIC scale its infrastructure to support SACCO onboarding and compliance monitoring?

4. Financial Model and Sustainability

- What initial capital and operational support would be needed to incubate the SACCO DGF?
- How would SACCO contributions be structured, and what safeguards would ensure fund solvency?

5. Strategic Fit and Public Confidence

- How would KDIC's involvement enhance public trust and accelerate rollout of deposit protection for SACCO members?
- What communication strategy would KDIC propose to educate SACCO members on deposit insurance?

6. Transition and Exit Strategy

- Would KDIC's role be transitional or permanent?
- What milestones would guide the eventual establishment of an independent SACCO DGF entity?

Point 6 is key critical to the way forward in developing a DGF for SACCO members savings. To move forward, the Cabinet Secretary is also requested to support and approve the:

- Initiation of formal consultations with KDIC on the feasibility of incubating the SACCO DGF.
- Formation of a joint technical working group to assess legal, operational, and financial implications. The Group to be representative of the sector and key stakeholders.
- Drafting of enabling amendments to the Kenyan Deposit Insurance Act and SACCO Societies Act, as well as relevant regulations to support KDIC's role.

8.4.2 Buy-in from the SACCO Sector

It is imperative to get buy-in from the SACCO sector, and it is recommended that, if **Option 2** is agreed, that a Consultation with the SACCO Sector is undertaken. This could be facilitated either through the Cabinet Secretary's office or by the National Federation KUSCCO. If an independent consultation is required, it could potentially be undertaken by the African Confederation of Co-operative Savings and Credit Associations (ACCOSCA). A recommended Draft Consultation Paper is included in this report (Appendix XI)

8.5 Conclusion and Next Steps

8.5.1 Conclusion

It is imperative that lessons are learned in relation to why Kenya does not have a SACCO Deposit Guarantee Fund and that the same mistakes are not repeated.

KDIC would be required to work closely with the sector during the incubation of a SACCO DGF; stakeholders views are critical, especially from SACCOs, as to what will work for the Sector and what won't, and to learn from the extensive experience of KDIC. All stakeholders including umbrella bodies need to be involved and ownership of the fund needs to be determined, again, KDIC would be called upon to provide direction for the short and long term. It is also recommended that a phased approach is taken to implementation to allow SACCOs time to adjust to the new costs that will be incurred to fund the DGF. The fee structure is critical and should be developed in consultation with the sector.

8.5.2 Next Steps

With the agreement of KDIC to incubate a SACCO DGF, getting stakeholders on board is critical. Next steps should include:

- Convene regional and national SACCO forums to gather feedback.
- Issue Consultation Paper to SACCOs and key stakeholders
- Engage SACCO Sector through consultation paper to inform further Cabinet and legislative amendments that may be required.
- Establish a joint technical working group with KDIC, SASRA, and SACCO representatives working under the umbrella of the National Steering Committee for SACCO Development.

8.6 Credit Information Sharing

There is need to align the provisions of Section 54 of the SACCO Societies Act with best practices in CIS. This section mandates Saccos to share negative credit information among themselves and makes it optional for them to share positive credit information. They are required to do so under Regulations to be issued by the minister in charge of their operations. The gaps arising from this legal framework are:

- No Regulations have ever been issued under the Sacco Societies Act to give life to these provisions.
- Although regulatory provisions allowing Saccos to share credit information were introduced in the Banking (Credit Reference Bureau) Regulations, this does not provide a seamless regulatory framework for Saccos that are governed under the Sacco Societies Act.
- The fact that Sacco Societies Act provides for mandatory sharing of negative information and voluntary sharing of positive information is inconsistent with best practices and greatly disadvantages borrowers in the Sacco movement who pay their loans well. Sharing of positive credit information offers advantages to the customers by improving their credit scores. This advantage is available to customers of credit from institutions licensed by the Central Bank of Kenya which are required to share both positive and negative information. This apparent discrimination against consumers of credit in the Sacco sector becomes even more pronounced as the Government makes efforts to implement Risk-Based Credit Pricing, which promotes preferential credit terms for low-risk consumers of credit. It is important to note that most credit customers are good payers as the percentage of non- performing loans is usually a single digit hence the majority who are good need to benefit from their good repayment histories. This is also in line with Article 35 of the Constitution of Kenya which guarantees the right of access to information, giving Citizens the right to access information held by the state or by other people that is necessary to exercise or protect their rights or fundamental freedom. Ensuring this right is appropriated by these customers will enable them advance their economic rights while protecting themselves against discrimination based on perceived credit risk.
- There is no clear guidance on participation of Authorized Saccos in the CIS mechanism. Developments in the Sacco environment, such as the introduction of Authorized Saccos have not been clearly articulated in the Banking (Credit

Reference Bureau) Regulations, further complicating the situation in the Sacco sector.

8.6.1 Recommendations

- Proposed amendments to The Sacco Societies Act Section 2 should be amended by inserting the following new definitions in alphabetical order: “Credit Reference Bureau” means a credit reference bureau duly licensed and regulated under the Banking Act and the SACCO Societies Act. “Credit information” means any positive or negative information bearing on an individual's or entity's credit worthiness, credit standing, credit capacity, to the history or profile of an individual or entity with regard to credit, assets, and any financial obligations. “Data Submission Templates” means a data submission templates under Regulation 65 of the CRB Regulations 2020 issued by the CBK and SASRA. “Industry Tool” means the Industry Data validation and submission Tool approved by the CBK and SASRA under Regulation 64 of the CRB Regulations.
- Section 54 of the Sacco Societies Act amended as follows; Add a Section 54 (5) (b) as follows Without prejudice to the generality of Section (54) (a) above, Regulations under that sub section may provide for establishment and operation of credit reference bureaus, for purposes of collecting prescribed credit information on clients of institutions licensed and authorized under the Sacco Societies Act, the Banking Act, the Microfinance Act 2006, and public utility companies and disseminating it amongst such institutions for use in the ordinary course of business, subject to such conditions and limitations as may be prescribed.
- Replace the current Sec 54 (5) (b) and make it (c) with the following; 54 (5) (c) Sacco Societies shall, in the ordinary course of business share prescribed credit information with institutions licensed under the Banking Act, institutions licensed under the Microfinance Act, 2006, Co-operative Societies registered under the Co-operative Societies Act, public utility companies and any other institutions mandated under any written law to share credit information , in such

manner and to such extent as provided for under regulations enacted by the cabinet secretary responsible for finance in exercise of his powers under section 31 of the Banking Act and Section 54 of the SACCO Societies Act. d) Prescribed credit information under this section shall bear the meaning given under section 31 of the Banking Act and Section 54 of the SACCO Societies Act.

- Replace Section 54 (6) with the following; Sec 54 (6) No duty to which a Sacco society or its officers may be subject, shall be breached by reason only of the disclosure, in good faith, of any information under this section, and no action shall lie against the Sacco society or its officers, as the case may be, for the sharing of such information with— (i) the Authority or any other Sacco society; or (ii) an institution licensed under the Banking Act; or (iii) an institution licensed under Microfinance Act, 2006; or (iv) a co-operative society registered under the Co-operative Societies Act; or (v) a credit reference bureau licensed under section 31 (4) of the Banking Act; or (vi) public utility companies; or (vii) any institutions mandated under any written law to share credit information. Add Sec 7 and 8 as follows; 7) The Authority may require Licensed and Authorized Saccos to furnish compliance reports and any other relevant information to the Authority through the Industry Tool. 8. For purposes of this section “credit reference bureau” means a credit reference bureau licensed by both the CBK and SASRA and operated in line with CRB Regulations issued jointly by CBK and SASRA under the Banking Act, the Sacco Societies Act and any other relevant law.
- Facilitate issuance of new CRB Regulations in consultation with the Central Bank of Kenya. In order to avoid multiplicity of regulations, we recommend that SASRA and CBK jointly release a new set of Regulations that recognize the credit bureaus licensed by the CBK as the focal point for data shared by institutions licensed/authorized by both regulators. In addition, the regulations should provide for uniform requirements for data sharing by both categories of institutions. It is our hope that your committee will support the amendments we have proposed and if possible, get a chance to interview CIS.

9.0 OPERATIONALISING SHARED SERVICES

9.1 Introduction

Kenyan SACCOs have a transformative opportunity to unlock scale, resilience, and innovation by embracing shared services. The success of this model hinges on eliminating duplication, strengthening governance, and establishing a clear roadmap to best practice. Such collaboration is not only operationally sound, but it also aligns directly with the Cabinet Secretary’s documented mandate and vision to modernise and unify the SACCO sector for inclusive economic growth.

Credit Union Shared Services organisations are not new. The USA Credit Union Sector, which is mature, has been using shared services organisations for many years to support Credit Unions (SACCOs) to provide access to best-in-class products, innovation and technology, that a credit union may not be able to afford on its own. The Irish Credit Union sector has been following the USA model of shared services, with the UK sector not far behind.

Globally, SACCOs and credit unions have adopted various institutional models to collaborate and enhance service delivery for their members. These include Shared Services, which involve pooling operational functions to improve efficiency and reduce duplication; Credit Union Service Organisations (CUSOs), which are formally incorporated entities that offer specialised services and are often subject to regulatory oversight; and Corporate Credit Unions, typically found in more mature systems, serve as financial intermediaries and infrastructure providers for retail credit unions.

Each model differs in its legal structure, governance framework, and scope of services. These distinctions are summarised in the Table below.

Definition	Informal Shared Services	Credit Union Shared Services (CUSO)	Corporate Credit Union
Legal Structure	Operational functions organised by multiple credit unions to	A separate legal entity owned by credit unions to	A credit union that serves other credit unions, not

	reduce costs and improve efficiency	deliver specialised services	individual members
Ownership	Informal or formal agreements - may be hosted by a lead credit union or cooperative. Operated often with MOU.	Formal incorporated body with its own governance. Owned by member credit unions	Owned by member credit unions
Regulation	Jointly managed or hosted by participating credit unions through MOU	Owned by multiple credit unions; it may include non-credit union partners. Usually regulated.	Chartered like a SACCO, and under SACCO laws and regulations, and regulated by Credit Union Regulator
Services Offered	IT systems, internal audit, HR, compliance, training, procurement	Lending platforms, fintech solutions, insurance, marketing, data analytics, as well as operational back-office services	Liquidity lending, investment management, settlement, safekeeping
Regulation	Not directly regulated; governed by service agreements/MOU	Normally regulated under same regulator as Credit Unions	Always regulated by CU regulator
Purpose	Reduce duplication and improve operational efficiencies	Expand capabilities and revenue through specialised services, and reduce duplications	Provide financial infrastructure and liquidity to credit unions.

Table 8: Models of Shared Services

In a sector with over 5,000 plus SACCOs, many of them small, under-resourced, or operating in silos, collaboration isn't just strategic, it's essential. Through collaboration

with peers, and with key partners, SACCOs can get access to cutting-edge technology at a fraction of the cost of legacy systems and scale-up operations more seamlessly as the SACCO grows. The approach to developing shared services will depend on the size, maturity and structures within the Sector.

9.2 The Kenyan SACCO Landscape and Shared Services

While Kenya's SACCO sector is well established, with a membership base exceeding 7.6 million members; the system remains relatively fragmented and less mature compared to global benchmarks. Strategic consolidation would significantly strengthen the sector by streamlining operations, enhancing service delivery, and unlocking economies of scale. However, persistent duplication of roles and the politicisation of institutions serving SACCOs, and SACCOs themselves, continues to undermine progress. Divisions among key stakeholders are eroding competitiveness, stifling innovation, and weakening the sector's ability to maintain a dynamic edge in an evolving financial landscape.

In addition to the more than 5,000 plus SACCOs operating across Kenya, the sector is shaped by a wide array of institutional stakeholders, ranging from regulators and unions to service providers and county governments. However, as previously identified, overlapping mandates and fragmented coordination have led to duplication of roles and, at times, unhealthy competition. This not only undermines the sector's overall effectiveness but also creates confusion among SACCOs and their members, weakening trust and slowing progress toward unified reform.

There are already several institutions that have been formed to deliver shared services in the SACCO Sector. As previously stated, the sector is not yet mature enough to have multiple shared services institutions. It is imperative that a new shared services institute is developed, taking the best of what is in the sector currently, but forming a new governance structure, which builds capacity and reduces competition:

- **SACCO Central:** incubated by SASRA and funded principally by external donors, has a vision to deliver shared services to member SACCOs including technology, access to National Payments System (NPS), and central liquidity facilities.

- **Cooptech:** A co-operative owned technology company, under the umbrella of CAK, that supports and aims to provide technological advances through shared services to the Co-operative sector in Kenya
- **KETSA:** The Kenya Teachers' SACCOs Association (KETSA) offers a range of services designed to strengthen the governance, operational capacity, and strategic growth of teachers' SACCOs across Kenya. KETSA is offering training, compliance and technology solutions to its members.

9.3 Collaboration Needed to Deliver Shared Services

To achieve meaningful transformation in Kenya's SACCO sector, it is imperative that key stakeholders already engaged in developing shared services move beyond siloed efforts and collaborate toward a unified framework and implementation pathway. Fragmentation and institutional competition risk undermining progress and delaying the emergence of a globally competitive SACCO ecosystem. A coordinated approach, bringing together Government, Unions, vendors, and SACCOs, is essential to advance the common good and deliver sector-wide impact. By pooling resources, aligning expertise, and fostering inclusive governance, SACCO Central, KETSA, and CoopTech, working together in collaboration, under one institution, with broader sector stakeholders, can ensure that shared services are deployed more efficiently, gain widespread buy-in, and accelerate delivery across all SACCO tiers.

9.4 Collaborative Efforts Required

During the Committee of Experts Stakeholder Engagement, several key institutions were invited to meet with the COE to discuss how best they can work together for the benefit of SACCOs and members. As a result of a follow-up meeting, the stakeholders listed below agreed to sign a Memorandum of Understanding to work together to advance and support the transformation of the SACCO Sector in Kenya.

- Co-operative Alliance Kenya Ltd (CAK)
- Kenya Union of Savings and Credit Co-operatives Ltd (KUSCCO – National Apex transitioning to a Federation)
- Co-operative University Kenya Ltd (CUK)
- CIC Co-operative Insurance Ltd
- Co-operative Bank of Kenya Ltd

However, the advancement of Kenya’s SACCO sector requires an even stronger coordinated approach with leadership buy-in across all levels of the Sector. Key stakeholders including SASRA, County Governments, and the Ministry of Cooperatives and MSMEs Development must also work together with the Sector to harmonise regulation, streamline service delivery, and drive inclusive reform. Their collaboration is essential to eliminate duplication, resolve overlaps, and ensure that SACCOs, whether regulated or unregulated, whether urban or rural, large or small, operate within a coherent and supportive framework.

To institutionalise this effort, the Committee of Experts recommends the formation of a **National Steering Committee for SACCO Development (NASSD)** (see section 10 for more information). This Steering Committee would bring together those who have signed the Memorandum of Understanding, alongside shared services institutions such as SACCO Central, KETSA, and CoopTech, who would form a new Shared Services institution working collaboratively for the benefit of the Sector. Credit Information Sharing (CIS), is also an essential partner to transforming the sector’s lending and credit risk should also be invited, as required, to be part of the Group. As is recommended by the Committee of Experts, a key stakeholder in the delivery of a Deposit Guarantee Fund is the Kenyan Deposit Insurance Corporation, who should also form part of the governance of the NASSD.

The NASSD would serve as a strategic platform for policy alignment, joint planning, and sector-wide innovation, anchoring the vision of “one sector, working together.” It is recommended that a core Board is agreed, with other stakeholders being invited and included depending on subject matter. Sub-Committees for specific topics should also be considered as part of the governance structure.

9.4.1 Why Does Collaboration Matter?

Such a strategic move will be a major milestone toward unifying Kenya’s SACCO sector and bring about significant benefits including.

Strategic Coordination and Policy Alignment

- Enables harmonisation of priorities, reforms, and messaging across institutions.

- Provides a platform to develop a Strategic Vision and Plan for the transformation of the SACCO Sector lead by the Sector in conjunction with the Ministry for Co-operatives.
- Reduces duplication and conflicting mandates, fostering a coherent sector-wide strategy.
- Strengthens alignment with the Cabinet Secretary’s vision of “one sector, working together.”

Accelerated Implementation of Shared Services

- Facilitates joint planning and faster rollout of shared services such as liquidity, MIS, audit, compliance, and training by building on already established systems.
- Promotes economies of scale and faster adoption of digital infrastructure and improved credit risk across SACCOs.

Inclusive Governance and Representation

- Ensures that diverse voices including grassroots SACCOs, teacher-based SACCOs, and tech innovators are heard.
- Builds trust and legitimacy by involving all key actors in decision-making, and encourages sector-wide ownership

Innovation and Knowledge Exchange

- Encourages cross-pollination of ideas between traditional SACCOs and emerging service providers.
- Supports co-creation of solutions for liquidity, cybersecurity, mobile banking, and member onboarding.

Enhanced Regulatory Engagement

- Provides a unified platform for engaging with SASRA, KDIC, CBK, and the Ministry.
- Strengthens advocacy for enabling legislation, funding, and policy support.

Sector Stability and Risk Mitigation

- Promotes joint risk management frameworks and early warning systems.
- Supports coordinated responses to governance lapses, financial distress, or reputational threats.

Resource Mobilisation and Donor Confidence

- Presents a consolidated front for attracting donor support, technical assistance, and investment.
- Enhances transparency and accountability in programme delivery.

9.4.2 Strategic Impacts

The NASSD would serve as the nerve centre for the Kenyan SACCO sector transformation, bridging legacy institutions with emerging actors, and translating collaboration into tangible outcomes for members, regulators, and the economy. Included in Appendix 5 is a draft **Stakeholder Role and Engagement Map**.

9.5 Conclusion and Recommendations

The development of Shared Services is a cornerstone for accelerating growth, resilience, and professionalism within Kenya's SACCO sector. A collaborative approach, initially structured through the **Credit Union Service Organisation (CUSO)** model, offers a practical and scalable pathway to consolidate operational functions, reduce duplication, and unlock access to best-in-class products and services.

Over time, this foundation can evolve towards the introduction of a **Corporate Credit Union**, providing SACCOs with a centralised financial infrastructure, including treasury management, settlement services, and improved liquidity support.

The CUSO model will continue to support the sector and will enable SACCOs to evolve and to access a **Central Liquidity Fund** (see next section), strengthening financial stability and enhancing their ability to serve members effectively. This phased strategy, starting with shared services and maturing into a Corporate Credit Union—has the potential to transform Kenya's SACCO landscape into a globally benchmarked co-operative finance system fit for the future.

The Committee of Experts therefore makes the following recommendations:

1. Establish the National Steering Committee for SACCO Development (NASSD)

Key stakeholders, including the Ministry of Cooperatives, SASRA, the Council of Governors, KUSCCO (the National Federation), SACCO Central, KETSA, CoopTech,

and other identified entities, should formally collaborate to establish the NASSD as a strategic platform for policy alignment, reform implementation, and sector-wide coordination.

2. Expand the Memorandum of Understanding (MoU)

The existing MoU among stakeholders should be broadened to include national Government, County Governors, SASRA, and other relevant institutions identified in this section, ensuring inclusive representation and a unified commitment to sector transformation.

3. Develop a Unified Credit Union Service Organisation (CUSO)

Institutions currently engaged in shared services should consolidate efforts to establish a single, sector-supported CUSO. This entity will deliver best-in-class products and services based on agreed priorities and operate under a governance framework endorsed by the wider SACCO ecosystem.

4. Phase Shared Services Implementation through Regulated SACCOs

The initial rollout of shared services should prioritise regulated SACCOs to ensure compliance, operational readiness, and alignment with prudential standards, while laying the groundwork for broader sector inclusion.

5. Adopt a Stakeholder Role and Engagement Map

A comprehensive Stakeholder Role and Engagement Map (see Appendix VI) should be formally adopted to clarify institutional mandates, guide collaboration, and support coordinated implementation of reforms and shared services.

10.0 CENTRAL LIQUIDITY FUND (CLF)

10.1 Context and Liquidity Challenges

SACCOs, like credit unions globally, are vulnerable to liquidity imbalances driven by seasonal fluctuations in loan demand, macro-economic shifts, and local disruptions or regional downturns. During periods of financial stress, SACCOs may be compelled to rely on expensive bank credit lines for short-term borrowing or high-cost loans to address longer-term liquidity gaps. While these measures may temporarily meet member demands for loans or savings withdrawals, they can significantly erode margins and compromise the SACCO's financial stability. Without a sector-owned liquidity mechanism, SACCOs remain exposed to external funding pressures that weaken their resilience and limit their ability to serve members effectively.

10.2 Benefits of a Central Liquidity Facility for SACCOs

A **Central Liquidity Facility (CLF)** offers transformative benefits for Kenya's SACCO sector, especially as it evolves toward greater integration, financial stability, and digital modernisation. The benefits of a Central Liquidity Fund for SACCOs are well documented¹ - see research paper "The Business Case for a Credit Union Central Finance Facility".

Benefits include:

1. Financial Stability and Shock Absorption

- Provides SACCOs with access to emergency funding during liquidity shortfalls, seasonal cash flow gaps, or economic shocks.
- Reduces the risk of member panic withdrawals and protects SACCOs from forced asset sales.

2. Inter-SACCO Lending and Solidarity

- Enables SACCOs to lend to one another through a structured, transparent platform.
- Promotes sector-wide resilience and mutual support, especially for smaller SACCOs with limited reserves.

¹ Published by the Centre for Community Finance Europe Ltd/Swoboda Research Institute. Dublin, Ireland August 2018

3. Access to Short-Term Credit

- Offers short-term loans to SACCOs for operational needs, bridging delays in member contributions or loan repayments.
- Improves liquidity management and reduces reliance on costly external borrowing.

4. Integration with National Payment Systems

- Facilitates SACCO participation in the National Payment System, enabling faster settlement and digital transactions.
- Positions SACCOs alongside banks and MFIs in Kenya's formal financial infrastructure.

5. Reduced Cost of Funds

- Pooled resources allow SACCOs to access liquidity at lower interest rates, compared to commercial borrowing.
- Enhances affordability and sustainability of SACCO operations.

6. Improved Treasury and Risk Management

- Supports SACCOs in adopting professional treasury practices, including liquidity forecasting and stress testing.
- Enables SASRA and CBK to monitor systemic liquidity risks more effectively.

7. Sector Credibility and Member Confidence

- A CLF signals institutional maturity and builds trust among members, regulators, and investors.
- Enhances SACCOs' reputation as stable, well-managed financial institutions.

The CLF is, however, more than a financial tool, it's a pillar of co-operative resilience, enabling SACCOs to grow, innovate, and protect members in a volatile financial landscape. Its success depends on strong governance, inclusive participation, and integration with shared services and regulatory frameworks.

10.3 Delivery Model: A new Shared Services Organisation as CLF Agent Under NASSD Oversight

SACCO Central has made strides as a shared services institution, having been incubated under SASRA, supported by the World Bank, and now progressing toward formal regulation under the new provisions of the Co-operative Societies Act for secondary co-operatives. With over 70+ SACCOs already onboarded, SACCO Central has established an operational foundation and some credibility to deliver core services including a central liquidity facility. In parallel, KETSA continues to play a vital role in supporting teacher-based SACCOs, with over 40 SACCOs engaging, including the provision of liquidity facilities tailored to its members' needs. This demonstrates both institutional capacity and deep sectoral insight.

However, the existence of multiple liquidity mechanisms, while well-intentioned, risks fragmentation and missed opportunities for scale, efficiency, and systemic impact. By combining resources, expertise, and infrastructure, SACCO Central and KETSA have a unique opportunity to co-create a stronger, more resilient Central Liquidity Fund (CLF), one that is inclusive, professionally managed, and aligned with national regulatory standards. Such a partnership would not only reduce duplication but also enhance sector-wide trust, accelerate adoption, and ensure that liquidity support reaches regulated SACCOs of all sizes and profiles. Merging the two institutions, resources and expertise will provide the best possible outcome for the SACCO Sector in Kenya.

This collaboration, under the strategic coordination of the **National Steering Committee for SACCO Development (NASSD)**, (see section 10) would send a powerful signal of unity and maturity across the SACCO ecosystem, positioning Kenya as a continental and global leader in co-operative financial innovation.

10.4 Structural Framework for the Central Liquidity Fund (CLF)

To ensure the Central Liquidity Fund (CLF) is institutionally sound, inclusive, and scalable, its design must be anchored in robust governance, legal clarity, and operational efficiency. The following outlines the key structural components required to deliver a CLF that supports SACCO resilience, promotes sector-wide trust, and aligns with Kenya's cooperative financial reform agenda:

- **Governance:** A CLF Steering Committee operating under the National Steering Committee for SACCO Development (NASSD), with representation from SASRA, the Ministry of Cooperatives, KDIC, CBK, KUSCCO, unions and SACCOs.
- **Legal Framework:** Amendments to the SACCO Societies Act to formally recognise the CLF and establish its regulatory oversight.
- **Infrastructure:** Integration of the CLF into SACCO Central’s shared MIS and treasury platform to enable real-time liquidity tracking and fund management.
- **Membership:** A tiered membership model (See below) to ensure inclusive access while maintaining governance integrity.
- **Capitalisation:** Initial funding sourced from member SACCO contributions, donor support, and government seed capital.
- **Phased Rollout:** Pilot implementation with Tier 1 SACCOs, followed by gradual onboarding of eligible regulated SACCOs across the country.

10.5 Membership Tiers

To ensure inclusive participation while maintaining financial sustainability and governance integrity, the CLF is recommended to operate under a three-tier membership model. This structure balances affordability, access, and accountability—allowing SACCOs of varying capacities to benefit from liquidity support while incentivising deeper sector engagement.

10.5.1 Tier 1: Full Membership - Annual Membership Fee

Benefits:

- Priority access to CLF liquidity—both purchasing and selling—at the most favourable rates available
- Voting rights and eligibility to sit on the CLF Governing Body
- Influence over strategic direction, product design, and fund policies
- Access to premium treasury tools and liquidity forecasting support

Rationale

Designed for SACCOs with strong operational capacity and a commitment to sector leadership. This tier ensures that those contributing most to the fund have a voice in its governance and benefit from preferential terms.

10.5.2 Tier 2: Associate Membership - Reduced Annual Membership Fee

Benefits:

- Full access to CLF liquidity services (buying and selling)
- Standardised rates, less favourable than Full Members
- Participation in technical working groups, but no voting rights or board eligibility
- Access to shared services, training, and reporting tools

Rationale

This tier makes CLF participation affordable and inclusive, especially for small to medium or emerging SACCOs. It encourages broad sector engagement while preserving governance integrity for core contributors.

10.5.3 Tier 3: Pay-As-You-Go Access - No Membership Fee/Transaction-Based Access

Benefits:

- On-demand access to CLF liquidity during times of need
- Least preferential rates, reflecting non-contributory status
- No governance or strategic input rights
- Basic reporting and compliance requirements

Rationale

Ensures that all regulated SACCOs, regardless of size or financial position, can access liquidity support when needed. This tier promotes sector-wide safety and solidarity, while encouraging SACCOs to upgrade to membership tiers over time.

Strategic Value of Tiering

- Promotes financial sustainability of the CLF through diversified contributions
- Encourages governance discipline and member accountability
- Enables scalable access without excluding vulnerable SACCOs
- Aligns with risk-based supervision and shared services integration

Strategic Impact

- Enhances SACCO sector resilience and financial stability
- Reduces systemic risk and dependency on commercial banks
- Promotes inter-SACCO solidarity and operational efficiency

- Builds member trust and positions SACCOs for global benchmarking

10.5.4 Revenue Strategy and Strategic Sector Partnerships

To ensure the long-term sustainability and inclusivity of shared services, and the development of a CUSO, including the Central Liquidity Fund (CLF), a diversified revenue model is essential. Income generated from SACCO membership fees and the sale of financial products and services should not only cover operational costs but also be reinvested to strengthen the broader SACCO ecosystem.

A portion of these revenues could be strategically allocated to support sector partners who play a catalytic role in expanding access, building capacity, and promoting adoption, particularly among SACCOs with limited reach or resources. In this context, **KUSCCO**, as Kenya's national SACCO federation, is a critical partner and could be supported financially, through the revenue model, to cover its costs for supporting SACCOs to enter and remain in the scheme (meeting minimum requirements).

With its extensive network and trusted relationships across the SACCO movement, KUSCCO is uniquely positioned to:

- Promote awareness and uptake of the CLF and shared services among SACCOs
- Support self-compliance for the industry, i.e. supporting SACCOs with compliance, audit readiness, compliance training and sector discipline
- Facilitate onboarding, training, and technical support for SACCOs transitioning into the new framework
- Advocate for inclusive governance and represent member interests in sector-wide forums
- Serve as a conduit for feedback, innovation, and continuous improvement.

By supporting KUSCCO through targeted revenue allocations, SACCO Central reinforces the principle of co-operative solidarity and ensures that sector transformation is not only efficient, but equitable and scalable. This partnership model strengthens the delivery of shared services, accelerates reform implementation, and builds trust across all SACCO tiers.

11.0 REALIGNMENT OF SACCO STRUCTURE AND SUPPORT MECHANISM

To deliver a vision that puts Kenya at the forefront of best practice in the Credit Union global system, there needs to be a realignment of the structure, a reduction in the duplication of services, and a significant improvement in the structure and governance of the sector. The formation of a National Steering Committee for SACCO Development should be a priority for the sector consisting of key stakeholders that are empowered to drive transformation. A mandate should be delivered within the first quarter of this report being published to form the Board and its strategic vision for the sector.

There is also a need to address the credibility of KUSCCO playing a key role in the Sector as it moves to Federation Status. KUSCCO should strongly consider rebranding as part of a broader credibility restoration strategy. The recent forensic audit by PwC revealed deep governance failures, financial mismanagement, and regulatory blind spots that have severely eroded public trust. Rebranding is not just cosmetic, it can signal a genuine institutional reset, especially when paired with structural reforms.

11.1 Why Rebranding is a Strategic Necessity for KUSCCO

- **Restore Public Confidence:** The brand is currently associated with insolvency, fraud, and poor oversight. A new identity can help distance the organisation from past scandals.
- **Signal Governance Renewal:** With the appointment of the new board and sector-wide reforms underway, rebranding can reinforce the message of accountability and transparency.
- **Align with Sector Transformation:** As Kenya moves toward a National Cooperative Federation model, KUSCCO must reflect the professionalism, digital readiness, and ethical leadership expected of a central institution.

10.2 The Benefits of Co-operation Over Duplication

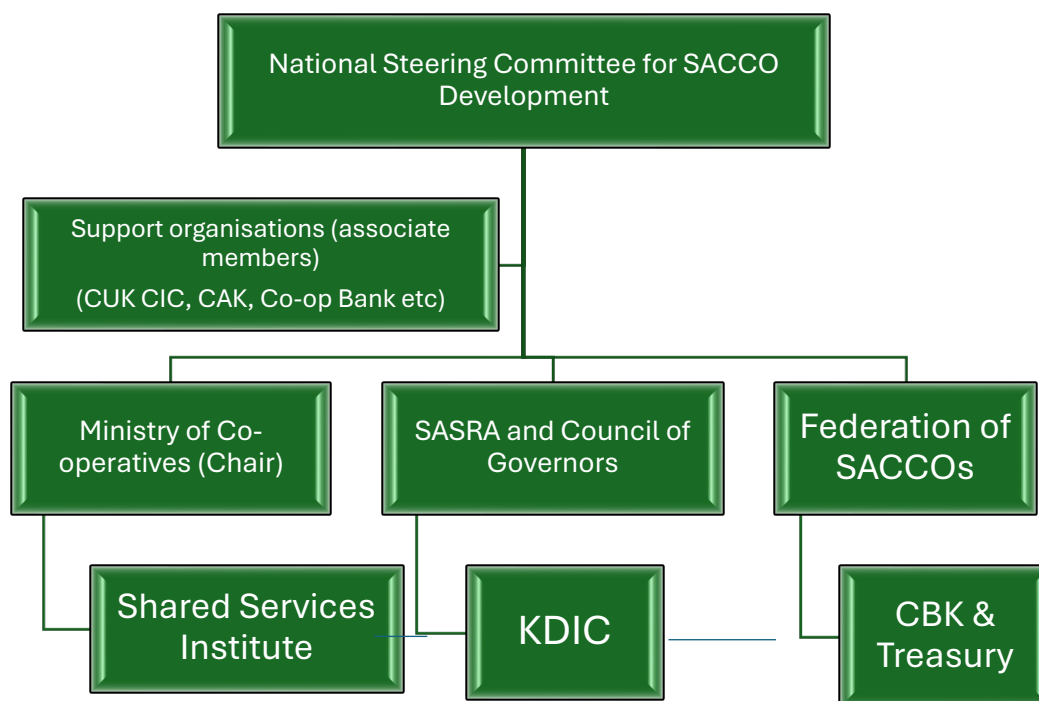
To reduce duplication, foster collaboration, and drive transformation in Kenya's SACCO sector, the structure must evolve from a fragmented, siloed system into a

coordinated, tiered ecosystem - anchored in shared services, unified oversight, and strategic partnerships.

Below is a proposed model of collaboration that reflects both global best practice and Kenya's reform ambitions.

The NASSD Board should be convened by the Cabinet Minister for Co-operatives in the Chair, to give the Board gravitas and credibility. Representatives on the Board should be the most senior people from organisations that are key drivers of transformation (see below), and substitutes should not be allowed to attend Board meetings. The Board may set up sub-committees or advisory groups as required to support the business and transformation of the sector.

Figure 10.1: Improved SACCO Sector Structure: A Collaborative Ecosystem



10.3 Improving Support to Sector - Stabilisation Protection Scheme – Kenya (SPS-K)

A further key issue is the lack of a mechanism to support SACCOs that are experiencing difficulties but could be supported back to health and to meeting minimum regulatory requirements; or that should be advised (mandated) to merge with another SACCO to protect members interests, or in worst case scenario be liquidated.

During the bench-marking visit to Ireland the team were exposed to the Irish Stabilisation Protection Scheme which sits under, and reports to the Board of the Apex, the Irish League of Credit Unions. The purpose of the Stabilisation Scheme is to provide:

- Effective capital support mechanism for undercapitalised credit unions.
- Assist credit unions to trade out of difficulty or to transfer engagements to another Credit Union (merger).
- Protects reputational damage by avoiding liquidations and wind-up.
- More cost effective than using government bailouts.

10.3.1 Key Features of the Irish SPS

Credit Union participation in the Irish SPS is mandatory. The operation of the SPS support mechanism is protected by legal agreements. The SPS fund has embedded into its operational design, the principle of SPS fund recovery without the diminishment of Regulatory Reserves. The responsibility for the governance of the SPS is with the Directors of the ILCU Board, the SPS Committee (a sub-committee of the ILCU Board) and the Stabilisation Oversight and Advisory Committee. The scheme is a critical component of the infrastructural support available to credit unions through affiliation to ILCU.

10.3.2 Reasoning for KUSCCO (Federation of SACCOs) to Convene and Run SPS-K

KUSCCO has had its challenges in the past, which has resulted in the appointment of a new Board of Directors and Chairperson, as well as a re-evaluation of its core purpose, and a refocus on its role and value to the Sector. A rebranded institution, with a renewed focus, operating as a Federation needs to be central to transformation of the SACCO sector in Kenya.

It is critical to the SACCO sector, to have an umbrella body at the helm of the structure as it is best placed to organise and run, on behalf of the sector, a Stabilisation Protection Scheme - Kenya (SPS-K). The reasons for this approach are:

1. National Reach and Sector Representation

Notwithstanding the actions of a few, KUSCCO has long served as the umbrella organisation for SACCOs across Kenya, with deep institutional relationships and grassroots access. Its ability to convene SACCOs of all sizes and typologies—Deposit-Taking, Non-Withdrawable, regulated and unregulated—makes it uniquely positioned to coordinate a sector-wide protection scheme that is inclusive and representative.

2. Mandate to Promote Sector Stability

As envisioned in the ongoing SACCO sector reforms, KUSCCO is transitioning into a National Cooperative Federation with a renewed mandate to promote governance, financial stability, and member protection. Convening SPS-K aligns directly with this expanded role and reinforces its legitimacy as a stabilising force in the sector.

3. Institutional Infrastructure and Experience

KUSCCO has existing infrastructure for SACCO engagement, training, and advocacy. Leveraging this platform to host SPS-K would reduce setup costs, accelerate rollout, and ensure operational continuity. Its experience in managing co-operative programmes and interfacing with regulators adds credibility to its stewardship of a protection scheme.

4. Trust and Mobilisation Capacity

Despite past governance challenges, KUSCCO remains a trusted brand among many SACCOs, especially in rural and teacher-based cooperatives. With the support of its newly restructured board, and a re-brand, KUSCCO can mobilise SACCOs to participate in SPS-K, contribute to its capital base, and adhere to its recovery protocols, ensuring broad uptake and sector solidarity.

5. Alignment with Reform Agenda

The Ministry of Co-operatives has tasked KUSCCO with restructuring to enhance efficiency and governance. Running SPS-K would demonstrate its commitment to reform, rebuild public confidence, and position it as a key delivery agent within the National Steering Committee for SACCO Development (NASSD).

6. Strategic Partnership Potential

KUSCCO can convene donor partners, government agencies, and SACCO unions to co-finance and co-govern SPS-K. Its federated model allows for multi-stakeholder engagement, making it ideal for managing a fund that requires transparency, accountability, and cross-sector collaboration.

10.4 Strategic Recommendation

KUSCCO should be formally mandated—under NASSD oversight—to host and operationalise SPS-K, with clear governance protocols, ring-fenced funding, and independent audit mechanisms. This role would not only stabilise distressed SACCOs but also reinforce KUSCCO's transformation into a modern, values-driven cooperative federation. A Stabilisation Protection Scheme also needs to be written into law if it is to collect funds from SACCOs. Appendix 6 to this report provides a framework for a Stabilisation Protection Scheme for Kenya.

11.0 RATIONALE FOR MORATORIUM ON REGISTRATION OF NEW SACCOS

In May 2025, during the formal engagement of the Committee of Experts on SACCO Sector Reform, the Cabinet Secretary for Co-operatives and MSMEs Development, Hon. FCPA Dr. Wycliffe Ambetsa Oparanya, announced a moratorium on the registration of new SACCOs. This decision was taken as a precautionary measure to safeguard member interests and allow for a comprehensive review of the sector's regulatory and governance landscape. Based on the findings and recommendations outlined in this report, including the urgent need to strengthen oversight frameworks and address widespread non-compliance, the Committee of Experts recommends that the moratorium be upheld for the foreseeable future. The following section outlines the rationale and strategic imperatives underpinning this recommendation.

1. Protects Member Savings Amid Governance Failures

Recent forensic audits have uncovered widespread financial mismanagement, including inflated assets, fake dividends, and misappropriated funds—resulting in losses exceeding KSh 13.3 billion. Halting new registrations helps prevent further erosion of member trust and protects millions of Kenyans whose livelihoods depend on SACCOs.

2. Allows Time to Reform the Legal and Regulatory Framework

The moratorium creates space for the Committee of Experts to review and strengthen the SACCO Societies Act, align county and national oversight, and introduce critical tools like the Deposit Guarantee Fund and Central Liquidity Facility. Without this pause, reforms risk being undermined by continued entry of poorly governed entities.

3. Prevents Brand Dilution and Market Saturation

Minimal requirements to register SACCOs have led to a proliferation of under-resourced and poorly managed entities, diluting the SACCO brand and confusing members. A moratorium helps restore credibility by ensuring future entrants meet higher standards of governance, capitalisation, and operational readiness.

4. Enables Clean-up of Existing SACCO Landscape

With over 5,000 plus SACCOs in operation, many are dormant, non-compliant, or duplicative. The pause allows regulators, and county governments to conduct a thorough audit, rationalise the sector, and support consolidation where appropriate, strengthening the overall ecosystem.

5. Aligns Kenya with Global Best Practice

Globally, credit union systems operate under unified, rigorous licensing regimes. Kenya's fragmented two-tier system (regulated vs. unregulated SACCOs) and inconsistent oversight have deviated from these norms. The moratorium signals a commitment to international standards and sector modernisation.

11.1 Strategic Insight

This is not a freeze, it's a **strategic pause** to protect members, restore integrity, and lay the foundation for a resilient, well-regulated SACCO sector. It ensures that future SACCOs are not just registered, but ready to serve, governed ethically, and aligned with Kenya's financial inclusion goals.

12.0 ROADMAP TO TRANSFORMING KENYA’S SACCO SECTOR

Kenya’s SACCO sector stands at a pivotal moment in its evolution. With over 5,000 plus registered SACCOs serving millions of members, the sector has become a cornerstone of financial inclusion and co-operative enterprise. However, as has been highlighted already, systemic challenges, including fragmented regulation, governance lapses, and financial instability, have exposed vulnerabilities that threaten its long-term sustainability.

In response, the Ministry of Co-operatives and MSMEs Development is recommended to initiate a comprehensive reform agenda, as outlined in this report to restore integrity, protect member savings, and reposition SACCOs as globally benchmarked institutions.

12.1 Vision Statement and Foreword: Transforming Kenya’s SACCO Sector

Kenya’s SACCO sector is one of the most vibrant cooperative movements in Africa, touching the lives of millions and anchoring community-based financial inclusion. Yet, to realize its full potential, and to position Kenya as a global leader in credit union excellence, the sector must undergo a bold transformation rooted in integrity, innovation, and member-first principles.

This roadmap sets out a strategic path to achieve that vision. It calls for a realignment of institutional structures, the elimination of duplicative and fragmented service delivery, and a decisive upgrade in governance standards. It also challenges SACCOs to reimagine their business models, ensuring that every product and service is designed to serve members first, not institutional convenience.

Critically, the sector must return to its co-operative roots. The principles of member ownership, democratic governance, ethical leadership, and financial solidarity are not just philosophical—they are the foundation of sustainable growth and public trust. By embracing these values and aligning with global best practices, Kenya’s SACCO sector can become a beacon of dignity, equity, and resilience in Africa’s financial future.

This roadmap is not merely a plan—it is a commitment to reform, a blueprint for impact, and a call to action for every stakeholder who believes in the power of cooperatives to transform lives.

The Table 12.1 below provides more detail on the roadmap.

Short Term Priorities (0-12 months)	Medium Term Priorities (1–3 Years)	Long-Term Priorities (3–5+ Years)
Focus: Stabilisation, Protection, and Legal Foundations	Focus: Consolidation, Efficiency, and Infrastructure	Focus: Resilience, Innovation, and Global Positioning
<ul style="list-style-type: none"> ▪ Maintain the Moratorium on New SACCO Registrations: Prevent further brand dilution and protect member savings while reforms are underway. ▪ Legal Harmonization and Regulatory Reform: Fast-track amendments to the SACCO Societies Act and Co-operative Societies Act to unify oversight and close regulatory gaps. ▪ Establish the National SACCO Sector Liaison Group (NASSD): Formalise multi-stakeholder governance to drive reform implementation and sector alignment. 	<ul style="list-style-type: none"> ▪ Operationalise the Deposit Guarantee Fund (DGF): Launch the DGF with KDIC under a pay-box model to insure member deposits and restore public confidence. A tiered approach is recommended as follows: <ul style="list-style-type: none"> ○ Year 1: Legal framework and KDIC onboarding ○ Year 2: Pilot phase (Tier I and II SACCOs) ○ Year 3: Full rollout ▪ Develop and Launch the Central Liquidity Fund (CLF): Provide SACCOs with short-term funding support and integrate them into the national payment system. liquidity funds will need regulatory 	<ul style="list-style-type: none"> ▪ Establish a Corporate Credit Union: Transition SACCO Central into a fully regulated secondary co-operative/corporate credit union offering treasury, settlement, and liquidity services. ▪ Expand DGF into Risk-Based Monitoring: Move beyond pay-box to proactive supervision—tracking liquidity, capital adequacy, and asset quality. ▪ Position SACCOs for Global Benchmarking: Align Kenya’s SACCO sector with international credit union standards in governance, compliance, and member protection.

<ul style="list-style-type: none"> ▪ Conduct Sector-Wide Audit and Cleanup: Identify dormant, non-compliant, or duplicative SACCOs and initiate rationalisation strategy of mandatory mergers or liquidation. <ul style="list-style-type: none"> ○ Mapping and diagnostics (Year 1) ○ Liquidations/mergers (Years 2–3) ▪ Strengthen SASRA’s Supervisory Mandate and Capacity: Expand SASRA’s powers to supervise, enforce compliance, and intervene early. ▪ Integrate Credit Information Sharing (CIS): Enable SACCOs to participate in full-file credit reporting to reduce NPLs and support risk-based lending - systems already exist under CIS Kenya. A faster win for reducing NPLs. 	<p>amendments and IMF/CBK alignment. Best to plan for phased rollout (e.g., initial pooled facility in Year 1, then integration into NPS later).</p> <ul style="list-style-type: none"> ▪ Scale Shared Services through CUSO Model: Consolidate MIS, audit, compliance, and treasury functions to reduce costs and improve service delivery. ▪ Enhance Governance Standards and Board Qualifications: Implement stricter eligibility criteria and ethics protocols for SACCO leadership. Develop an Approval System for leadership under SASRA. ▪ Digitise Regulatory Reporting and Member Services: Promote fintech adoption for faster, more transparent SACCO operations. 	<p>Could start earlier (Year 2–3) by aligning reporting formats with WOCCU/IFRS standards, even before full structural reforms</p> <ul style="list-style-type: none"> ▪ Promote Financial Inclusion and Member-Centric Innovation: Leverage digital platforms to reach underserved populations and offer tailored financial products. ▪ Institutionalise Sector-Wide Ethics and Consumer Protection Frameworks: Embed co-operative values, transparency, and member rights into all SACCO operations.
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<ul style="list-style-type: none"> ▪ Re-brand regulated SACCOs as Credit Unions (3-year grace period). 	<ul style="list-style-type: none"> ▪ Support SACCO Consolidation and Tiering: Encourage mergers and tiered service models to strengthen institutional capacity and reduce fragmentation. 	
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13.0 OTHER ISSUES CAPTURED DURING STAKEHOLDER ENGAGEMENT

As Kenya's SACCO sector undergoes transformative regulatory reform, several adjacent and forward-looking issues have surfaced from the stakeholder engagement. While not all within the immediate scope of the current mandate, these matters warrant structured attention due to their potential impact on sector integrity, member protection, and alignment with international standards. Some of the issues have been touched upon in the report but would warrant further discussion with the appropriate stakeholders and through the National SACCO Societies Liaison Group.

13.1 Merger Strategy and Consolidation Pathways

Issue: Fragmentation among SACCOs undermines economies of scale and supervisory efficiency.

Proposal: Develop a merger strategy under SPS-K to guide voluntary consolidation, including legal, financial, and governance steps.

13.2 Weak Consequences for Fraud and Rule-Breaking

Issue: Current sanctions for "bad actors" are insufficient to deter misconduct.

Proposal: Recommend a review of punitive frameworks, including tiered penalties, public disclosure, and enhanced enforcement mechanisms. (addressed in main report and appendices)

13.3 Regulatory Clarity for Non-SACCO Co-operatives Offering Financial Services

Issue: Housing and transport co-operatives under SASRA blur regulatory boundaries.

Proposal: Establish separate regulatory arrangements to preserve SACCO identity and ensure appropriate oversight. Consider rebranding of savings and credit co-operatives to Credit Unions (CUs) to create separation.

13.4 Public Sensitisation on Sector Transformation

Issue: Low public awareness risks resistance and misinformation.

Proposal: Launch a nationwide sensitisation programme targeting members, leaders, and the public to build trust and understanding.

13.5 Delegate System and Digital Member Engagement

The most successful SACCOs in Kenya have thrived under the delegate system to ensure member participation in the annual meetings, which ensures order, manageable governance, and representative decision-making. Rather than abolishing this model, the focus should be on strengthening it to deepen democracy, accountability, and transparency. The delegate system means a smaller number of trained SACCO members are elected to represent a larger number of members at key meetings, particularly the Annual Meeting,

Issue: The delegate model has become established as it is perceived to limit democratic participation.

Proposal: Explore technology-enabled platforms for delegate engagement as well as in-person as SACCOs increase in size.

13.6 Diaspora Engagement Rules

Issue: Outdated rules hinder SACCO service delivery to diaspora members.

Proposal: Update regulatory provisions to support cross-border membership, digital onboarding, and remittance-linked products.

13.7 National vs Devolved Government Roles

Issue: Ambiguity in policy roles creates duplication and gaps.

Proposal: Clarify responsibilities through intergovernmental frameworks and harmonised legislation. Bring key governmental stakeholders together under umbrella body to ensure collaboration. Note that the SACCO Societies Act should supercede the Co-operative Societies Act in the event of inconsistencies.

13.8 Rebranding Large SACCOs as Savings and Credit Unions (see above)

Issue: Lack of differentiation between regulated and unregulated entities confuses consumers.

Proposal: Assess readiness of large SACCOs to rebrand as Credit Unions to signal regulatory compliance and global alignment.

13.9 Separation from Non-Financial Co-operatives

Issue: Blurred lines between SACCOs and other co-operatives (housing, transport, marketing) dilute sector focus.

Proposal: Develop relational protocols that respect co-operative solidarity while preserving SACCO regulatory distinctiveness.

13.10 SACCO Business Model Review

Issue: Legacy models may not align with international standards or member expectations.

Proposal: Conduct a deep dive into SACCO business models—shareholding, dividend caps, common bonds—and rewire sector thinking.

13.11 Establishment of a SACCO Research and Innovation Centre

Issue: Lack of institutional capacity for strategic foresight and benchmarking.

Proposal: Create a Research Centre to support evidence-based policy, innovation, and global best practice adoption. The Co-operative University of Kenya, may be best placed to take the lead on this initiative.

14.0 CONCLUSION

The transformation of Kenya's SACCO system is entering a pivotal phase, with reforms that aim to modernise operations, strengthen financial stability, and enhance member protection a necessity. The key themes that ran through the stakeholder engagement are that transformation is critical, modernisation and alignment with the global credit union sector is needed, and that collaboration to support change is the way forward. It is critical that the Sector and both National and County Government work together for the benefit of Kenyan citizens to deliver a strong, robust SACCO sector that serves people from all walks of life, but particularly those with fewer financial choices.

Critical to this transformation is the need for the Kenyan National Government, the Regulatory Authority SASRA, the Council of Governors and the Sector to work together to strengthen the legislative and regulatory frameworks, to ensure Kenya leads the way on the sustainable development of SACCOs.

This report addresses mainly the roadmap for regulated SACCOs, but there also needs to be a strong Policy Framework at County Government level to support SACCOs that are not currently regulated.

The Senate can play a key role, working with the Council of Governors and County Government in ensuring Policy is fit for purpose and provides a way forward for unregulated SACCOs to work towards regulation by SASRA in the future. Regulation by SASRA provides the basis for SACCOs, and ultimately members, to benefit from the strengthening of the sector through access to a Deposit Guarantee Fund, Shared Services and a Central Liquidity Facility.

Reforms need to ensure that the Sector continues to develop best in class practices, focusing on empowering SACCOs of all sizes to remain competitive.

SACCOs must adopt financial technology solutions to improve efficiency and member experience. A shared services framework is essential to help SACCOs pool resources, reduce operational costs, and access shared infrastructure like core banking systems.

The creation of a Central Liquidity Facility (CLF) will support SACCOs facing short-term liquidity challenges and enable participation in the National Payment System, improving inter-SACCO transactions. A SACCO Deposit Guarantee Fund established through KDIC will protect members' savings and should be modelled after the banking and insurance sectors' compensation schemes. This will reduce the risk of financial loss due to mismanagement or fraud, especially considering recent scandals.

This report addresses the challenges and opportunities within the sector, but in particular the following:

1. A road map to improve the legislative framework beyond the SACCO Societies Act and Co-operative Societies Act, impacting SACCOS, to be developed urgently.
2. The Kenyan Government to consider, in conjunction with key stakeholders, the future legislative framework governing financial Co-operatives and SACCOs to bring under one robust, permissive Act of Parliament.
3. The SASRA Board to review its capacity and capability to deliver a regulatory framework fit for purpose for today, tomorrow and the future, and to align with international best practice to bring all SACCOs into regulation.
4. The Cabinet Secretary for Co-operatives to work with the Council of Governors and the Sector to develop a pathway to regulation for all SACCOs in Kenya.
5. The Sector to work with the Kenyan Deposit Insurance Co-operative to develop and implement a Deposit Guarantee Fund to protect SACCO members savings.
6. The sector's key stakeholders to work together under a National SACCO Societies Liaison Group (NASSD) re-align the structure to remove duplication, to increase collaboration, and to deliver best in class SACCOs, products and services for members.
7. A shared services organisation is formed by bringing together stakeholders already working to deliver products and services to distinct member groups, for the benefit of all regulated SACCOs, including a Central Liquidity Fund.
8. A framework is developed to enable the County Governments to support SACCOs move towards mergers, consolidation and a new regulatory framework.
9. To promote fairness and encourage member savings, rebates earned on deposits should be accorded the same withholding tax treatment as dividends on share capital. Both represent returns to members on their participation in the

SACCO and should not be taxed disparately. Aligning the withholding tax rate would remove distortions, enhance transparency, and strengthen member confidence.

The Hon. FCPA Dr. Wycliffe Ambetsa Oparanya, Cabinet Secretary, the Ministry of Co-operatives and MSMEs Development, the Commissioner for Co-operatives, the Council of Governors, SASRA, key stakeholders, SACCOs, and the Government of Kenya deserve the highest commendation for their visionary leadership and unwavering commitment to financial empowerment.

Through their collective efforts, Kenyan citizens are not only gaining access to diverse financial choices, but they are also being equipped with the knowledge, dignity, and ability to shape their financial futures. SACCOs are no longer just service providers; they are becoming trusted partners that place the needs of ordinary Kenyans at the very heart of every decision.

This is more than reform, it is a movement toward inclusive prosperity, ethical stewardship, and a cooperative system that truly reflects the aspirations of the people it serves.

Sincere thanks must also go to the African Confederation of Co-operative Savings and Credit Co-operatives (ACCOSCA) for convening and supporting the Committee of Experts, and the technical team that provided support the COE throughout.

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15.0 APPENDICES

Appendix I: Recommended Changes to the Legislation Impacting SACCOS (see separate document)

Appendix II: List of Legislations Reviewed

Act	Scope
Sacco Societies Act (Cap. 490B)	Regulates deposit-taking SACCOs; establishes SASRA and the Deposit Guarantee Fund.
Co-operative Societies Act (Cap. 490)	Provides governance framework for all co-operative societies.

1. Financial Regulation and Risk Management Laws

Act	Relevance to SACCOs
Proceeds of Crime and Anti-Money Laundering Act (Cap. 59A)	Ensures AML/CFT compliance within SACCOs.
Anti-Money Laundering and CTF Laws (Amendment) Bill, 2025	Strengthens SASRA's oversight mandate on proliferation financing risks.
Central Bank of Kenya Act (Cap. 491)	Sets parameters for SACCO participation in national payment and liquidity systems.

2. Governance, Consumer Protection and Data Privacy

Act	Stakeholder Impact
Public Finance Management Act (Cap. 412A)	Affects SACCOs handling public or donor-backed funds.
Data Protection Act (No. 24 of 2019)	Requires SACCOs to safeguard member data in line with digital transformation.
Consumer Protection Act (Cap. 46)	Protects SACCO members from unfair practices and promotes transparency.

3. Emerging Reforms and Amendments

Legislative Proposal	Key Reforms
Sacco Societies (Amendment) Bills, 2023 and 2025	Introduces Central Liquidity Facility, Shared Services Framework, and DGF enhancements.
Finance Act Amendments	Updates capital adequacy rules, taxation regimes,

	and regulatory reporting standards.
Banking Act (Cap. 488)	Defines and regulates 'banking business', prohibiting unauthorised banking by SACCOs.
National Payment System Act, 2011	Regulates participation of SACCOs in payment systems.
Kenya Deposit Insurance Act, 2012	Deposit insurance and resolution framework; informs SACCO DGF design.
Income Tax Act (Cap. 470)	Sets taxation and withholding rules for SACCOs.

Appendix III: List of Policy Papers and Study Materials

1. Best Practices Regulating Credit Unions – WOCCU
2. Bridging the Regulatory Gap: Empowering SACCOs to Enhance Their Participation in the Financial Sector in Kenya
3. CEO Caucus Kenya SACCO Sector Issues Presented to the Committee of Experts
4. CIS Kenya Memorandum: Committee Amendments to the Cooperative Bill 2024 (National Assembly Bills No. 7 of 2024)
5. Circular on Delegate System of Representation in General Meetings of Cooperatives – Commissioner of Cooperatives
6. Circular on Filing of Annual Returns by All Cooperatives – Commissioner for Cooperative Development
7. Comparison of SACCO Registration Process and Banks in Kenya – By Dr. Hassan Gamaliel
8. History of Credit Unions in the USA and the NCUA
9. History of the Stabilisation Scheme: Background and Context – Ireland
10. Legal Framework for SACCOs in Kenya – By Dr. Njaramba Guchuki
11. Letter from the Governor of the Central Bank of Kenya Confirming Support for Sector Reforms – By Dr. Kamau Thugge
12. Memorandum on Strategic SACCO Sector Reforms – By KETSA
13. Memorandum of Understanding on Collaboration – NACOS, CAK, KUSCCO, Coop Bank
14. Proposed Amendments to the SACCO Societies Act, 2008
15. Prudential Regulation Authority: Credit Union Supervision – United Kingdom
16. Rule of the Stabilisation Protection Scheme – Ireland
17. SACCO Supervision Annual Report, 2023
18. Shared Services Training Report – By Mark McAlpine, Consultant, Shared Services Scotland
19. Task Force Report, 2004

Appendix IV: Draft Stakeholder Role and Engagement Map

Stakeholder Role and Engagement tailored to Kenya's SACCO sector reform, especially in the context of forming a unified Forum of Key Stakeholders, is critical. This framework highlights each institution's role, strategic value, and recommended engagement pathway to support co-ordination, shared services, and sector transformation.

Terms of Reference (ToR): National Steering Committee for SACCO Development (NASSD)

Purpose

To provide a unified platform for strategic co-ordination, policy alignment, and collaborative implementation of reforms across Kenya's SACCO sector anchored in the vision of "one sector, working together."

Core Objectives

- Harmonise regulatory and policy frameworks across national and county levels
- Accelerate rollout of shared services, digital infrastructure, the SACCO Deposit Guarantee Fund and Central Liquidity Fund
- Support the development of a 3–5-year strategic plan for the SACCO sector
- Support the development of a Stabilisation Protection Fund
- Promote inclusive governance, financial stability, and member protection
- Facilitate stakeholder engagement, knowledge exchange, and innovation
- Monitor and evaluate sector-wide reform progress and impact

Membership Composition

- **Chairperson:** The Cabinet Secretary for the Ministry of Co-operatives.
Provides strategic leadership and convenes meetings
- **Ministry of Cooperatives Representative:** Ensures alignment with national cooperative policy and legislative priorities
- **SASRA Representative:** Provides regulatory insights and supports harmonisation of oversight mechanisms
- **National Treasury Representative and Central Bank of Kenya (CBK) Representative:** Advises on financial policy, guarantees, and liquidity support mechanisms or Offers guidance on financial stability, payment systems, and prudential standards

- **National Federation for SACCOs:** Represents the interests of SACCOs and contributes sector-wide perspectives. Provide ground-level insights and practical perspectives
- **Development Partners / Technical Experts:** Representatives from organisations supporting SACCO development to offer technical expertise and global best practices including advice on corporate governance, legal reforms, and compliance frameworks

Appendix V: Draft Mandatory Code of Corporate Governance for SACCOs in Kenya

A Code of Governance should be made mandatory for all regulated SACCOs in Kenya and non-regulated SACCOs should be required to comply with the spirit of the Code. The Code should be grounded in international cooperative best practices, including principles from the International Co-operative Alliance (ICA), WOCCU, and governance codes such as the Cadbury Report (UK) and OECD Guidelines. The Code should also be anchored to the 9 Credit Union Principles:

1. **Open and voluntary membership:** Membership is voluntary and open to all within the accepted common bond of association.
2. **Democratic control:** Credit union members enjoy equal rights to vote and participate in decisions affecting the credit union.
3. **Limited dividends on equity capital:** Permanent equity capital receives limited dividends.
4. **Return on savings and deposits:** A fair rate of interest is paid on savings and deposits.
5. **Return of surplus to members:** Surplus belongs to and benefits all members.
6. **Non-discrimination:** Credit unions are non-discriminatory on all grounds.
7. **Service to members:** Credit unions provide relevant education and services to their members.
8. **Ongoing education:** Credit unions promote the education of their members and the public in general.
9. **Co-operation among co-operatives:** Credit unions actively co-operate with other credit unions and associations to serve their members and community.

These principles guide credit unions in their operations and ensure that they serve their members with integrity and respect.

The recommended framework below is tailored to Kenya's SACCO context and reform agenda and can be embedded into legal amendments or sector-wide adoption protocols.

The recommended framework below is tailored to Kenya's SACCO context and reform agenda and can be embedded into legal amendments or sector-wide adoption protocols.

1. Governance Structure and Oversight

▪ Board of Directors

- Minimum of 5, maximum of 9 members elected by the Annual General Meeting (AGM) or ADM whichever is applicable.
- Must meet fit-and-proper criteria: integrity, financial literacy, and cooperative experience
- Mandatory induction and annual governance training
- Annual performance goals set out by the Chair and an annual Board Evaluation to be undertaken.
- Ability to remove a director not meeting performance goals, breaks by-laws, or brings SACCO into disrepute
- Must have job description, signed statement of responsibilities, signed annual declaration of secrecy and clear division of duties.

▪ Supervisory Committee

- Independent oversight body elected by members or delegates where applicable
- Reviews internal controls, audit reports, and board performance
- Reports directly to the AGM
- Proposed that SACCOS align with the Cooperative Bill that has a provision to change the Supervisory Committee to a Supervisory Board with full functions of Audit Committee. i.e. No duplication by having both a Supervisory Committee and an Audit Committee

▪ Audit and Risk Committee

- Subset of board members with financial and risk expertise
- Oversees internal audit, risk management, and compliance functions

▪ Separation of Powers between Executive Leadership and Non-Executive Directors

▪ Develop Board handbook with clear policies on:

- Agenda setting, roles and responsibilities, board training, conflict of interest policies, whistleblower policies, voting in relation to dividends - safeguards need to be built in that Board members don't overstep their pecuniary interests and vote for higher dividends for example!

- Clear distinction between governance (Board) and management (CEO/GM). Develop Policy with clear lines of demarcation between Board and CEO. Reinforce that no board member may serve concurrently in an executive role, and that the Chair position is non-executive.

2. Financial Integrity and Transparency

- Annual Audited Financial Statements
 - Must be prepared in accordance with IFRS and submitted to SASRA or County Commissioner for non-regulated SACCOs
 - Published and presented to members at the AGM
 - For accountability to be signed by the CEO/CFO and Chairman where applicable. Currently only Board Members sign Financial Statements
- Disclosure Requirements
 - Full disclosure of related-party transactions, insider loans, and board remuneration
 - Quarterly financial performance updates to members
 - Dividend Policy stating what can be paid and when, and who has the authority to set dividend rates
- Dividends may only be paid from retained earnings
- Borrowing to pay dividends is strictly prohibited

3. Ethical Conduct and Conflict of Interest

- Code of Ethics
 - All board members, management, and staff must sign and adhere to a sector-wide Code of Ethics
 - Includes provisions on fiduciary duty, confidentiality, and member-first decision-making
- Conflict of Interest Policy
 - Mandatory disclosure of personal or financial interests in SACCO transactions
 - Recusal from voting or decision-making where conflicts exist
- Whistleblower Protection
- SACCOs must implement anonymous reporting channels

- Protection against retaliation for whistleblowers (written in regulations)

4. Member Rights and Democratic Control

- One Member, One Vote
 - Voting rights not tied to shareholding size
 - All members have equal say in governance decisions
- AGM Participation
 - SACCOs must facilitate inclusive, accessible AGMs (physical and digital)
 - Members must receive audited accounts and board reports at least 14 days prior
- Member Education mandatory to help members understand their role in the SACCO.
- SACCOs must allocate budget for member financial literacy and cooperative education

5. Risk Management and Regulatory Compliance

- Internal Controls
 - SACCOs must maintain documented internal control systems reviewed annually
 - Includes loan approval protocols, cash handling, and IT security
- Regulatory Reporting
 - Timely submission of returns to SASRA or County Commissioner
 - Compliance with AML/CFT, KYC, and data protection laws
- Credit Information Sharing to support risk based lending
- Mandatory participation in licensed credit reference bureaus
- Use of credit scoring and risk-based lending practices

6. Institutional Capital and Sustainability

- Capital Adequacy
 - SACCOs must maintain minimum core capital ratios as prescribed by SASRA, including SACCOs with oversight at county level.
 - Member share capital must be complemented by retained earnings and reserves

- caps to be introduced on maximum allowable capital from members non withdrawable shares
- Business Model Review to align with international best practices
- SACCOs must periodically assess product relevance, pricing, and member impact
- Focus on sustainable, member-centric service delivery

7. Sector-Wide Governance Alignment

- Adoption of National Governance Code
 - All SACCOs must adopt this Code as a condition of licensing or registration
 - County Governments to align cooperative oversight with national standards
- Governance Audits
 - Mandatory governance audits every 2 years by accredited professionals
 - Findings to be shared with members and regulators
 - Audit on Board evaluations which should be conducted annually and reported as completed to Membership and Regulator
- Sanctions for Non-Compliance
- SASRA or County Commissioner may impose penalties, suspend licenses, or initiate board restructuring for violations

Implementation Pathway

- Embed into SACCO Societies Act and Co-operative Societies Act amendments
- Require adoption as part of SACCO registration and renewal
- Develop training modules and certification for board members which are mandatory. This will include relevant training identified by the SACCO, which is also mandatory. Newly elected Board members should have a development plan within 30 days of taking up a position on the Board, and should complete identified training within 6 months. For those who chose not to undertake training, without due cause and agreed by the Board, the Board should have the power to sanction and ultimately remove a Director through bylaws.
- Monitor compliance through NASSD and SASRA governance dashboards

Appendix VI: Stabilisation Protection Scheme – Kenya (SPS-K) Framework Draft

Drawing from the Irish Stabilisation Protection Scheme (SPS) and tailoring it to Kenya’s SACCO context, below is a draft framework for a Stabilisation Protection Scheme (SPS-K), designed to safeguard member savings through supporting distressed but viable SACCOs, and reinforcing sector-wide resilience.

As the SPS-K would be taking funds from member SACCOs it should be organised as a secondary co-op which is regulated by SASRA. The SPS-K should also have a symbiotic relationship with the Shared Services CUSO operated by SACCO Central.

1. Purpose and Objectives

- Provide capital support to SACCOs that are undercapitalised but viable (funds could be held at SACCO Central?)
- Enable SACCOs to trade out of financial distress without triggering liquidation
- Protect the reputation and integrity of the SACCO sector
- Offer a cost-effective alternative to state bailouts or member losses
- Facilitate voluntary mergers or transfers of engagements where independent viability is not achievable

2. Governance and Oversight Structure

Entity	Role
SPS-K Oversight Committee convened and Chaired by KUSCCO	Independent body providing strategic oversight and sector-wide accountability
SPS-K Board Sub-Committee	Appointed by National Steering Committee for SACCO Development to manage fund operations and approvals. Must be regulated by SASRA.

3. Eligibility Criteria for Support

SACCOs may apply for SPS-K support if they meet one or more of the following:

- a) Undercapitalised but viable (e.g. temporary liquidity stress, solvency risk due to asset mismatch) – this needs to be carefully managed with SACCO Central.
- b) Adequately capitalised but distressed (e.g. governance failure, reputational damage, fraud recovery)

- c) Unable to achieve independent viability and require support for voluntary merger or transfer of engagements

4. Fund Structure and Capitalisation

- a) Initial Capital: Government seed funding, donor contributions, SACCO Central reserves
- b) Ongoing Contributions: Tiered levy from SACCOs based on asset size and risk profile
- c) Fund Recovery Mechanisms:
- d) Bad debt recoveries submitted quarterly
- e) Moral obligation agreements
- f) Recovery terms tailored to avoid further regulatory non-compliance

5. Application and Approval Process

- a) SACCO submits formal application to Federation (KUSCCO)
- b) SPS-K Technical Team conducts viability and risk assessment
- c) SPS-K Subcommittee reviews and recommends action
- d) SPS-K Oversight Committee validates recommendation
- e) Final approval by KUSCCO and SACCO Central Board if temporary liquidity or capital injection required.
- f) Legal agreement signed; funds disbursed with recovery terms

6. Monitoring and Stress Testing

- a) Quarterly reporting from supported SACCOs
- b) Annual fund audit and performance review
- c) Stress testing every 3 years to assess fund adequacy under adverse scenarios
- d) Impact reporting to NASSD and Cabinet Secretary

7. Strategic Integration

- a) Linked to the Deposit Guarantee Fund (DGF) for complementary protection
- b) Embedded within SACCO Central's shared MIS and treasury platform
- c) Coordinated through the National Steering Committee for SACCO Development (NASSD)
- d) Supports broader sector reforms including consolidation, governance, and digital transformation

8. Benefits of SPS-K

- a) Prevents member losses and panic withdrawals
- b) Reduces reputational risk and systemic contagion
- c) Encourages responsible SACCO governance and early intervention
- d) Promotes sector-wide solidarity and resilience
- e) Aligns Kenya with global cooperative finance standards

Appendix VII: Approved Persons Regime and Public Registers (SMCR)

Three key issues have been unmasked in the Kenyan SACCO system as a result of the stakeholder engagement carried out by the Committee of Experts:

- a) Blurring of responsibilities between Executive (CEO/GM) and Non-Executive Board leaders (Chair, Hon Secretary and Treasurer)
- b) Individuals being appointed due to size of sharing holding and not because of capability
- c) Poor behaviours, including fraud, due to lack of accountability and oversight of key functions.

The benchmarking visit to the UK exposed the team to the Financial Conduct Authority's rules on two key areas which it should be considered for adoption in the Kenyan SACCO Sector:

- a) Approved Persons and Certification Regime (SMCR), and
- b) Financial Services Register

Kenya's SACCO Regulator would be well-positioned to adopt a leadership approval framework similar to the UK's **Senior Managers and Certification Regime (SMCR)**.

1. What the UK's SMCR Does

The **Financial Conduct Authority (FCA)** mandates that individuals in key roles:

- a) Must be pre-approved based on **fitness and propriety** (skills, integrity, experience).
- b) Are assigned **clearly defined responsibilities**.
- c) Are held **personally accountable** for misconduct or governance failures.
- d) Undergo **annual certification** and **conduct rules training**.

This regime has transformed UK financial governance by embedding personal responsibility and reducing regulatory blind spots.

2. Why Kenya's SACCO Sector Needs a Similar System

Governance Failures in Kenya have shown that the current system is not fit for purpose and new rules need to be introduced to protect SACCOs and Members from bad behaviour.

The KUSCCO crisis exposed deep-rooted governance lapses, unauthorised loans, misappropriation of funds, and collusion among executives.

Regulatory blind spots allowed unfit individuals to hold leadership roles unchecked, eroding member trust and financial stability.

3. Member Protection and Fiduciary Duty

SACCOs handle billions in member deposits. Leadership must be vetted not just for competence but for ethical stewardship.

A formal approval system would ensure leaders are **qualified, accountable, and aligned with member interests**.

4. Risk-Based Supervision

SASRA's evolving mandate includes risk-based oversight. Leadership vetting complements this by pre-emptively mitigating governance risk. It also supports the proposed **Deposit Guarantee Fund**, ensuring that only trusted hands manage member savings.

5. Global Benchmarking and Legitimacy

Aligning with international standards like SMCR boosts Kenya's credibility in cooperative finance. It positions SACCOs as trustworthy partners for diaspora remittances, fintech collaborations, and cross-border investments.

6. Legal Harmonisation and Reform Momentum

Kenya is already pursuing legal harmonisation across SACCO laws. Embedding leadership approval protocols would be a natural extension of the reform proposals in this report. It also strengthens SASRA's institutional capacity and aligns with Cabinet-level governance expectations.

7. What the Kenyan Framework Should Include in an Approved Persons Regime:

Component	Description
Fit and Proper Test	Vetting for integrity, competence, and financial soundness. Police Check for previous fraudulent

	activity. Credit Check to ensure financial soundness
Role Mapping	Clear definition of responsibilities and reporting lines. Job Descriptions, Development Plans, Statement of Responsibilities.
Approval and Certification Regime	Annual revalidation of leadership fitness. Attestation annually all requirements have been met.
Conduct Rules	Mandatory ethical standards and training and adherence to Conduct Rules by “everyone” in the SACCO, regardless of position.
Accountability Statements	Personal liability for misconduct or oversight failures. Liabilities to be written into regulations.

Financial Conduct Authority Conduct Rules which apply to everyone in a Credit Union and which could be adopted as part of a Kenyan SMCR system are:

8. Overview of the FCA Conduct Rules which apply to everyone in the Credit Union

The SMCR introduces a set of conduct rules that apply to all employees within regulated firms, with specific rules for senior managers. The key conduct rules include:

SC1: You must take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively.

SC2: You must take reasonable steps to ensure that the business of the firm for which you are responsible complies with the relevant requirements and standards of the regulatory system.

SC3: You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the discharge of the delegated responsibility effectively.

SC4: You must disclose appropriately any information of which the regulator would reasonably expect notice.

9. Register of Approved Persons

The UK Regulator, the Financial Conduct Authority also maintains a publicly available register of firms, detailing what activities they are regulated to undertake, and who in these firms have been approved to carry out their responsibilities. [Register Home Page](#).

The Register provides details of the firm (Credit Union), products it is authorised to carry out e.g. take deposits, offer credit, and where additional permissions have been granted e.g. to offer mortgages, investments, insurance (not all credit unions are authorised to offer more complex, riskier products – permission is required from the regulator).

10. Restoring Trust Through Transparency: Proposal for a SACCO Sanctions Register

Building credibility within Kenya's SACCO sector is paramount, particularly in the aftermath of the KUSCCO fraud, which exposed systemic governance failures and eroded public trust. To restore confidence and reinforce accountability, SASRA should consider establishing a National SACCO Sanctions Register.

This publicly accessible register would document individuals who have been formally sanctioned by SASRA, or any other recognised financial services regulator in Kenya, for mismanagement, misappropriation of member funds, or other serious governance breaches within SACCOs.

Such a register would serve multiple strategic purposes:

- a) **Deterrence:** By making sanctions visible, it discourages unethical behaviour and signals zero tolerance for financial misconduct.
- b) **Enhanced Due Diligence:** SACCOs, auditors, and stakeholders can vet prospective leaders and consultants more effectively, reducing the risk of repeat offenders cycling through the sector.
- c) **Member Protection:** Members gain confidence knowing that leadership is subject to scrutiny and consequences.

d) **Sector Legitimacy:** Aligns Kenya’s cooperative oversight with global best practices in transparency and governance.

11. Conclusion

A policy decision to implement both an Approved Persons Register, and a Sanctions Register, would complement ongoing reforms in legal harmonisation, risk-based supervision, and digital infrastructure—positioning SACCOs as trustworthy vehicles for inclusive finance and national development.

Appendix VIII: Balancing Democratic Representation and Professional Governance in SACCO Boards

1. Minimum Standards for SACCO Board Membership¹. Competency Criteria

Area	Minimum Standard
Education	Diploma or degree in finance, law, cooperative management, business, or related field or qualified by experience and accepted by the SACCO
Experience	At least 3 years in financial services, governance, risk management, or cooperative leadership.
Training	Completion of a certified SACCO governance or fiduciary responsibility course (e.g. DE Programme, SASRA-accredited modules).
Integrity	No criminal convictions, fraud, or regulatory breaches. Must pass background checks and declare conflicts of interest
Availability	Demonstrated capacity to attend meetings, review documents, and engage in strategic oversight.
Financial Soundness	Must not be bankrupt, under receivership, or have defaulted on SACCO or other financial obligations.
Independence	Free from undue influence or affiliations that compromise objectivity.
Disclosure	Full declaration of assets, liabilities, and related-party interests.

Optional Add-on: A competency matrix can be used to ensure diversity in skills across the board (e.g. legal, audit, ICT, strategy, member engagement).

2. Shareholding Thresholds

It is recommended that the minimum shareholding required to be elected to the Board of Directors should be determined by the SACCO and should be meaningful to show commitment to the organisation. The minimum threshold should be written into the By-laws and reviewed annually by the Board of Directors, and the amount recommended to the AGM. This allows for the SACCO to take into consideration economic conditions.

Note: Shareholding thresholds should be reviewed periodically to reflect inflation, SACCO growth, and equity principles.

3. Balancing the Two Dimensions

- To avoid elitism or exclusion:
- Use weighted scoring in board selection—e.g. 60% competency, 40% shareholding.
- Allow for reserved seats for youth, women, or marginalised groups with tailored thresholds.
- Ensure disclosure and transparency in board nomination and vetting processes.

4. Ongoing Training and Certification Requirements

Requirement	Details
Induction Training	Mandatory within 3 months of appointment. Covers governance, fiduciary duties, SACCO law, and ethics.
Annual Continuing Professional Development (CPD)	Minimum 20 hours per year. Topics include risk management, digital finance, ESG, and regulatory updates.
Certification	Completion of a recognized governance programme (e.g. DE Programme, SASRA-accredited modules) within first term
Performance Review	Annual self and peer evaluations tied to renewal or re-election eligibility.
Peer learning	Participation in benchmarking visits, cooperative forums, or regional governance exchanges.

Appendix IX: Stakeholder Engagement Correspondences

Governor

**BANKI
KUU YA
KENYA**



**CENTRAL
BANK OF
KENYA**

Haile Selassie Avenue
P.O. Box 60000 - 00200 Nairobi, Kenya
Telephone: +254 20 286 1003

July 31, 2025

Mr. George Ombado, HSC, AADE, ICUDE
Executive Director
African Confederation of Cooperative Savings & Credit Association
AEA Plaza, 3rd Floor, Valley Road
P.O. Box 43278-00100

NAIROBI

Dear

A handwritten signature in green ink that reads "Mr. Ombado".

REQUEST FOR A MEETING WITH THE COMMITTEE OF EXPERTS

Thank you for your letter dated July 16, 2025, requesting a brief courtesy call on July 29, 2025.

While it was not possible to hold the meeting due to prior commitments, I was briefed on the earlier meeting held with my technical team.

The Central Bank of Kenya (CBK) acknowledges the important role of SACCO's in supporting the economic aspirations of Kenyans. Accordingly, CBK is supportive of reforms to strengthen the sector.

I note the core areas of your engagement with CBK revolve around the establishment of a Central Liquidity Facility (CLF) for SACCO's and a Deposit Guarantee Fund (DGF).

On the CLF, there is a proposal for onboarding SACCO's into the National Payments System (NPS). CBK recognizes the importance of expanding access to the NPS. Nonetheless, this is being done in the context of a deliberate strategy to enhance the NPS. The initial focus is on reviewing the existing NPS framework including its operating hours. Thereafter, consideration will be given to bringing on-board additional players.

On the DGF, CBK is supportive of the initiative. The DGF will enhance the confidence of depositors in SACCO's on the security of their funds. We would therefore urge the Committee of Experts to consult widely with relevant stakeholders including the Kenya Deposit Insurance Corporation.

On the whole, CBK remains supportive of reforms to strengthen the SACCO Sector. A strong SACCO Sector will contribute to the stability of Kenya's financial sector and expanded access to financial services by Kenyans.

Sincerely,

A handwritten signature in green ink that reads "Dr. Kamau Thugge".

Dr. Kamau Thugge, CBS



COUNCIL OF GOVERNORS

Westlands Delta House 2nd Floor, Waiyaki Way.
P.O. BOX 40401-00100,
Nairobi.

Tel: (020) 2403314, 2403313
E-mail: info@cog.go.ke

Ref: COG/2/19 Vol.3 (150)

18th July 2025

George Ombado (HSC, AADE, ICUDE)
Executive Director
African Confederation of Cooperatives Savings & Credit Associations
AEA Plaza, 3rd Floor, Valley Road
NAIROBI

Dear Mr. Ombado,

MEETING WITH THE COMMITTEE OF EXPERTS

Greetings from the Council of Governors.

Reference is made to your letter dated 16th July 2025, requesting a meeting between the Council of Governors and the Committee of Experts.

The Council welcomes the opportunity to engage with the Committee on matters relating to devolution, policy harmonization, and the effective implementation of the county-level interventions concerning cooperatives and SACCOs.

In this regard, we are pleased to confirm that the meeting has been scheduled for **Friday, 25th July 2025 at 10:00 a.m.**, at the **Council of Governors' offices**.

Please accept the assurances of our highest consideration.

Yours sincerely,

Mary Mwiti, EBS
Chief Executive Officer

48 Governments, 1 Nation



**THE NATIONAL ASSEMBLY
OFFICE OF THE CLERK**

P. O. Box 41842-00100
Nairobi, Kenya
Main Parliament Buildings

Telephone: +254202848000 ext. 3300
Email: cua@parliament.go.ke
www.parliament.go.ke/the-national-assembly

When replying, please quote:

Ref: **NA/DDC/TIC/2025/040**

24th July, 2025

Mr. George Ombado (HSC, AADE, ICUDE)
Executive Director
African Confederation of Cooperative Savings & Credit Associations
AEA Plaza, 3rd Floor, Valley Road
P.O. Box 43278-00100
NAIROBI

Dear *Mr. Ombado*

RE: REQUEST FOR A MEETING WITH COMMITTEE OF EXPERTS

The above subject matter refers.

We acknowledge receipt of your letter dated 16th July 2025 (attached) requesting for a meeting with relevant stakeholders and Departmental Committees within the National Assembly, to engage them on key proposals under your consideration and to seek their input on critical legislative areas requiring alignment with broader national policy objectives.

The purpose of this letter, therefore, is to inform you that the National Assembly's Departmental Committee on Trade, Industry and Cooperatives has acceded to your request and proposes the meeting to be held on **Tuesday 29th July, 2025** from **10.00 a.m.** within Parliament Buildings at a venue to be communicated.

Our liaison officers are **Mr. Abenayo Wasike (Principal Clerk Assistant I)**, who may be contacted on **Tel No. 0721 352 053**, email: abenayo.makokha@parliament.go.ke; and **Ms. Carolyn Musyoka**, **Tel No. 0728 087 849** or email: carolynemusyoka@parliament.go.ke.

Yours

JEREMIAH NDOMBI, MBS
For: CLERK OF THE NATIONAL ASSEMBLY

Copy to: Hon. FCPA Wycliffe Ambetsa Oparanya, EGH
Cabinet Secretary
Ministry of Cooperatives and Micro, Small and Medium Enterprises Development
Bishop Road, Social Security Building
NAIROBI

Appendix X: Draft Consultation Paper

SACCO Sector Engagement on KDIC-Incubated Deposit Guarantee Fund

Purpose

To facilitate informed dialogue with SACCO stakeholders on the proposed incubation of the SACCO Deposit Guarantee Fund (DGF) within the Kenya Deposit Insurance Corporation (KDIC), with a focus on funding structures, cost implications, governance, and operational readiness.

Context

The SACCO Deposit Guarantee Fund was established under the SACCO Societies Act, 2008 but remains non-operational due to legal and structural constraints. Incubating the Fund within KDIC offers a fast-track solution, leveraging existing infrastructure and expertise in deposit insurance. SACCO sector input is critical to ensure the model is inclusive, sustainable, and aligned with cooperative principles.

Key Consultation Themes & Questions

Funding Structure

- What contribution model is most appropriate for Kenyan SACCOs – e.g.
 - Flat rate based on savings insured, should this include Share Capital
 - Tiered by asset size
 - Risk-based?
- How frequently should SACCOs contribute (e.g., annually, quarterly)?
- Will the fund be open to all SACCOs regulated under SASRA?

Cost Implications

- How will SACCOs absorb DGF costs—through operational budgets, member fees, or retained earnings?
- Will SACCOs require financial support or transition incentives to participate?

Governance and Representation

- How will SACCOs be represented in the governance of the SACCO DGF under KDIC?
- What safeguards will ensure transparency, accountability, and co-operative values?

Coverage and Eligibility

- What is the maximum insured amount per member? Do SACCOs need parity with banks i.e. up to Ksh. 500,000?
- Does insurance cover more than one account per SACCO, and in accounts in more than one SACCO?
- Does insurance cover savings and shares? Are there different limits for each?
- What minimum standards (e.g., MIS, audit, liquidity ratios) must SACCOs meet to qualify?
- Should SACCOs be risk-rated for contribution purposes?

Strategic Impact

- How will DGF participation enhance SACCO access to banking infrastructure (e.g., National Payment System)?
- What additional benefits (e.g., shared services, liquidity support) will SACCOs gain under KDIC incubation?

Appendix XI Stakeholders Engagement Questionnaire

Introduction

The Government of Kenya, through the Ministry of Co-operatives and MSMEs Development appointed a five (5) Member Committee of Experts mandated to review the SACCO Societies Act, 2008 and make recommendations on aligning the Act to the emerging trends and challenges in the sector. Among other objectives, the Committee is mandated to: (1) review the SACCO Societies Act to assess relevance and effectiveness, (2) align the legal framework with Cabinet-approved policy directions, (3) revise SACCO regulations to support effective implementation, (4) evaluate current SACCO operations within the regulatory context and (5) benchmark global SACCO models and contextualize best practices.

Purpose: To collect feedback from stakeholders on the priorities, challenges, and opportunities for strengthening SACCOs in Kenya. This input will inform regulatory reforms, policy alignment, and implementation strategies.

Kindly respond to the questions as objectively and honestly as possible. All data collected will be handled with strict confidentiality and will be used solely for the intended purpose.

SECTION 1: Bio-Data

The following information will help us understand the diversity of views received. Your responses will remain anonymous and confidential.

1. Type of stakeholder

- SACCO CEO
- SACCO Board Member
- SACCO Staff
- SACCO Regulator
- Government Official / Policymaker
- Associated Service Provider
- Other (specify): _____

2. Level of SACCO engagement

- National-level SACCO
- County-level SACCO
- Community-based SACCO
- Workplace SACCO
- Not affiliated with a SACCO
- Other (specify): _____

3. County of Operation: _____
4. Years of experience in/working with the SACCO sector
- Less than 1 year
 - 1–3 years
 - 4–7 years
 - 8–10 years
 - Over 10 years
5. Affiliation type (if SACCO-based)
- Deposit-taking SACCO (regulated by SASRA)
 - Non-deposit-taking SACCO
 - Other (specify): _____

SECTION 2: Vision and Strategic Priorities

6. What is your vision for the SACCO in Kenya over the next 5–10 years??
7. What should be the three top priority for SACCO reforms in the next 12 months?
- Strengthening governance and leadership
 - Enhancing digital infrastructure
 - Improving financial oversight and risk management
 - Expanding access and inclusion
 - Legal and regulatory reforms
 - Others (please specify): _____

SECTION 3: Governance, Leadership and Oversight

8. What is the most pressing governance challenge facing SACCOs today?
- Board capacity and competence
 - Conflict of interest
 - Weak member engagement
 - Poor leadership succession planning
 - Inadequate oversight and accountability
 - Weak member engagement
 - Other (specify): _____
9. How effective are current oversight structures (e.g., audits, supervisory committees)?
- Not at all effective
 - Slightly effective
 - Moderately effective
 - Very effective
 - Extremely effective
10. How can board and management accountability be improved?
- Regular performance evaluations
 - Strengthened supervisory regulations
 - Mandatory board training and certification
 - Enhanced member reporting and transparency
 - Tenure of office
 - Others(specify): _____

SECTION 4: Legal and Regulatory Framework

11. Are current SACCO laws and regulations adequate to support growth and stability in the sector?
- Yes
 - No
 - Partially
12. What legal or regulatory gaps exist, and what reform would have the greatest impact?
13. What is your view on self-regulation for SACCOs not currently regulated by SASRA?

SECTION 5: Deposit Guarantee Fund (DGF)

14. What measures does your SACCO use to protect member funds?
15. What is your top concern regarding the design of a SACCO Deposit Guarantee Fund?
- Adequate coverage for members
 - Transparency in operations
 - Governance and accountability
 - Source and sustainability of funding
 - Other (specify): _____
16. What governance structure would ensure transparency and trust in the DGF?
- Independent oversight board
 - Public disclosure of fund performance
 - Member representation in governance
 - Other (specify): _____
17. Should all SACCOs have access to the DGF? What are your expectations of it?

SECTION 6: Digital Transformation and Innovation

18. Which digital innovation should be prioritized to improve member services, especially underserved populations (e.g., youth, informal workers)?
- Mobile banking and payments
 - Core banking system integration
 - Digital onboarding and Know Your Customer (KYC)
 - Real-time reporting and dashboards
 - Other (specify): _____
19. How can regulators support the safe and inclusive adoption of fintech in SACCOs?

SECTION 7: Financial Stability and Risk Management

20. What are the top 3 risks that pose the greatest threat to SACCO sustainability?
- Poor credit management
 - Fraud and internal control weaknesses
 - Liquidity challenges
 - Cybersecurity threats
 - Weak governance
 - Other: _____
21. How can SACCOs address these risks?
22. How can SACCOs be supported to strengthen internal risk management?
- Capacity building and training
 - Regulatory support and supervision

- Internal audit frameworks
- Peer learning and benchmarking
- Other (specify): _____

SECTION 8: Central Liquidity Facility (CLF)

23. How often does your SACCO experience liquidity challenges?

- Daily
- Weekly
- Monthly
- Seasonal
- Yearly
- Rarely
- Never

24. What cause liquidity challenges in your SACCO, and how are they managed?

25. Do you think a CLF would help address your SACCO's liquidity challenge?

- Yes
- No
- Explain briefly: _____

26. Would your SACCO be willing to join the CLF?

- Yes
- No
- Explain briefly: _____

SECTION 9: Shared Services

27. Which services in your SACCO would you consider for on-boarding outsourcing to a Shared Services Organisation?

28. What benefits do you see in implementing a shared services for SACCOs?

- Reduced operational costs
- Improved service delivery
- Easier compliance and reporting
- Increased innovation and scalability
- Other (specify): _____

29. What concerns do you have regarding security and risk management of a shared platform for SACCOs?

- Data privacy and protection
- Cybersecurity vulnerabilities
- Platform governance and control
- Vendor reliability
- Other (specify): _____

SECTION 10: Stakeholder Engagement and Collaboration

30. What has been your experience engaging with SACCO regulators or policymakers?

31. How can stakeholder feedback be better integrated into SACCO reforms?

32. How can SACCOs collaborate with each other, and other financial institutions to expand reach?

33. What partnerships (local or international) could strengthen Kenya's SACCO system?

Thank you for your participation in this process which will greatly contribute to achieving the mandates of the committee.

Appendix XII: Stakeholders' Meeting Schedule

Date	Time	Stakeholder(s)	Venue
16 June 2025	08:00 – 09:30	SACCO Central	SASRA Office
	10:30 – 11:40	Co-operative Alliance of Kenya	CAK Office
	12:00 – 13:30	Cooperative University of Kenya	CUK Office
17 June 2025	10:00 – 12:00	Commissioner of Cooperatives	Commissioner's Office
18 June 2025	09:00 – 11:00	PS Patrick Kilemi	PS' Office
	14:00 – 15:30	Central Bank of Kenya	CBK Offices
19 June 2025	09:00 – 11:00	CIC Insurance Company	CIC Offices
	15:00 – 17:00	Committee of Experts Hybrid Meeting	ACCOSCA Boardroom
20 June 2025	09:00 – 11:00	KUSCCO Board (Chair to select KUSCCO view)	ACCOSCA Boardroom
	11:30 – 13:00	Kenya Teachers SACCO Association - KETSA	ACCOSCA Boardroom
	14:00 – 16:00	SACCO CEOS (25)	ACCOSCA Boardroom
30 June 2025	08:30 – 14:00	Caucus Meeting Legal Team - Maurice, Collins and others Nelson & others DGF – Marlene Shared Services - Hassan, Maurice	ACCOSCA Boardroom
1 July 2025	08:30 – 12:30	COE Workshop	ACCOSCA Boardroom
	14:00 – 16:30	Mid Term Review Report Preparation	ACCOSCA Boardroom
2 July 2025	09:00 – 11:00	Kenya Deposit Insurance Corporation	KDIC
	12:00 – 13:30	Co-operative Bank of Kenya	ACCOSCA Boardroom
	14:00 – 16:00	SASRA	Hybrid meeting
	17:00 – 18:00	Bank of England	Hybrid meeting
3 July 2025	09:00 – 11:00	Mid-term review - CS feedback	CS' Office
23 July 2025	09:00 – 11:00	Rift Valley (Eldoret)	Eldoret
24 July 2025	09:00 – 11:00	Kisumu	Grace Onyango Social Hall
25 July 2025	10:00 – 12:00	Council of Governors	Delta House, 2nd Floor, Westlands
29 July	10:00 – 12:00	Parliamentary committee Of the	Continental

2025		National Assembly	House 5th Floor
	14:00 – 16:00	CIS	ACCOSCA Boardroom
30 July 2025	09:00 – 12:30	Rift Valley - Nakuru	Milele Hotel
	14:00 - 16:00	KUSCCO CEOs' Forum	Lake Naivasha Resort
18 – 22 August		Benchmark visit to UK and Ireland	
26 August 2025	09:30 – 11:30	Parliamentary Committee of the Senate	
27 August 2025	10:30 – 12:30	Lower & Upper Eastern Regions (Machakos)	
28 August 2025	09:30 – 12:30	CIC, ACCOSCA, COOP Bank, CAK, CUK, KUSCCO	ACCOSCA Academy
29 August 2025	9:30 – 12:30	Central Region (Nyeri)	
8 September 2025	09:00 – 16:00	COE Meeting	Virtual
11 September 2025	07:30 – 12:30	SASRA	Kenya School of insurance
	14:00 – 16:30	Nairobi Region	Mwalimu National Towers
12 September 2025	09:30 – 11:30	Coast and North Eastern Regions	Technical University of Kenya
15 September 2025	09:00 – 11:00	Leadership of Five Talents Microfinance COK	ACCOSCA Boardroom
	16:00 – 18:00	NCUA - Shared Services	Virtual
24 September 2025	09:00 – 11:00	Shared services training SACCOS	ACCOSCA Academy
	14:00 – 16:30	Shared services training small to medium SACCOS	ACCOSCA Academy
25 September 2025	08:30 – 11:30	Shared services training NACO	ACCOSCA Academy
15 to 30 September		Finessing Report and last keyholder engagements	
30th October-5 Nov 2025		Visit to USA Cornerstone Texas	Benchmarking

Appendix XIII: Stakeholders Engaged in the Consultation Process

Stakeholder Engagement meeting for the SACCO Societies Act 2008 Review

Venue: ACCOSCA ACADEMY		Date: 1st September 2025	Time: 10:30 am
	Name	Organization	
1	Richard Nyakengo	CIC Group Ltd.	
2	Christine Kinyua	CIC Group Ltd.	
3	Jacinta Bosire	CIC Group Ltd.	
4	Dr. Victor M. Wambua	CUK	
5	Edward Mutuaruhiu	Coop Bank	
6	Anne Kihuria	Coop Bank	
7	Eric Muleri	Coop Bank	
8	Paul Wanjala	Kuscco Ltd.	
9	Wyclyfe Oboka	CUK	
10	Arnold Munene	Kuscco Ltd.	
11	Daniel Marube	CAK	

Stakeholder Engagement meeting for the SACCO Societies Act 2008 Review

Venue: MACHAKOS		Date:	Time: 10:30 am
	Name	Organization	
1	Jeremiah Were	SASRA	
2	Mark Gitonga	YETU SACCO	
3	Kithiaya Titus	Solution Sacco	
4	Murithi P. Rimberia	Solution Sacco	
5	Paul Muthaka	Kwetu Sacco	
6	Rev. Augustus Munuve	Univision DT SACCO	
7	Muema Munyoki	Univision DT SACCO	
8	Collins Odhiambo	COE	
9	Gamaliel Hassan	COE	
10	Nelson Kuria	COE	

11	Marlen Shiels	COE
12	Ong'atta John Brown	COE

Stakeholder Engagement meeting for the SACCO Societies Act 2008 Review

Venue: NACOS	Date: 28/08/2025	Time: 09:30 am - 1:00 pm
---------------------	-------------------------	---------------------------------

	Name	Organization
1	James Ole Nkiti	KUSCCO Ltd
2	Ong'atta John Brown	CS Office CEO
3	Dr. Victor M. Wambua	CUK
4	Dr. Moses Gweyi	CUK
5	Dickson Mugambi	CIC Insurance
6	Paul Wanjala	KUSCCO Ltd.
7	Arnold Munene	KUSCCO Ltd.
8	Jeremiah Were	SASRA
9	Nelson Kuria	COE
10	Gamaliel Hassan	COE
11	Edward Mdibo	COE
12	Vincent Marangu	Coop Bank
13	Wyclyfe Oboka	CUK
14	Edward Mutuaruhiu	Coop Bank
15	Anne Kihuria	Coop Bank
16	Eric Muleri	Coop Bank
17	Daniel Marube	CAK
18	Collins Odhiambo	COE

Stakeholder Engagement meeting for the SACCO Societies Act 2008 Review

Venue: ELDORET BOMA HOTEL

Date:23/07/2025

Time: 09:30 am - 1:15 pm

	Name	Organization
1	David Birgen	Kolenge SACCO
2	David Keter	Kolenge SACCO
3	Micheal Chekoiyo	Smartlife Sacco
4	William Kiyeng	Smartlife Sacco
5	Peter Nyaberi	The Apple SACCO
6	John Korir	The Apple SACCO
7	Dalton Ochuma	KUSCCO Ltd
8	Eliud Kipruto	KUSCCO Ltd
9	Titus Kosasi	KUSCCO Ltd
10	Caroline Mitei Ruto	Simba Chai SACCO
11	Robert Rotich	Shamiri SACCO
12	Korir Denis	Kenya Highlands SACCO
13	Johana Kimeto	Kenya Highlands SACCO
14	Anthony Kimoi	The Noble SACCO
15	Abraham Barngetuny	Eldoret Shuttle SACCO
16	Ruth Kibei	KUSCCO Ltd
17	Emmanuel Martim	BONDE SACCO
18	Abel Too	LORET SACCO
19	Zacchans Omai	ANGAZA MILEE
20	Morris Mworja	COE
21	Ong'atta John Brown	COE
22	Marlen Shiels	COE
23	Edward Mdibo	COE
24	Collins Odhiambo	COE
25	Cephas Nyageo	ACCOSCA

Stakeholder Engagement meeting for the SACCO Societies Act 2008 Review

Venue: LAKE NAIVASHA

Date:30/07/2025

Time: 09:30 am - 1:15 pm

	Name	Organization
1	Irene Karianki	KUSCCO Ltd.
2	Peter Wanjohi	SDC
3	James Ole Nkiti	KUSCCO Ltd
4	Abraham Kiprotich	Kolenge SACCO
5	Diana Mbogo	Daima SACCO
6	Jafford Mwenda	Stima SACCO
7	Stephen Mwangi	Polytech SACCO
8	Amos Mutugi Mwebia	Yetu SACCO
9	Watson M. Njogu	Wananchi SACCO

Stakeholder Engagement meeting for the SACCO Societies Act 2008 Review

Venue: LAKE NAIVASHA

Date:30/07/2025

Time: 2:30 pm

	Name	Organization
1	Claire Nasila	Nafasi SACCO
2	Wesly Ngeno	Simba Chai SACCO
3	Bernard Mariga	Ardhi Sacco
4	Peter Kungu	GDC
5	Festus Milla	KIMESS SACCO
6	Kenneth Odhiambo	Mwalimu National SACCO
7	Luncy Omulefu	Mafanikio SACCO
8	Solomon Atsiaya	KNDT SACCO
9	Mathew Rotich	Imarisha SACCO
10	Catherine Mwamba	Times U SACCO
11	Kennedy Kariuki	Biashara SACCO
12	Isaac Omwenga	Wakenya Pamoja
13	Odhiambo Muganda	Fortitute SACCO

14	John M Mwangi	TAI SACCO
15	Antony Bitinyu	Mudete Factory Tea growers SACCO
16	Paul Wanjala	KUSCCO Ltd.
17	Nelson Nyoru	KUSCCO Ltd.
18	Jane Kaimuri	AZIMA SACCO
19	Esther Mailu	UNDT SACCO
20	Joan Wanjiru	Biblia SACCO
21	Joseph K Mibei	EDIS SACCO Ltd
22	Morris Mworia	COE
23	Joan Atuhura	ACCOSCA
24	John M Mathinji	New Forties
25	Ong'atta John Brown	COE
26	Henry K Mosonik	Kimbilio Daima SACCO
27	Dominic Mutunga	Universal Traders SACCO
28	Dr. Julius Bet	Nyati SACCO
29	CPA. Nahashon Kimutai	Prime Time DT SACCO
30	Timothy Muriuki	BANDS SACCO
31	Janeth Sang	Nandi Farmers SACCO
32	Charles Ngamau	Blue Eagle SACCO
33	Haron Biwott	Smartlife SACCO
34	Thomas Osoro	Baraka Yetu SACCO
35	George Weru	PWC
36	Kimathi Mutethia	PWC
37	Lucas Odang	The Kenya Bankers
38	Frankline Chasha	Bamburi Wananchi SACCO
39	Elvin Kipey	Good Hope
40	Josphine Njeru	HACO SACCO
41	CPA. Ibrahim M. Njiriri	Shirika DT SACCO
42	CPA. Boniface Kihara	Kencream SACCO
43	Paul Njagatha	Kenniversity SACCO

Stakeholder Engagement meeting for the SACCO Societies Act 2008 Review

Venue: KISUMU & KAKAMEGA

Date:24/07/2025

Time: 2:30 pm

	Name	Organization
1	Tom Malex	Kendia sacco
2	Frankine Mairura	Kendia sacco
3	Francis Nkinina	KEMUCO
4	Thomas Okiage	Omote SACCO
5	Douglas Mmasaba	Butali SACCO
6	Enock Tiisa	Butali SACCO
7	Thomas S. Adulla	Mufate'g' sacco
8	Joshua Alwanda	Keystone DT SACCO
9	David Omenge	KIMESS SACCO
10	Steve Owiti	TUJENGANE SACCO
11	Philip Ouma	HOBACOGE SACCO
12	Jenipher Obara	HOBACOGE SACCO
13	Leonard Bolo	Kibos SACCO
14	George Onyango	Kibos SACCO
15	Richard Shilaro	IG SACCO
16	Ngaira Wyclife	IG SACCO
17	Collins Juma	KUSCCO Ltd.
18	Roscheus O Otete	SONYANCO SACCO
19	Catherine John	SONYANCO SACCO
20	Etale Joel	INVEST & PROSPER SACCO
21	Dunstan Mwisiahi	MUFATE "G" SACCO
22	George Wesonga	KIMASCO SACCO
23	Alfonce Omondi	Kinda SACCO LTD
24	Tom o Ochuka	Fortitude SACCO
25	Peter Waore	KISCOBAC SACCO

26	Paul Owiti	KIWASCO SACCO
27	David Juma	UNITED SACCO
28	Gentrix Lutonia	Bunatsa SACCO
29	Amina Juma	BEIJA FSACCO
30	Gaston Kiberenge	BEIJA FSACCO
31	Nieshacia Buoga	United Millers SACCO
32	Moses Ngoje	MITECO
33	Samuel Barante	KEMUCO SACCO
34	Joshua Osawa	Keystone DT SACCO
35	Fredrick O. Omollo	HADILI SACCO LTD
36	Bede Otieno	Kibos SACCO
37	Gordon Odhiambo	Equiable SACCO
38	Hezron Okumu Mboya	KEHOSCCO SACCO
39	Seth Maende Wekulo	Jumuika SACCO
40	James Ojwang	Jumuika SACCO
41	Ephraim Mwinzila	Aminika SACCO
42	Marra J Tagare	Stake Kenya
43	Samwel Chaela	Stake Kenya
44	Benard Mukangai	WESKOL SACCO
45	Khaemba Emmanuel	Golf Hotel SACCO
46	Richard Ogeda	Wanajumbo SACCO
47	Paul Pinto	Wanajumbo SACCO
48	Elisha Yewa	TARAJA SACCO
49	Isaiah Opere	TopKirm DT SACCO
50	William Adiena	ASUCCO SACCO
51	Obonyo Vincent	TARAJI SACCO

CS MEETING WITH THE COMMITTEE OF EXPERTS

Venue: NSSF BLD. 11TH FLOOR

Date:03/07/2025

Time: 9:00 am

	Name	Organization
1	CS, W.A Oparanya	MINISTRY
2	Gamaliel Hassan	COE
3	Nelson Kuria	COE
4	Marlen Shiels	COE
5	Ong'atta John Brown	COE
6	Collins Odhiambo	COE
7	Maurice R. Smith	COE
8	Morris Mworja	COE
9	Joan Atuhura	ACCOSCA
10	Edward Mudibo	COE

MEETING WITH THE COMMITTEE OF EXPERTS

Venue: COOP BANK

Date:03/07/2025

Time: 9:00 am

	Name	Organization
1	Gamaliel Hassan	COE
2	Nelson Kuria	COE
3	Marlen Shiels	COE
4	Ong'atta John Brown	COE
5	Maurice R. Smith	COE
6	Morris Mworja	COE

MEETING OF THE COMMITTEE OF EXPERTS

Venue: ACCOSCA BOARDROOM

Date:03/07/2025

Time: 9:00 am

	Name	Organization
1	Gamaliel Hassan	COE
2	Nelson Kuria	COE
3	Marlen Shiels	COE
4	Ong'atta John Brown	COE
5	Maurice R. Smith	COE
6	Morris Mworia	COE
8	Collins Odhiambo	COE
9	Joan Atuhura	ACCOSCA
10	Edward Mudibo	COE

MEETING OF THE COMMITTEE OF EXPERTS

Venue: CIC

Date:19/06/2025

Time: 9:00 am

	Name	Organization
1	Gamaliel Hassan	COE
2	Nelson Kuria	COE
3	Marlen Shiels	COE
4	Ong'atta John Brown	COE
5	Morris Mworia	COE
6	Collins Odhiambo	COE
7	Joan Atuhura	ACCOSCA
8	Edward Mudibo	COE
9	Patrick Nyaga	CIC

MEETING OF THE COMMITTEE OF EXPERTS

Venue: CENTRAL NYERI - FK RESORT

Date:29/08/2025

Time: 10:30 am - 1:00 pm

	Name	Organization
1	Gamaliel Hassan	COE
2	Nelson Kuria	COE
3	Marlen Shiels	COE
4	Ong'atta John Brown	COE
5	Morris Mworira	COE
6	Collins Odhiambo	COE
7	Edward Mudibo	COE
8	Patrick Nyaga	CIC
9	Hussein Hassan	Azima Sacco
10	Dr. Moses Gweyi	COE
11	Kennedy Ilavula	Azima Sacco
12	Geoffrey Kagonda	Wananchi SACCO
13	Peter Ngugi	Tower Sacco
14	Henry Mbogo	County SACCO
15	Edward Ileri	County SACCO
16	Joseph N. Njoroge	Wakulima SACCO
17	Joseph Njamuka	Biashara SACCO
18	Ann Macharia P.M	Biashara SACCO
19	John Mwana	Wakulima SACCO
20	Joseph M Mbuko	Eagles Eye SACCO
21	Frank Kurugari	Eagles Eye SACCO
22	James M. Irea	SMART Champions SACCO
23	Joseph Kirimi	SMART Champions SACCO
24	Stephen Mathenge	DIMKES DT Sacco
25	Caroline Gokonyo	DIMKES DT Sacco
26	Esther Dorcus Kabui	Goodway DT SACCO

27	Rosemary Kinyua	Goodway DT SACCO
28	Edward N. Gacheru	Rupsa SACCO
29	Christopher Wainaina	Rupsa SACCO
30	Philip Kigathi	Baraka SACCO
31	Rose Ngacha	Baraka SACCO
32	Caroline Wawira	Biashara Tosha SACCO
33	Elius Chomba	MWENDIWEGA SACCO
34	John Mugangi Elias	Biashara Tosha SACCO
35	Patrick Wanjohi	Enea SACCO
36	John Wanjie m	Enea SACCO
37	Joseph M. Gitau	GDC SACCO
38	Edward Nthiga	Eagles Eye SACCO
39	James Gakima	HDN
40	Francis K. Muiga	Newforties
41	John Githinji N	Newforties

MEETING OF THE COMMITTEE OF EXPERTS

Venue: ACCOSCA BOARDROOM

Date: 30/06/2025

Time: 9:00 am

	Name	Organization
1	Gamaliel Hassan	COE
2	Nelson Kuria	COE
3	Marlen Shiels	COE
4	Ong'atta John Brown	COE
5	Maurice R. Smith	COE
6	Prof. Njaramba Gichiki	W & N
8	Collins Odhiambo	COE
9	Joan Atuhura	ACCOSCA
10	Edward Mudibo	COE

MEETING OF THE COMMITTEE OF EXPERTS

Venue: CENTRAL BANK

Date: 18/06/2025

Time: 9:00 am

	Name	Organization
1	Joan Atuhura	ACCOSCA
2	Edward Mudibo	COE
3	Morris Mworja	COE
4	Collins Odhiambo	COE
5	Cynthia Lekolool	CBK
6	Adam Boru	CBK
7	Amos Mwangi	CBK
8	Priscill Keitany	CBK

MEETING OF THE COMMITTEE OF EXPERTS

Venue: ACCOSCA BOARDROOM

Date: 19/06/2025

Time: 3:00 am

	Name	Organization
1	Nelson Kuria	COE
2	Marlen Shiels	COE
3	Ong'atta John Brown	COE
4	Morris Mworja	COE
5	Collins Odhiambo	COE
6	Edward Mudibo	COE

MEETING OF THE COMMITTEE OF EXPERTS

Venue: ACCOSCA BOARDROOM

Date:20/06/2025

Time: 11:00 am

	Name	Organization
1	Nelson Kuria	COE
2	Marlen Shiels	COE
3	Ong'atta John Brown	COE
4	Morris Mworja	COE
5	Collins Odhiambo	COE
6	Edward Mudibo	COE
7	Gamaliel Hassan	COE
8	Ivy Kageni	KETSA
9	Robert Njue	KETSA
10	Joyce Ndegwa	KETSA

MEETING OF THE COMMITTEE OF EXPERTS

Venue: PS BOARDROOM

Date:17/06/2025

Time: 12:00 noon

	Name	Organization
1	Nelson Kuria	COE
2	Marlen Shiels	COE
3	Ong'atta John Brown	COE
4	Morris Mworja	COE
5	Collins Odhiambo	COE
6	Edward Mudibo	COE
7	Gamaliel Hassan	COE
8	David K. Obonyo	COD

MEETING OF THE COMMITTEE OF EXPERTS

Venue: ACCOSCA BOARDROOM

Date:17/06/2025

Time: 9:00 am

	Name	Organization
1	Nelson Kuria	COE
2	Marlen Shiels	COE
3	Ong'atta John Brown	COE
4	Morris Mworja	COE
5	Collins Odhiambo	COE
6	Edward Mudibo	COE
7	Gamaliel Hassan	COE
8	Micheal Muriithi	KUSCCO LTD.
9	Cecil Miller	KUSCCO LTD.
10	Arnold Munene	KUSCCO LTD.
11	Jennifer Mburu	KUSCCO LTD.
12	David S. Mategwa	KUSCCO LTD.

Venue: Technical University of Mombasa

Date:12/09/2025

Time: 9:30 am

1	Nelson Kuria	COE
2	Marlen Shiels	COE
3	Ong'atta John Brown	COE
4	Morris Mworja	COE
5	Collins Odhiambo	COE
6	Edward Mudibo	COE
7	Gamaliel Hassan	COE
8	Moses Gweyi	COE
9	Nelson Ngowa	Kutafiti SACCO

10	Amos Tngai	Tramom SACCO
11	Samson Zirah	Kutafiti SACCO
12	Tomaka Ole Masenke	Bandari SACCO
13	Elly Aloo	Bandari SACCO
14	Gilbert Maighocho	Taita Taveta Non Teaching Staff SACCO
15	Ben Juma Chepkechir	Ports Sacco
16	Odero Sungu Ken	Bandari SACCO
17	Stephen Bruce	BSS SACCO Manager
18	Milton Simiyu	BSS SACCO
19	Peter Waithaka	Taifa Bahari SACCO
20	Mwende Samson	Jitegemee SACCO
21	Hamisi Mwantanji	Nyumba Gen. SACCO
22	Real Omoto	COTTS SACCO
23	Marcel Oketch	COTTS SACCO
24	Mariam Cherera	Taita Taveta Non Teaching Staff SACCO
25	Joseph Mutugi	Tramom SACCO
26	Samwel Mwamuye	Tramom SACCO
27	Richard Musaa	Tanwela SACCO
28	Rashid Tapha	DBSS SACCO
29	Jonas Okwaro	ENTAERO SACCO
30	Verah Omondi	KUSCCO
31	Gilbert Atunga	TABASURI
32	Chrispus M Kidundu	Mariakani Mabati SACCO
33	Johnson Kegohi	Bandari SACCO
34	Robert Lewa	Jitegemee SACCO
35	Anthony Kamanza	Uchangaji SACCO
36	Joshua Mwanzia	Uchangaji SACCO
37	Eng. Elvice Ololah	Bandari SACCO
38	Alfred Coma	SISI KWA SISI
39	Rose Achieng	COTTS SACCO

40	John Nyambu	STIMA SACCO
41	Crispus Njulu	Qwetu SACCO
42	Leonard Riwa	Tabasamu SACCO
43	Mwavitu Juma	Tabasamu SACCO
44	Simon Mbashu	Qwetu SACCO
45	Mohamed Juma M	NUFAIKA SACCO
46	Mohamed A Poudzo	NUFAIKA SACCO
47	Nelson K. Ngowa	Kutafiti SACCO
48	Nicholas Kirigha	Zoghoru SACCO
49	Mohamed Mwasaso	TIWIWARD F SACCO
50	Jones N. Msagha	Mwanda mzedu SACCO
51	Bernard M obero	Mafanikio DT sacco
52	Mejumaa. N. Dafu	TIWIWARD F SACCO
53	Sogomi lwita	SISI KWA SISI
54	Lizzy Wanje	Ukunda SACCO
55	Jane Majala	Voi Council Progressive SACCO
56	Florence Mutinda	Uchongaji SACCO
57	Saumu Machila	Voi Council Progressive SACCO
58	Solomon M Wachuri	Torch SACCO
59	Millicent Ogolla	Tunaweza EPZ SACCO
60	Gervas Mwole	Ports Sacco
61	Moses Sirgio	Bandari SACCO
62	Justine Mghendi	Mwanda Mzedu SACCO
63	Kilian Ngala	Ocean Freighter SACCO
64	Josephine Olande	Ocean Freighter SACCO
65	Anastasia Cherono	Bamburi NWDT SACCO
66	Kevin Ouko Oluoch	Airport taxi SACCO
67	Jane Mwambi	Airport taxi SACCO
68	Julie Karani	Signon SACCO
69	Bernard Kemboi	Signon SACCO

70	Irene Okoth	Uvumbuzi SACCO
71	Jesca Pendo	Lengo SACCO
72	John Chea	Lengo SACCO
73	Musyoka Kioko	Tuchape Kazi SACCO
74	Mary Nzula Alexander	LUNGALUNGA TUCHAPE KAZI SACCO
75	Peter Somba	Jitegemee SACCO
76	Abigael Sitati	KUSCCO LTD
77	Lawrence Kai	Tabasuri DT SACCO
78	Cosmas N. Mutia	Mafanikio DT sacco
79	Jaqueline Kemboi	County Government of Mombasa Coop
80	Joseph Njoroge	PCEA MAKUPA Parish SACCO
81	Mohamed Gogwe	WASHA SACCO
82	Joan Atuhura	ACCOSCA

MEETING OF THE COMMITTEE OF EXPERTS
Venue: ACCOSCA Board room

	Name	Organization
1	Nelson Kuria	COE
2	Marlen Shiels	COE
3	Joan Atuhura	ACCOSCA
4	Morris Mworio	COE
5	JosephK Muchai	FTK
6	Arnold Mwakalindo	FTK
7	Xavier Kioko	FTK
8	Timothy Ndua	FTK
9	James Muriith	FTK
10	Peter Mugendi	FTK

Venue: ACCOSCA BOARDROOM		Date:16/06/2025	Time: 9:00 am
	Name	Organization	
1	Gamaliel Hassan	COE	
2	Nelson Kuria	COE	
3	Marlen Shiels	COE	
4	Ong'atta John Brown	COE	
5	Prof. Kamau Ngamau	CUK	
6	Prof. Wycliffe Oboka	CUK	
8	Collins Odhiambo	COE	
9	Mary Mbugua	CUK	
10	Edward Mudibo	COE	

MEETING WITH THE COMMITTEE OF EXPERTS

Venue: SASRA - Virtual at ACCOSCA		Date:01/07/2025	Time: 3:00 pm to 4:00 pm
	Name	Organization	
1	Gamaliel Hassan	COE	
2	Nelson Kuria	COE	
3	Marlen Shiels	COE	
4	Ong'atta John Brown	COE	
5	Maurice R. Smith	COE	
6	Morris Mworira	COE	
7	Nicholas Kamonya	Coop Bank	
8	Vincent Marangu	Coop Bank	
9	Chala Chemtai	Coop Bank	
10	Edward Mstuaruhiu	Coop Bank	

11	Eliun Nzola	Coop Bank
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MEETING WITH THE COMMITTEE OF EXPERTS

Venue: KDIC	Date:01/07/2025	Time: 9:00 am
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	Name	Organization
1	Gamaliel Hassan	COE
2	Paul Manga	KDIC
3	Marlen Shiels	COE
4	Ong'atta John Brown	COE
5	Maurice R. Smith	COE
6	David Irungu	KDIC
7	Rose Karimi	KDIC
8	Joan Atuhura	ACCOSCA
9	Stephen Maika	KDIC

TRAINING ON SHARED SERVICES

Venue: ACCOSCA Academy	Date:24/09/2025	Time: 2:00 pm - 4:30 pm
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	Name	Organization
1	Nyaosi Nicholas	Gusii Mwalimu SACCO
2	Boaz Omwanza	Ports DT SACCO
3	Geofrey Korir	Stima Sacco
4	James Mbui	AMICA SACCO
5	Stephen Murithi	CAPITAL Sacco
6	James Munyua	CAPITAL Sacco
7	Edwin Simba	Boresha DT SACCO

8	Vincent Too	Trans Flite Corry Sacco
9	Roseline Owuor	Kenya N. Police DT SACCO
10	Paul Asawo	Bracemea Non. DT SACCO
11	Henry Abea	Mwalimu SACCO
12	Franklin Tirimba	Kenya N. Police DT SACCO
13		

TRAINING ON SHARED SERVICES

Venue: ACCOSCA Academy	Date:24/09/2025	Time: 8:00 am - 12:30 pm
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	Name	Organization
1	John Nyaga	Raa Elites SACCO
2	Michael Mutua	Bestrock SACCO
3	Fasti Kagame	faithful servant SACCO
4	Timothy Muragiri	PostBank Sacco
5	Ernest Langat	Imarisha SACCO
6	Kennedy Keya	IG SACCO
7	Allan Kawa	Keystone SACCO

TRAINING ON SHARED SERVICES

Venue: ACCOSCA Academy

Date:25/09/2025

Time: 8:00 am - 12:30 pm

	Name	Organization
1	Morris Mworja	COE
2	Paul Wanjala	KUSCCO LTD
3	John Shammah	KUSCCO LTD
4	IVY Kageni	KETSA
5	Daniel Marube	CAK
6	Asha Kameje	SCK
7	Evelyne Mueni	COOP BANK
8	Eliud Nzola	COOP BANK
9	Robert M. Ndwika	KETSA
10	Dr. Victor M. Wambua	CUK
11	Thomas Gachie	CoopTech
12	Mary Mbugua	CUK
13	Evans Kibagendi	SACCO Central /Hazina SACCO

Appendix XIV: Implementation Plan – Transformation of the Sacco System in Kenya

Executive Summary for SACCO Sector Reform Implementation Plan

Submitted to: Cabinet Secretary, Ministry of MSME and Co-operative Development as part of the report from the Committee of Experts Transformation Plan

Date: November 2025

Prepared by: Committee of Experts, with support from ACCOSCA

Purpose of Implementation Plan

To operationalize the recommendations outlined in the Committee of Experts Report, this implementation plan proposes a **phased and structured approach** designed to ensure strategic sequencing, stakeholder alignment, and sustainable impact across Kenya's SACCO sector.

The plan is divided into three distinct phases:

- **Short-Term**
- **Medium-Term**
- **Long-Term**

Each timeframe addresses specific reform priorities based on urgency, complexity, and institutional readiness. This categorization allows targeted resource allocation, progressive capacity building, and effective monitoring of reform outcomes.

Rationale for Phased Implementation

Short-Term (0–12 Months): Focuses on foundational reforms such as legal harmonisation, formation and operationalization of the SACCO Deposit Guarantee Fund (DGF), formation of a national coordination body (NCAB/NASSD), and a comprehensive sector audit of both regulated and, in time, unregulated SACCOs. These actions are critical to establish regulatory clarity and financial safety.

Medium-Term (1–3 Years): Emphasizes institutional strengthening through the rollout of the Central Liquidity Fund (CLF), adoption of shared services via the CUSO model, governance reforms, and strategic SACCO consolidation. This phase builds operational resilience and sector-wide efficiency.

Long-Term (3–5+ Years): Targets sustainability and global positioning through the establishment of a Corporate Credit Union, benchmarking against international cooperative finance standards, and institutionalization of reforms through policy, training, and performance frameworks.

Why a Phased Approach?

Sequencing for Impact: Reforms such as legal harmonization and financial safety mechanisms require immediate attention, while structural innovations like shared services and liquidity support need time to mature.

Stakeholder Readiness: Different actors—government, regulators, SACCOs, and development partners—will engage at varying levels depending on their capacity and mandate.

Resource Allocation: A phased rollout allows for targeted budgeting, monitoring, and adjustment, ensuring efficient use of resources.

Sustainability: Long-term reforms, including the establishment of a Corporate Credit Union and global benchmarking, are designed to institutionalize change and position Kenya's SACCO sector as a global leader.

Implementation Tools

The plan includes a detailed **Gantt Chart Timeline** to guide stakeholders through key milestones, responsibilities, and expected outcomes across all phases. The estimated budget for full implementation is **KES 160 million over three years**, with funding expected from SASRA, key stakeholders in the SACCO sector, Government allocations, SACCO contributions, and development partners.

Key Performance Indicators (KPIs)

To ensure accountability and measured progress, the following KPIs will be tracked across each phase:

Short - Medium Term KPIs

- Number of legal amendments enacted
- DGF operationalised and registered
- NCAB/NASSD formally established and functional
- Completion of national regulated SACCO sector audit
- Stakeholder engagement sessions conducted

- CLF established and accessible to SACCOs
- Number of SACCOs adopting shared services (audit, IT, compliance)
- Governance Code adoption rate among SACCOs
- Number of SACCO mergers or consolidations completed
- Training sessions conducted by the board and management
- Completion of national un-regulated SACCO sector audit

Long-Term KPIs

- Corporate Credit Union established and operational
- Annual SACCO sector performance reports published
- Number of SACCOs meeting global cooperative benchmarks
- Policy reforms institutionalized across regulatory bodies
- Member satisfaction and trust index improvement

This implementation plan represents more than a policy roadmap—it is a transformative movement to restore trust, protect member savings, and elevate Kenya’s SACCO sector to global standards of cooperative finance. ACCOSCA and the Committee of Experts, remains committed to supporting the Ministry and all stakeholders in executing this bold and necessary reform agenda.

Key Findings and Recommendations

1. Regulatory Fragmentation

Finding:

A dual regulatory framework has created inconsistencies in oversight. Only 355 SACCOs are regulated by SASRA, leaving over 5,000+ SACCOs outside formal supervision, increasing systemic risk.

Recommendation:

- Continue with moratorium on registering new SACCOs
- Enforce minimum standards on all SACCOs, regulated and unregulated
- Establish a unified regulatory framework to ensure consistent standards across all SACCOs.
- Develop a roadmap to regulate all SACCOs currently unregulated
- Expand SASRA’s mandate or create a complementary oversight body to cover currently unregulated SACCOs.

- Introduce tiered regulation based on SACCO size and risk profile to improve inclusivity and compliance.

2. Governance Challenges

Finding:

Insider lending, politicized boards, and weak oversight mechanisms have eroded public trust in SACCOs.

Recommendation:

- Strengthen governance codes and enforce fit-and-proper criteria for board members.
- Implement mandatory governance training for SACCO leaders.
- Promote transparency through regular public disclosures and independent audits.
- Introduce mandatory rules in relation to lending to Board and Volunteers based on capacity to pay
- Review on remuneration for Board Members

3. Operational Limitations

Finding:

SACCOs lack access to the National Payment System, digital infrastructure, and liquidity support mechanisms, limiting their operational efficiency and competitiveness.

Recommendation:

- Facilitate direct SACCO integration into the National Payment System for SACCOS that meet or exceed the minimum entry requirements, to enhance interoperability.
- Develop a vehicle for SACCOs that do not meet the minimum entry requirements to have indirect access to the National Payments System
- Invest in digital infrastructure and capacity-building for SACCOs.
- Establish a SACCO liquidity support fund or access window through cooperative banks or central institutions.

4. Brand Integrity Risks

Finding:

Minimal registration requirements have led to the proliferation of unsustainable SACCOs, weakening the credibility of the sector.

Recommendation:

- Introduce stricter registration and licensing criteria to ensure sustainability.
- Mandate reporting and minimum operational requirements
- Conduct periodic reviews and enforce exit mechanisms for non-compliant SACCOs.
- Launch a national SACCO certification programme to distinguish credible institutions.
- Create differentiation between regulated and unregulated SACCOs

Strategic Recommendations for SACCO Sector Reform – Kenya**1. Legal Harmonization****Recommendation:**

Amend the SACCO Societies Act and related legislation to create a unified legal and regulatory framework. This will streamline oversight, reduce duplication, and enable innovation across the SACCO sector.

2. SACCO Deposit Guarantee Fund (DGF)**Recommendation:**

Form and operationalise a SACCO-specific Deposit Guarantee Fund to safeguard member savings. The fund should be incubated under the Kenya Deposit Insurance Corporation (KDIC) to leverage existing infrastructure and regulatory expertise.

3. Central Liquidity Fund (CLF)**Recommendation:**

Establish a sector-owned Central Liquidity Fund to provide SACCOs with access to emergency liquidity and support cash flow management. This will reduce dependence on commercial banks and enhance financial stability.

4. Shared Services and CUSO Model**Recommendation:**

Promote the adoption of Cooperative Service Organisations (CUSOs) to consolidate key operational functions such as internal audit, IT systems, and compliance. This will reduce costs, improve efficiency, and strengthen institutional capacity.

5. Stabilisation and Protection Scheme (SPS-Kenya)**Recommendation:**

Create a Stabilisation Protection Scheme to support distressed but viable SACCOs. The fund

should also facilitate strategic mergers and consolidations to strengthen the sector's resilience and sustainability.

6. Governance Reform

Recommendation:

Introduce a mandatory Code of Corporate Governance and an Approved Persons Regime to ensure professional and ethical leadership. This will enhance accountability, transparency, and public confidence in SACCOs.

7. National Coordination Mechanism

Recommendation:

Establish a **National Steering Committee** to serve as a multi-stakeholder platform for guiding sector reforms, coordinating policy implementation, and fostering innovation. This body should include representatives from regulators, SACCOs, cooperative unions, development partners, and member groups. The Steering Committee membership will be reviewed annually and will have a maximum of 9 members.

Proposed Roles and Responsibilities of National Steering Committee

Policy Advisory and Reform Coordination

- Provide expert guidance on legislative and regulatory reforms affecting SACCOs.
- Align national cooperative development strategies with SACCO sector priorities.

Stakeholder Engagement and Dialogue

- Facilitate inclusive consultations with SACCOs, regulators, cooperative unions, development partners, and member representatives.
- Serve as a bridge between government agencies and the cooperative movement.

Oversight of Strategic Initiatives

- Monitor implementation of key sector-wide programmes such as the Deposit Guarantee Fund, Central Liquidity Fund, and Stabilisation Protection Scheme.
- Evaluate progress and recommend adjustments to ensure effectiveness.

Innovation and Capacity Building

- Promote adoption of digital solutions, shared services, and governance best practices.
- Support training, research, and knowledge exchange across SACCOs.

Crisis Response and Sector Stabilisation

- Advise on interventions for distressed SACCOs and facilitate coordinated responses during sector-wide challenges.
- Recommend merger strategies and institutional strengthening measures.

Annual Sector Review and Reporting

- Lead the development of an annual SACCO sector performance report.
- Present findings and recommendations to Parliament, the Ministry of Cooperatives, and other relevant bodies.

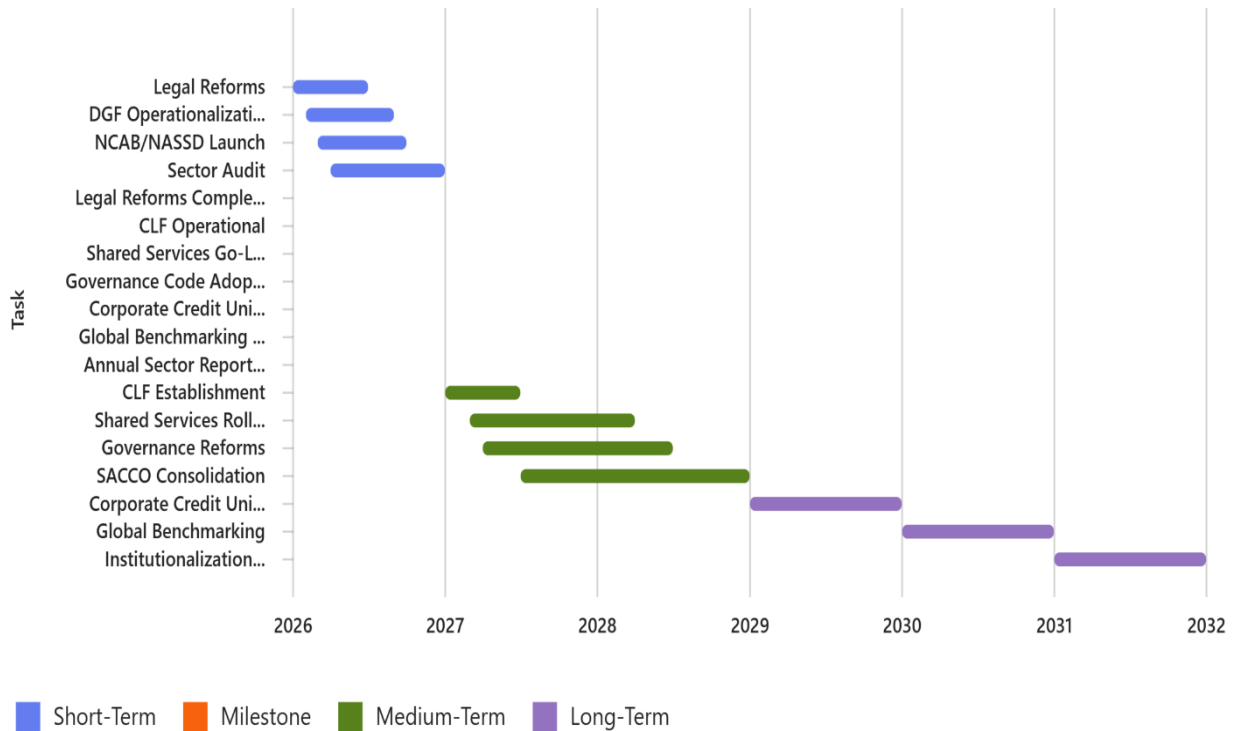
Proposed Composition of National Steering Committee for SACCO Development

The inauguration of the National Steering Committee will consist of a Seven Board Member and Head of Secretariat to provide Technical and Administrative Support to the Board. To ensure the National Steering Committee for SACCO Development (NASSD) is sustainable and effective, its funding should be structured through a multi-source model that balances public support, sector ownership, and development partnerships.

- **Chairperson: The Cabinet Secretary for the Ministry of Co-operatives.** Provides strategic leadership and convenes meetings
- **Ministry of Cooperatives Representative:** Ensures alignment with national cooperative policy and legislative priorities
- **SASRA Representative:** Provides regulatory insights and supports harmonisation of oversight mechanisms
- **National Treasury Representative and Central Bank of Kenya (CBK) Representative:** Advises on financial policy, guarantees, and liquidity support mechanisms or Offers guidance on financial stability, payment systems, and prudential standards

- **National Federation for SACCOs:** Represents the interests of SACCOs and contributes sector-wide perspectives. Provide ground-level insights and practical perspectives
- **Development Partners / Technical Experts: Representatives** from organisations supporting SACCO development to offer technical expertise and global best practices including advice on corporate governance, legal reforms, and compliance frameworks

4. Gantt Chart Timeline



Short-Term (2026):

1. Legal Reforms Completed (June 2026)
2. DGF formalized and moving to operationalization (August 2026)
3. NCAB/NASSD Launch (Q2 2026)

Medium-Term (2027–2028):

- 1) CLF Operational (June 2027)
- 2) Shared Services Go-Live (March 2027)
- 3) Governance Code Adoption (June 2027)

Long-Term (2029–2031):

- 1) Corporate Credit Union Established (December 2029)
- 2) Global Benchmarking Report Published (December 2030)
- 3) Annual Sector Report Released (December 2031)

Responsible Parties for Each Milestone

1. Legal Reforms Completed (June 2026) Ministry of Cooperatives & Attorney General
2. DGF formed and moving to Operationalization (August 2026) SASRA & KDIC
3. National Steering Committee Launch (April 2026) Ministry of Cooperatives & ACCOSCA
4. CLF Operational (June 2027) SASRA & SACCO Central
5. Shared Services Go-Live (March 2027) SACCO Apex Bodies & Ministry of Cooperatives
6. Governance Code Adoption (June 2027) SASRA & ACCOSCA & National Steering Committee
7. Corporate Credit Union Established (December 2029) National Steering Committee, SACCO Apex Bodies
8. Global Benchmarking Report Published (December 2030) ACCOSCA & Development Partners
9. Annual Sector Report Released (December 2031) National Steering Committee Secretariat & Ministry of Cooperatives

ACCOSCA Proposed Implementation Plan

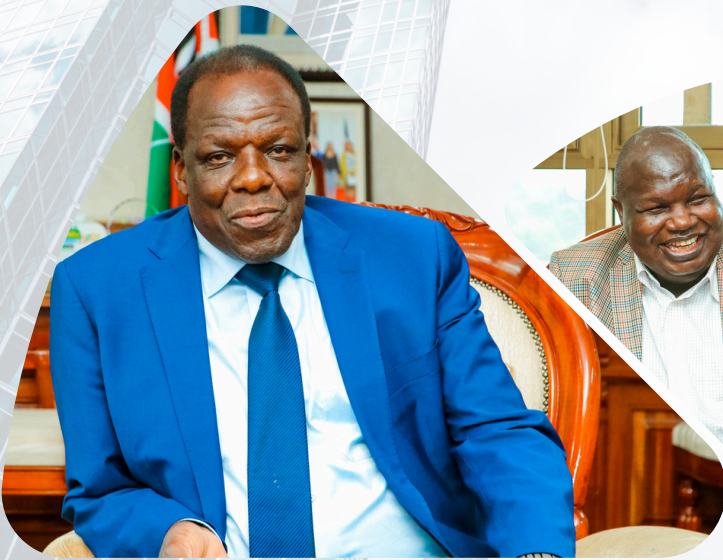
Objective: To support the Ministry of Co-operatives and MSMEs Development in implementing the SACCO sector transformation agenda.

Strategic Pillar	Key Actions	Timeline
Legal Harmonisation & Regulatory Reform	Support amendments to SACCO Societies Act & Co-operative Societies Act; Advocate for unified Cooperative Financial Sector Law	Q1–Q2 2026
Deposit Guarantee Fund (DGF)	Facilitate consultations with KDIC; Support incubation of SACCO DGF within KDIC; Conduct sector-wide consultations	Q1–Q3 2026
Central Liquidity Fund (CLF)	Support SACCO Central & KETSA merger; Develop tiered membership model; Align with NCAB oversight	Q2–Q4 2026

Shared Services & CUSO Development	Coordinate stakeholders; Develop unified CUSO model; Support rollout to regulated SACCOs	Q2 2026 – Q2 2027
Stabilisation Protection Scheme (SPS-Kenya)	Support KUSCCO's transition to Federation; Develop SPS-K framework; Facilitate donor engagement	Q2–Q4 2026
National SACCO Sector Liaison Group (NCAB)	Support formation and governance of NCAB; Provide Secretariat support; Facilitate stakeholder engagement	Q1 2026
Member Education & Governance	Develop training an educational module; Promote governance code; Support creation of Approved Persons Register	2026–2028
Stakeholder Engagement & Communication	Lead sensitisation campaigns; Disseminate Consultation Papers; Organise regional forums	Q1–Q4 2026



**MINISTRY OF COOPERATIVES AND MICRO, SMALL AND
MEDIUM ENTERPRISES (MSMEs) DEVELOPMENT
STATE DEPARTMENT FOR COOPERATIVES**



**Committee of Experts - Review of
SACCO Legal and Regulatory
Framework**

