



Governance-A key to SACCO growth

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Introduction

- Governance has become ubiquitous
- The governance failures that led to the crumbling of giant corporations in Europe and America called for a re-look at it.
- The failure of the international financial system in 2009 was the icing on the cake
- Gambian movement not having socks is no evidence that we are doing the best possible.



What is governance?

- Governance is how society or groups within it, organize to make decisions (Institute of Governance)
- The need for governance exists anytime a group of people come together to accomplish an end.
- Though the governance literature proposes several definitions, most rest on three dimensions: authority, decision-making and accountability.
- Governance determines who has power, who makes decisions, how other players make their voice heard and how account is rendered.



What is governance?

- The 2009 Global Monitoring Report sees governance as ‘power relationships,’ ‘formal and informal processes of formulating policies and allocating resources,’ ‘processes of decision-making’ and ‘mechanisms for holding governments accountable.’



Concept of Governance

- Governance is ultimately concerned with creating the conditions for ordered rule and collective action (Stoker, 1998; Peters and Pierre, 1998; Milward and Provan, 2000).
- Governance has been defined to refer to structures and processes that are designed to ensure accountability, transparency, responsiveness, rule of law, stability, equity and inclusiveness, empowerment, and broad-based participation.



Concept of Governance

- Governance also represents the norms, values and rules of the game through which public affairs are managed in a manner that is transparent, participatory, inclusive and responsive.
- Governance therefore can be subtle and may not be easily observable.
- In a broad sense, governance is about the culture and institutional environment in which citizens (members) and stakeholders interact among themselves and participate in public affairs.



Defining governance

- “the means by which ***order is accomplished*** in a relation in which ***potential conflict threatens to undo or upset opportunities*** to realize mutual gains” (Williamson,1996)

“a ***dynamic interaction involving structures, functions*** (responsibilities) ***processes*** (practices) and organizational traditions that the board of an organisation uses to accomplish the organising mission” (Canadian Institute of Governance,2001)



Governance Theory

- Agency (Shareholder)–separation of ownership and control
 - Agency costs:
 - Managers pursue self interest to the detriment of Credit union
 - Degree of Board dependence on CEO determines effectiveness of monitoring insiders vs outsiders
 - Board role is to manage CEO



Governance Theory

- Resource Dependence
 - Means to manage external dependency, reduce environmental uncertainty
 - Board are resource providers
 - Advice and counsel
 - Communicating channels
 - Legitimacy
 - Obtaining resources



Stewardship paradigm

- Emphasizes the “capacity and willingness of managers to ***balance the different interest*** in the professional pursuit of company strategy” (Clerk,2005)
- Emphasis on ***board being agents*** of shareholders by utilizing share capital in ways that increase value



Stakeholder governance

- Board positions are given to stakeholder representatives
- Individual expertise is secondary to representation
- Notion that those managing the CU be there because of those they represent, not who they are



Hybrid

- Anglo-Saxon governance model represents shareholder model popular in England and America-maximize shareholder value
- Democratic governance model represents interest of all stakeholders, made popular in Germany and parts of continental Europe
- ***Social enterprise governance model blends the two models***



Governance of credit unions(woccu)

- External deals with issues Cus face as participants in the market.
- Internal refers to the responsibilities of leadership to the membership.
- Individual addresses individuals who ensure fulfillment of the previous two



External governance

• Transparency

- Visibility of Board actions
- Commit to regular honest communications
- Spirit of full disclosure
- Acceptable financial reports that are timely and accurate
- Through AGMs newsletters, other media



External governance cont.

• Compliance

- With existing regulatory framework
- External audit
- Fiduciary responsibility requires supervision, by capable agency (registration, regulation and supervision)
- CU safety and soundness policy
- Bring balance between regulation and remit, mission



External governance cont.

- **Public accountability**

- Awareness of responsibilities to governmental structures, media

- Sensitivity to image of CU



Internal governance

- **Structure**

- 5-15 members unless otherwise
- Rotation of members to invoke fresh view points
- Retention of tacit knowledge
- Members represent AGM/ADM on Board
- Sufficient member participation at AGMs/ADMs
- AGM/ADM is backbone of governance
- AGM/ADM checks powers of Board and management
- AGM/ADM helps feedback



Internal governance cont.

- **Continuity**

- Planning for continuity and succession
- Unexpected board/management departures
- Strategic planning to maintain competitiveness, viability
- Risk management, credit control
- Budgeting, performance objectives,



Internal governance cont.

- **Balance**

- Reflect demographic makeup
- Balance benefits to savers with those for borrowers
- Entertain diversity but don't compromise individual governance model



Internal governance cont.

- **Accountability**

- Clarity of goals , roles, responsibilities
- Board responsibility for actions and consequences of CU leadership
- Board are agents of the AGM
- Duty to make, monitor policies, byelaws
- Duty to appoint management who plan budget, undertake operations, implement policies



Individual governance

- **Integrity**

- Exhibition of high ethical standards in personal and professional interactions
- Code of conduct for Board and management spelling out what is or not proper behavior
- Criminal background harmful
- Conflict of interest
- Close relations between board and management members concurrently serving



Individual governance cont.

- **Competence**

- Basic skills in finance management
- Skills and experience to understand financial operations
- Commit to acquiring necessary education and training
- Board need to understand what is presented to them



Individual governance cont.

• Commitment

- Board needs to devote required time and resources to task
- Create a single functioning entity
- Board and members should attend and participate in meetings

