

SACCO Leaders United in tackling challenges facing SACCOs in Africa for sustainable growth and development



In this Issue

- SACCOs in Africa to jump hurdles through their Continental body, George Ombado
- Making micro credit work for Ugandans to reduce poverty, Francis Ssemwanga
- Can Nigeria Co-operative Sector turn the tide? Lilian Ugwuanyi
- Special Report: ICA Regional research dissemination and planning workshop
- Announcements
- Status Of Savings And Credit Co-Operatives In Botswana ,Joel Shimane
- Pictorial ACCOSCA Events

SACCOs in Africa jump numerous hurdles through their Continental body

By George Yashon Ombado

In March 2010, SACCO leaders met in Johannesburg, South Africa under the umbrella of ACCOSCA and support of Canadian Co-operative Association to deliberate on critical issues affecting the sector. The forum demonstrated that co-operative is more than an economic struggle compensating power. The success of SACCO as a sub sector makes it an essential requirement that members are well trained and informed on their role in community development

This concern emerges from numerous challenges faced by communities in Africa that pose a huge threat to efforts being directed on economic development agenda. Today, more than ever before different economic agents are seeking to provide solutions to problems in Africa. This is made even more relevant as we approach 2015, the year set to achieve Millennium Development Goals. Notably, because various hurdles are still real and standing on the path to achieving these goals. It is legitimate therefore to ask whether we are on the way to achieving those goals or whether we will continue to see our societies struggle with the same targets for the next couple of decades

The role of SACCO in contributing to achieving some of MDGs has seen some development economist and co-operators arguing for more focus on SACCO initiatives. The contribution to the economic growth of a nation is never in doubt

Even without going through formal descriptions of growth and development terminology, It is worth noting that Africa needs to avoid falling into the trap of basing her growth on one-time behavioral change such as savings that's is equally

affected by other external factors circumstances

The possibility that the poor household may prefer to save little that they earn is a plausible gesture that needs to be managed strategically for members benefit and by extension the government.

This will require concrete steps that intend to safe guard the interest of SACCOs as agents of saving. My argument is based on the fact that when income gains are perceived to be transient then potential SACCOs members may rather save than consume. Even for those who are fully employed, uncertainty about their jobs may draw them to save their income.

Savings can have a huge impact on development in Africa. Countries such as Kenya derive a substantial percentage of the saving on Gross Domestic product from the co-operative sector. Can the continent therefore grow faster with saving more? This is a paradoxical question since ability to save for most sub-Saharan Africans is impaired by extreme poverty level.

This statement is not meant to discount success stories where the poor are engaging in resource mobilization. For instance, In 1999 fifty beggars came together and formed a micro finance institution in Nairobi, Kenya. Ten years later, it has a membership of 130,000 operating as Jamii Bora trust and has continued to provide financial facility to the informal sector. This example defeats the argument that poor people cannot save.

In Africa, saving mobilization and managing that saving is the tallest hurdle most SACCOs face today. It is not surprising therefore to see that the leaders



agreed during SACCO Leaders Forum 2010, in South Africa to support establishment of law and regulatory framework in the sector. Notably Kenya and South Africa are pioneers having enacted SACCO laws and established SACCO Societies Regulatory Authority (SASRA) and Co-operative Development Agency respectively.

There are countries that do not have co-operative national apex bodies to work closely with the continental outfit in facilitating development of co-operative acts. This should not in any way, provide an excuse not to support development of robust laws and regulatory framework

Therefore it is worth reflecting on the growth model of SACCOs, which are not always caused by increased membership. Savings is only one of a number of inputs needed to stimulate SACCOs growth; a SACCO may grow not because of increased savings level but simply as a result of better management of that savings. This brings us to the well advocated but least followed up management attribute, good governance. Sustained growth can occur with-in this sector only if there is arise in efficiency of resource management. A mere increase in savings without efficiency of which those saving are used must run into diminishing return

This shows that input driven growth is inevitably limited especially given that other financial institutions are beginning to introduce products that were once designed by SACCOs. Regulatory framework in no doubt will enable them effectively serve their members; its impact on a country with the highest population in Africa such as Nigeria or one with many forms of co-operatives such as Ethiopia can be enormous. The extraordinary development of SACCOs in Kenya and South Africa has a powerful influence on the rest of Africa's economic policy and geopolitics.

An entity that does business with donors won't work itself to fulfill the interest and

needs of it owners. The SACCO leaders have seen that without a strong and cohesive continental body, they will represent little in the co-operative world that is taking the form of partnerships. This view is similar to that expressed in SLF 2010 by key note speaker Prof. Henry Bwisa. He asked the leaders to use ACCOSCA to drive their SACCOs agenda in an effective manner

Finally SACCOs must adopt innovation that effectively meets the needs of their members and wade off competition. Due to limited resources, this could imply engaging with development partners will enable them catch up with frontier technology. It will be naïve however to base this on low level of educated people in Africa; In my view, SACCOs should work together with development partners in tackling social-economic challenges arising from lower efficiency and capital limitation

The SLF 2010 event therefore introduced a new dimension to the running affairs of SACCOs in Africa. Across the continent things are improving. Now is the time for SACCO's to learn the lesson of past failures and limit reliance on either governments or donors' financial support. Prosperity for SACCOs will remain a dream if leaders, government and developing partners' failure to address the needs of communities before their own needs. Better results will be yielded if stakeholders will collectively address challenges facing SACCO's in a more unified and coordinated approach

The SLF event has brought necessity on SACCOs in Africa to develop a common strategy to address various policy issues affecting the SACCO community. The SACCA congress schedule for October 2010 should see introduction and discussion of common working grounds



Making micro credit work for Ugandans to reduce poverty

By Francis Ssemwanga

Small-scale lending arrangements have long existed in the traditional communities of Uganda and good examples of such schemes are *Muno mukabi*, *ziruma atudde* etc. They provided rural population with access to some savings and credit within the local area and with a certain cushion against economic fluctuations, and they encouraged a cooperative and community feeling.

The groups formed provided joint collateral and served as instruments for spreading valuable information that is useful for economic and social progress. However, resources limited the speed in the transformation of communities through these schemes to eradicate poverty.

Progress on the anti-poverty front was last reported to the UN General Assembly whose resolution of 18 December 1997 noted that, in many countries microcredit programmes have proved to be an effective tool in freeing people from poverty and have helped to increase their participation in the economic and political processes of society.

In 2006, the Government of Uganda introduced Prosperity for All Programme (PFA), a strategy that recognizes the intervention cycle which emphasizes savings, credit investments in productive activities.

I would say this is a job well done by the government. However, without Ugandans both lenders and borrowers understanding the tenets of PFA, recognizing the use and importance of credit and savings as a key empowerment tool in ensuring improvements in incomes and sustainable household, PFA may live and pass without changing many lives.

Research shows that the impact of microcredit programmes on household income reveals that participants of such programmes usually have higher and more stable incomes than they did before they joined the programmes (SACCOs). Now with bonabagawale scheme, PFA is hope for millions of families in Uganda.

Therefore, more than just being a government policy, Ugandans should appreciate PFA by forming/ joining SACCOs to enable them acquire small loans with a longer vision of improving incomes and sustainable household.

PFA / Microcredit will not work when people are seated waiting for money but rather, it will work when people are motivated to work harder by the PFA funds. The tendency of forming SACCOs with a sole objective of attracting government funds will reverse the objective of PFA. SACCOs should move on the foundation of the first savings and lending schemes in Uganda, thereby uniting Ugandans against poverty.

Similarly, lending institutions should not only be interested in disbursing loans, but should convince government to provide rural poor with links to an efficient distribution system for their productions, including viable roads to market places, access to appropriate technology and fair prices for inputs, all of which are a winning combination in the fight against poverty

By so doing, the latent capacity of the poor for entrepreneurship would be encouraged with the availability of small-scale loans and would introduce them to the small-enterprise sector. This could allow them to be more self-reliant and create employment opportunities.

A crucial part of any future effort should be to review frameworks that restrict the



access of people living in poverty to credit and to link production to financial service delivery because the existing approaches to production and financial services delivery have not fully tapped the value chain approach that would enhance the synergies between production and financing.

Additionally, government should create a favorable regulatory climate for SACCOs, because the Cooperative Societies Act 1992, under which SACCOs operate up to now is an omnibus type of act where all types of cooperatives are regulated alike, without taking into consideration the special needs of SACCOs. None of the laws provide for supervision which is

required to ensure safety of member savings.

UCSCU visits the local SACCO in Uganda



Can Nigeria Co-operative Sector turn the tide?

By Lilian Ugwuanyi

Co-operatives of all types are known to be veritable instruments for the development, both at the individual level and at the macro level. However, whether co-operatives are able to function as veritable instruments for employment and wealth creation; poverty reduction and improvement upon the standard of living of their members and the larger populace is a function of many factors, among them, efficient management, the appropriate use of available resources, and the commitment on the part of all stake holders in performing their various roles properly

Status of Savings and credit Co-operatives in Nigeria

Accurate Statistics on Nigeria co-operatives are difficult to come by. This is mainly as a result of the difficulty encountered by the Federal Department of co-operatives in gathering data on the existing co-operatives, including their actual numerical strength, types and membership, their financial status etc.

Secondly, due to the emergence of "political programme co-operatives" such as those of the Family Economic Advancement Programme (FEAP) of the mid 1990s, so many ad hoc fictitious "co-operatives" most of which have withered away but still remain in the "registers of co-operatives societies" in the states of the Federation where registered. Owing to the fact that the success of a State Director of Co-operatives is partly measured by the number of societies he/she registered during his/her tenure, such fictitious societies are covered up and count as genuine registered societies.

Again, knowing the types of co-operatives in Nigeria, poses a problem because most of these societies register as "multi-purpose co-operatives" when in reality they function as mostly as single-purpose societies. Therefore knowing the number of SACCOs in the country is a difficult task. However, using their field experience and some official figures and piecing them together, the authors have come out with some relatively reliable figures with between 80-90% accuracy



There are four types of savings and credit co-operative societies in the country.

- (i) Institutional savings and credit co-operatives among salaried workers mainly in the urban towns and cities among workers. Salaried workers in the civil service, staff of parastatals, educational institutions and private business organisations.
- (ii) Non Institutional urban saving and credit co-operatives among artisan traders other individuals and workers .
- (iii) Rural savings and credit co-operatives; and
- (iv) Multi purpose co-operatives in urban and rural areas with active savings and credit components.

The Structure of SACCOs Movement in Nigeria

During the middle of the 1970 and the early 1990s, the savings and credit societies in Nigeria were fairly well organized into a national movement. States (about 20 of the 30 States then) had a co-operative financing agency (CFA) which served as the umbrella apex organisation for “financial co-operatives” of all types, mostly farmers multi – purpose co-operatives, in most of the states, and credit unions in the south western states and Kwara State.

These State financing agencies then formed the National Association of Credit Unions of Nigeria (NACCUN) which in turn was a member of the African Confederation of Co-operative Savings and Credit Associations (ACCOSCA)

Today most state co-operative movements are no longer members of NACCUN. In fact most states no longer have an umbrella saving and credit co-operative association. NACCUN itself is no longer the beautiful bride it used to be; it is limping and almost in a state of comatose. On the whole, the Nigerian Co-

operative Movement is without a credible financial structure. Only a few states have a viable co-operative financing agency.

The National Co-operative Development Fund; which the Co-operative Development Policy for Nigeria (CDPN) proposed would be established since August 2002 is yet to be heard of, nor have the proposals to establish a National Co-operative Financing Agency and Co-operative Investment Committee been followed up.

A yawning therefore exists in the Nigerian co-operative financial sector. A discerning observer would therefore see the challenges facing the Nigerian Co-operative Financial Sector, which of course, must unfailingly be addressed soonest. Nigeria certainly needs to learn from Kenya which has the best and the most enviable co-operative financial sector in Africa. Various stakeholders in the Nigerian co-operative financial sector, with special reference to the “SACCO Movement”, must therefore guild their loin and play their various roles in an impeccable manner lest the whole Nigerian co-operative sector is overrun soonest .

Active participation of SACCO members is vital

As member-owners and direct beneficiaries of SACCOs, members must actively participate in their affairs. Participation means that members must be totally concerned about the affairs of their societies. To be able to this, they must attend as many scheduled general meetings as possible. General meetings afford members unlimited opportunity to exercise their democratic right within the confines of co-operative legislation, practise and governance.

Members should not sit on the fence, but take active part on such issue as: admission of new members; amendments to bye-laws, elections, employments and related matters (where it is *Intra vires* their powers), investment; financing;



distribution of net surplus; disciplinary measures; control the environment, the application of the co-operative principles.

The ILO definition of 1966 draw clear attention to member participation (ILO 1966) so also does the 1995 ICA Co-operative principles and, an indication of the importance attached to member participation. Indeed all the first four principles touch directly or indirectly on member participation. Members would have themselves to blame. If they leave the management and control of their co-operative enterprise entirely in the hands of a few, even if they are competent, resulting in the failure of their enterprise. Each and every member must be prepared to serve on any of the various committees in order to contribute to the management and control of their SACCO.

Perhaps we need to dwell a little more on control. The board, the supervisory committee, other standing or ad-hoc committees, hired management staff and employees all need to be controlled by the members, either directly or indirectly. Who undertake the control depends on the vertical level the society and the legal provisions and even the location of society. Is it a primary co-operatives society or Secondary or a state/provincial / apex or a federal apex? Is the co-operative movement de officialised or not?

The possible supervisory or control organs are: the board of directors, the supervisory committee, the members themselves and the government agency responsible for co-operative matters. In a rural primary co-operative society, it may be difficult to find members who can function appropriately as member of the supervisory committee. However, we must begin to let members get involved as an organ for controlling the management committee whether the management committee/ board functions as day-to-day management organ or as “a supervising organ” where there is a difficult time manager and employees.

In secondary and higher level societies where the hired management is on full time bases, the board of director should serve as the true “supervising organ” in practical terms, despite its name.

But whether there is a supervisory committee or not or whether the management committee or board of directors in reality carries out controlling functions; the government department for co-operative development should still exercise some controlling functions - inspection auditing ,inquiry , etc. until the co-operative movement its self can efficiently carry out these functions alone .

Even though it is the wish of most co-operative economists and development partners and even some cooperative civil servants for cooperative societies to be self-accounting and totally self-managed , it has almost become an illusion given the experiences in Africa over the years. Even though in Nigeria, the Co-operative Societies Act of 1993 has deprived the Director of Co-operatives (formerly the Registrar) of his “audit function” and transferred this responsibility to co-operative societies by authorising them to appoint their own auditors (NCSA sec. 36 (i) 1993), only a handful of societies have been able to comply . Since 1995, most societies have not prepared their annual accounts nor audited them.

What needs to be done is for the movement to have its own auditors through the formation of a co-operative audit union/federation in each State or geo-political zone. In the meantime, it might be helpful for the government in each State of the Federation to help the co-operative movement with “accountants” and “auditors” over the next five years to straighten out the accounts of these societies, while at the same time undertaking to train accountants and auditors in the movement.

What is the role of the members in all these? In case of the movement forming



audit unions/federation, it is for the members to see the need for this and again for them to be prepared to finance these unions. But importantly, members

must ensure that the accounts of their SACCOs are prepared and audited on time.

Special Report: ICA Regional research dissemination and planning workshop

By Joan Atuhura

ACCOSCA was represented at the ICA Regional research dissemination and planning workshop held 15-19th March 2010.

Following the Enabling Environment Project (EEP) conducted by ICA in 2006 in six countries; Botswana, Ethiopia, Kenya, Malawi, Swaziland and Tanzania, an analysis was done on the Socio-economic impact of cooperatives in Africa and their institutional context. The major areas of research where; the role of cooperatives in poverty reduction, cooperatives and employment creation, member participation in formation of cooperative policy, laws and tools of assessment, crossing cutting issues HIV, youth, gender and the environment, best practices in co-operative development. This study was to reveal contribution and effectiveness of co-operatives in the socio-economic development at local and national levels focusing on poverty alleviation and employment creation.

The workshop was conducted to disseminate the research findings in the region covered as well as getting updated with changes that might have taken place from the countries represented. The workshop was interactive and participants shared their experiences on cooperatives and emerging issues and structures in their respective states.

According to the study, it was evident that co-operatives have played a significant role to poverty alleviation particularly through the financial service sector where credit is being extended to the poor at more flexible terms. Cooperatives have

created employment, social development especially in health care and education.

In the states where agricultural marketing is existent, co-operatives provide important services to agricultural development (farm inputs, finance) as well as protecting the poor farmer from exploitation by middlemen. Agriculture is a main stay for several people in the rural in Africa and as such its promotion has advance effects on reduction of poverty.

Most governments in Africa have recognized the role played by cooperatives and as such are making an attempt to formulate broad policies and legislation that are not restrictive to which sectors the cooperatives may operate. This will give cooperatives capacity to contribute to the national policy and legislation debate. To achieve this, cooperatives should put in place suitable structures through which they can vigorously engage in national issues. Continuous intermittent appraisal to Policies and legislation should be carried out to determine whether they are still relevant or to incorporate other emerging issues.

It was noted that there is minimal involvement of cooperatives in the cross cutting issues HIV/AIDS, the youth, gender and environment. HIV/AIDS is a major problem to both the cooperatives and governments with the latter taking the lead in developing initiatives to mitigate it.

The slow growth in cooperatives has been attributable to; low development and use of ICT, slow update of cooperative legislation, and that most cooperatives are



not yet competitive. The environment in which cooperatives are operating is dynamic and if they are to compete

favorably, then they should adopt to change rapidly.

Appointment

Doctor Hlongwane has joined ACCOSCA Board of Director from Swaziland being March 2010

Carilus Ademba has been appointed the Chief Executive Officer of SACCO Societies Regulatory Authority of Kenya (SASRA) beginning May

Announcement

SACCA Congress 2010 to be held in Swaziland on 4-8 October 2010. More details on www.accosca.org

ACCOSCA newsletter will be published on a quarterly basis the next edition due in August. Kindly forward articles to info@accosca.org



Update On Status Of Savings And Credit Co-Operatives In Botswana

By Joel Shimane

Savings and Credit Co-operative Societies (SACCOS') were introduced in Botswana to provide their members with affordable and easily accessible financial assistance. As such the first SACCOS' was registered in 1965 then known as a Mochudi Thrift and Loan Co-operative which was a communal based co-operative. The first institutional based co-operative was registered in 1979 being Selebi Phikwe Miners co-operative. The Co-operative Societies Act that was enacted in 1989 saw the thrift and loan co-operatives change names to Savings and Credit co-operatives. Since then to date, sixty five (65) SACCOS' have been registered under the Co-operative Societies Act.

In 1988, twelve co-operatives came together to form an apex organisation known as Botswana Co-operative Association (BOSCCA) that is financed, owned and controlled by the member co-operatives.

BOSCCA'S Vision

Quality SACCOS' for everyone in Botswana.

BOSCCA'S Mission

To develop, promote and safeguard a safe and sound network of SACCOS' in Botswana capable of providing quality and affordable financial services to members in accordance with International Co-operative Principles, the Act and Co-operative Practice.

Objectives

- To identify, promote, organise and develop SACCOS' in Botswana
- To build and maintain a financially sound network of Savings and Credit Co-operatives to mobilise

and effectively channel savings to meet social and economic development needs of its members and the country at large.

- To foster the vitality of SACCOS' to become effective financial intermediaries by providing programmes and services that will enhance the SACCOS' ability to successfully meet the needs and expectations of their members;
- To work with other stakeholders in national domestic savings mobilisation initiatives in order to bring about the sustainable economic Development in the country
- To improve access to financial services to the vast majority of Botswana who lack access to affordable and readily available financial services.
- To revive all dormant communal/institutional savings and credit societies and encourage the potential and viable ones for further development and self sufficiency.
- To disseminate information pertaining SACCOS' and provide sound operational methods and practices relevant to all concepts of present and future SACCOS'.
- To render technical assistance, education and training programmes to the members and officers of the SACCOS' and undertake income generating projects for self sufficiency.
- To arrange and establish risk management programmes where by the members funds and life will be protected against any possible loss.



- To arrange and establish a central finance programme whereby SACCOS' will pool their resources together to create a source of lending to both societies and individual members.
- To stand as a legitimate apex organisation and represent Savings and Credit Societies at national and international forums.

BOSCCA was dormant from 1993 until 2005 when a decision was made to revive the association so that the SACCOS' movement could have a mother body that would advocate for its growth. Although the initial membership of twelve co-operatives is still maintained, the association has a potential of additional member complement of 30 registered societies. It also has the task of helping resuscitate 23 other societies that have been dormant some of which are currently being considered for liquidation. The association is currently on the quest to recruit other Savings and Credit Co-operatives to join.

Structure

According to the Botswana Savings and Credit Co-operatives Association by-laws, the association is supposed to have board comprising of 9 members. Currently though owing to limited resources, there are only 5 board members. This number includes the executive committee that consist of Board Chairperson, Vice Chairperson, Secretary and the Treasurer. Other committees, the finance, audit Credit Committees have not been elected since the society is still under revival. The association currently does not have any employees.

Challenges

The challenges that affect the growth of Savings and Credit Co-operatives in Botswana include among others;

- Mismanagement and Fraud due to inadequate controls and

implementation of good governance

- Members' apathy resulting from members' lack of commitment to attend meetings which are crucial in decision making.
- Competition from other financial institutions.

In order to overcome the above mentioned challenges BOSCCA will assist in;

- Identifying areas of weaknesses in internal controls and intensifying training in order to enhance the internal control systems and implement them.
- Intensifying education on ownership of the co-operatives since most members tend to ignore their association because of inadequate level of understanding that the co-operatives belong to them.
- Coming up with competitive products and services that would lure the members to utilise their co-operatives more.

The association also has a role to play in assisting the co-operatives diversify their products and services thus expanding their portfolios by venturing into property development and exploring the stock market locally and offshore. The association will help identify alternative diversification opportunities as supported by the National Policy for Co-operatives Development.

During the years that the association was dormant, Savings and Credit co-operatives Societies received technical assistance such as auditing, training of members and staff as well as business advisory services from the Department for Co-operative Development. Furthermore, the Department continues to provide guidance in the revival process of BOSCCA. BOSCCA will as it continues to grow, assist the co-operative movement in training and business advisory services.



Pictorial ACCOSCA Events



Ethiopia Delegation led by AASCCU Chairman Mr. Worku Guangul Atega with ACCOSCA staff in Nairobi, February 2010



ACCOSCA board of Directors visits KUSCCO offices in January 2010



Some of the SACCOWOM women leaders from Nigeria attended the SLF 2010, South Africa headed by Stella Anugwa



Cross Section of Leaders in SLF 2010



CCA Africa Regional Director, Ingrid Fischer receive acknowledgement from Savings & Credit Union of Mauritius, President Dorasami Jean Bruneau during SLF 2010 in South Africa



Jeffrey Ndumo – Chief Director of Cooperatives Enterprise & Industry Development Division (EIDD) of South Africa with SACCOWOM Chairman Partson Ngwevela during SLF 2010.

