

SPEECH BY THE CABINET SECRETARY - THE NATIONAL TREASURY & ECONOMIC PLANNING - DURING THE 1ST EDITION OF THE PENSIONS CONFERENCE AND EXPO 2023, ORGANIZED BY THE NATION MEDIA GROUP PLC IN PARTNERSHIP WITH THE INSTITUTE OF PENSION MANAGEMENT, TUESDAY, 28TH NOVEMBER 2023, KICC NAIROBI

The Principal Secretary, State Department for Social Protection and Senior Citizen Affairs, Mr. Joseph Motari;

The Event Organizers, Nation Media Group and Institute of Pension Management;

Chairpersons and Board Members of Funds and Schemes present;

Representatives of Pension Schemes and affiliated Entities;

Industry Service Providers;

Pension Industry Stakeholders;

Colleagues in the Public Service;

The Media Fraternity;

Distinguished Invited Guests

Ladies and gentlemen,

I stand before you today with a profound sense of responsibility and commitment as we gather for the 1st Edition of the Pensions Conference and Expo 2023, organized by the Nation Media Group PLC in partnership with the Institute of Pension Management. I express my gratitude to the organizers for conceiving this forum and for extending a warm welcome and the opportunity to address this esteemed audience.

The theme of this conference, "Enhancing Social Protection for Inclusive Growth," resonates deeply with the core objectives of my Ministry. In my capacity as the Cabinet Secretary responsible for the National Treasury and Economic Planning, I oversee critical components that play a pivotal role in shaping the financial security and well-being of our citizens. Viewed from the perspective of pensions, the National Retirement Benefits Policy, the Retirement Benefits Authority (RBA), The Insurance Regulation Authority (IRA), the various retirement benefit schemes under the umbrella of the public service pension arrangement and the Kenya National Entrepreneurs Savings Trust (KNEST) are among the various responsibilities within the Ministry's docket.

It is acknowledged that saving for the future remains a significant challenge for many in our nation. As per the Retirement Benefits Authority (RBA), there are approximately 1,032 active pension schemes with a membership of over 3.5 million which accounts for 26% of the working population. These schemes have collectively contributed retirement savings exceeding Ksh. 1.7 Trillion, constituting 12.63 percent of Kenya's GDP as of June 2023.

Despite the remarkable growth in the retirement benefits industry, a substantial portion of our population remains outside the protective umbrella of existing pension schemes. It is crucial that we collaboratively tackle this challenge by building inclusive mechanisms and diverse pension systems that provide citizens with secure, easy to access, affordable and well-regulated pension products, while fostering a savings culture through heightened public awareness and education on effective savings practices—an objective that the expo distinctly prioritizes.

In reflecting upon the landscape of our nation's pension industry, it is essential to recognize the extensive reforms implemented by the Government of Kenya in recent years. These efforts signify our commitment to ensuring a resilient and inclusive social protection system for all citizens.

As the custodian of the National Retirement policy and the regulator of retirement benefits, my ministry is dedicated to ensuring the social protection agenda is robust, effective, and inclusive. The retirement landscape in Kenya is evolving, and it is our responsibility to shape policies that foster a stable and well-functioning financial system.

It is notable that the Cabinet in its sitting of 3rd November 2023 approved the National Retirement Benefits Policy that has been created to build upon the progress achieved in the retirement benefits sector. The policy seeks solutions on obstacles that have been hindering the rapid growth of the retirement benefits sector. The primary goal of this policy is to establish a framework for effectively coordinating and ensuring good governance within retirement benefit schemes. Its aim is to foster the development and expansion of the retirement benefits sector, ultimately ensuring income security in old age for all workers. This will be accomplished by guaranteeing retirement benefits that are both affordable and sufficient. In a broader sense, the successful implementation of this policy will empower elderly citizens to enjoy a comfortable and dignified life, as they will have access to a reliable source of income in their old age, which is adequate to cover their needs. It will also enable them to access and afford essential services.

The theme, "Enhancing Social Protection for Inclusive Growth," encapsulates the essence of our collective responsibility—to build a society where the benefits of financial security and inclusive growth reach every corner, every community, and every individual. The tagline, "Protect future yako," serves as a poignant reminder of the importance of cultivating a savings culture that transcends generations. This aligns with the objectives of the Kenya Kwanza development agenda, which aspires to elevate our nation into a globally competitive and prosperous country; A country that guarantees amongst others universal social security system of which pension is a key component.

We recognize the vital role that retirement schemes play in mobilizing savings for economic prosperity. Towards this end, the operationalization of the NSSF Act 2013 with effect from February 2023 stands as a significant step towards enhancing inclusivity, accessibility and affordability of the National Social Security Fund for Kenyans. Furthermore, the establishment of the Public Service Superannuation Scheme in the Year 2021 demonstrates our dedication to providing sustainable retirement benefits for public servants.

Allow me to also mention the innovative product I have here before alluded to - the Kenya National Entrepreneurs Savings Trust (KNEST). As we have observed, a significant percentage of the Kenyan population remain uncovered by the existing pension arrangements. Indeed, this coverage is predominantly concentrated in the formal sector. This leaves out a substantial segment of our workforce—more than 17 million individuals engaged in the informal sector, contributing a significant 34% to our GDP.

The exclusion of this substantial workforce is a direct consequence of the formal pension structures not being designed to address the unique and diverse needs of the informal segment. We recognize that the dynamics of the informal sector require tailor-made specialized solutions that not only go beyond the conventional frameworks, but also consistent with their activities and income flows.

Moreover, the absence of efficient long-term savings mechanisms within the informal sector leaves it vulnerable to challenges such as old-age poverty and the adverse impacts of unforeseen events like the COVID-19 pandemic or the recurrent climate change induced cycles of weather changes that result into droughts, out of season heavy rains and related consequences. The prevailing global crisis in the financial segment marked by high inflation rates and high interest rates as monetary policy has to be tightened to slow down inflation, and

volatile markets has further underscored the need for robust support systems to build resilience, particularly for those in the informal sector. KNEST - a unique National Micro-Pension Scheme, with a sustainable model that combines long-term saving with pressing short-term needs was founded and incubated at the National Treasury to provide a nest for this very important but marginalized segment of our population. KNEST's mandate of expanding the pension coverage to all the informal sector workers in Kenya is a major pillar in the Bottom-Up Economic Transformation Agenda (BETA) as it is projected to significantly raise the savings rate in the country from the current rate of approximately 26 percent to more than 40 percent in the next 5 years.

As we reflect on the foregoing and the relief frameworks implemented by the government, it becomes evident that the informal segment workers need not only support but also innovative solutions to build resilience and infrastructure. The current gaps in our pension arrangements demand our attention and concerted efforts to design frameworks that accommodate the diversity of our workforce. I am happy to note that this is the encompassing theme of the Expo.

It is our vision to develop inclusive, adaptive, and robust systems that will not only provide financial security but also contribute to the broader economic stability of our nation. Let us collectively engage in meaningful dialogue and explore strategies that will bridge these gaps, ensuring that no worker, irrespective of their sector, is left without the protection and support they rightfully deserve

In conclusion let me reiterate that the theme, "Enhancing Social Protection for Inclusive Growth," aligns seamlessly with the broader financial inclusion agenda that my ministry champions. We recognize that a society's true prosperity is measured not just in economic terms but in how well it safeguards the future of its citizens.

The Pensions Conference and Expo 2023 present a unique opportunity for stakeholders, including industry experts, policymakers, regulators, and pension clients, to come together. It is a platform for dialogue and collaboration, seeking to demystify misconceptions, formulate strategies for attracting more savings, and promoting prudent investments.

The specific objectives of this event—to provide a platform for pension industry players to showcase their products and services, create a forum for government representatives to communicate changes in pension regulations, and offer an opportunity for experts to display best practices—are integral steps towards achieving our collective goals.

Let us also note that it will make a major contribution to the Botton-Up Economic Transformation Agenda - BETA. Savings, or in general capital accumulation must increase to threshold levels required to ignite economic transformation. That is what we should work for.

I therefore enjoin myself to all of us in this conference as we look forward to engaging in insightful discussions, gaining valuable insights, and working collaboratively with all stakeholders to create a future where every citizen can retire with dignity and financial security.

I wish you all fruitful deliberations and exchanges of ideas at this important conference.