

Redirecting Effective management for SACCOs as a Catalyst to Development in Africa



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A critical look at Savings Culture in Africa through the Sacco's eye

By George Ombado

The number of stakeholders seeking to contribute towards Africa economic development has heightened over the past few years. More noticeable is the manner in which co-operative sector has re-modified itself as one of the latest entrants in development agenda. While analysing and scrutinising their role in development it is important to recognise that co-operative model aims to mobilise capital in a more meaningful way for the members.

In the recent past, misinformation about what co-operative and SACCO sub-sector can deliver for Africa has negated the sectors ability to effectively mobilise resources. Some of the views that can be referred to as anti-cooperative position stem from past entrenched poor governance structures within the sector. The current wave and desire for establishment of legislative framework is bound to bring in much confidence for the members of the public, who acknowledge co-operative models role in their economic pursuits have often shied away from being members of SACCOs.

Banking on increased appetite for transparency and governance by the sectors stakeholders, SACCOs mainly should use this to introduce new products that would encourage more membership base. The sub-sector should create more awareness on the impact of individual savings behaviours on their overall economic empowerment. Through the SACCOs

the potential members would be shown the positive attributes of securing their future through savings and the disincentives of consumerism. This is in recognition that creating a new saving behaviour would require continuous publicity and involving the youth.

Available statistics show that the savings pattern across Africa need to be improved, most of the West African countries are observing a downward trend on the saving pattern; though this can be attributed to political and economic challenges, negative savings behaviours should not be ignored especially where happiness is equated with accumulation of goods and service. East and South African countries are projected to have a positive savings pattern in the coming years as a result of regulatory framework contribution in boosting confidence levels of populous.

The argument in support of saving mobilisation arises out of assumption that savings automatically leads to capital accumulation and by default economic growth under best practice systems. To promote sustainable savings pattern, SACCOs will not only need adoption of regulatory framework but also strategies that tend to bring together previously excluded members of the population as a result of generation gaps and gender biasness.

The young need to be taught at an earlier period on the importance of savings rather than being blinded by

instant gratification. A single stakeholder cannot effectively drive the change needed on savings behavioural pattern among the populous in Africa. Such discourse can be covered through entrepreneurial curriculum in post-primary and tertiary education. It is also critical for the sector to adopt initiatives and products that are appealing to the youth; mainly those associated with technological change.

Besides these, the Saccos need to effectively collaborate with trade unions in creating awareness among the potential or current members who are also workers, on the benefits associated with savings. Where necessary the unions arrive at an agreement with employers on various forms of savings systems they can adopt with SACCOS.

Efforts to conserve our environment can also go a long way in creating a positive shift on saving behaviour, mainly by avoiding wastages. The sector can contribute towards climate management and effectively make more resources available to people. For instance, co-operative organisation can limit their cost lines by recycling products, adopt conferencing cost measures and minimise expenditures that are linked to energy consumption. By so doing, the members will have more resources availed to them. This by extension, would be an incentive for potential members knowing that Sacco management are mainstreaming environmental dimensions in their daily operations

In Africa, sceptic to saving campaign argue that on average household income levels are too low for individuals to save. They even paint a grimmer picture on potentiality of positive savings trend given the high levels of unemployment or underemployment. Besides these negative sentiments, countries with high unemployment rates of over 40% such as Kenya and Uganda has seen a steady increase in saving patterns in the recent years. The co-operative model therefore is not in any way made difficult by populous condition rather on their willingness to save the little that they have for future use.

Encouraging a positive shift in saving behaviour require saving Saccos to play a leading role. This is also important for the sustainability of the sub-sector, this will avoid scenarios where there are many registered Sacco organisation (on paper) that have high membership base with little savings portfolio. According data from WOCCU, Ethiopia has the highest number of Saccos at 5,975 in 2009 as compared to Kenya which had 3,996 in the same period, yet Ethiopia has membership base account for only 12% of Kenyan this figures have a similar trend on the actual saving portfolio.

It is through advocating for a savings culture will the continent realise the benefit derived from capital accumulation and long term growth of the Sacco sub-sector. This should not be mistaken to offering disincentive to productivity.

Accessing your SACCO as an organisation

By Joan Atuhura

The world of SACCOs is becoming more complex. Quite often, it is difficult for members to retain a clear and comprehensive picture of a multitude of areas relating to SACCO performance for which they are accountable.

In assessing “the state of a SACCO” and identifying areas where further attention is needed, one must carefully review the culture, values and mission statements which accurately describe a SACCO. The SACCO should;

- Have a written set of values or beliefs and mission or purpose statement.
- The SACCO should cascade the values and mission statement developed, ensure that they are known and understood by volunteers, management, staff and members.
- Selection of products and services offered to members is consistent with the SACCO’s values and beliefs and defined mission or purpose.
- The SACCO’s human capital policies are written and applied in a manner which accurately reflects and supports the organization’s mission and values.
- The public image of the SACCO among members and the community at large is consistent with the defined mission and values.
- The overall quality of service provided to members is consistent with the SACCO’s underlying values and culture.

Strategic / Business Planning

The SACCO’s leadership should have a clearly defined picture of its desired future (over the next 3 – 5 years). This “picture of the future” addresses areas such as:

- a) Asset and Capital Size
- b) Service Profile
- c) Systems and Technology
- d) Assessment of Competition
- e) Marketing Strategy
- f) Human Capital (Resource) Plan
- g) Facility Requirements
- h) Field of Membership
- i) Management / Staff Requirements & Development
- j) Service Delivery Systems
- k) Organizational Structure & Culture

The Board of Directors and Management should establish long – and short-term operating strategies which govern decision-making processes at the SACCO and describe in general terms how the SACCO will go about achieving its desired future.

The SACCO should have a written long-term business plan which presents alternative scenarios and long-term financial projections for each scenario based on the organization’s desired future. These financial projections should at minimum cover; Membership growth projections, Profitability, Financial growth projections for assets / liabilities / reserves, Financial growth projections for income / expenses, Margin and GAP analysis.

The SACCOs written strategic plan includes specific goals and action steps for implementation where goal status updates are provided to the Board of Directors on a consistent basis.

Specific performance measures should be established or reduced to written and reviewed on a monthly basis.

Operating Policies / Procedures

The SACCO has written policies and operating procedures in at least the following areas:

- a) Board / Committees.
- b) Human Capital / Personnel Administration.
- c) Loan / Collections
- d) Investments & Financial Management
- e) Security / Internal Controls / Disaster Recovery Plan.
- f) Member Transaction Services.
- g) Marketing
- h) Data Processing / Information Systems.

The Operating policies and procedures should be accessible to all staff, easy to understand, organized for easy of use, and provide significant guidance. The policies should be updated on a regular basis to reflect changing practices brought about through the implementation of new services and technology. In addition the policies and procedures are regularly reviewed for opportunities to improve operating efficiency and service quality, are revised as needed.

Financial Performance

An annual budget is developed and presented to the Board for approval in advance of the budget period. This budget provides detailed pro-forma

financial statements for both the income / expense statement and balance sheet (statement of financial condition). The budget performance and comparison data should be provided as part of the monthly financial statements. A written commentary explains all significant variances (both positive and negative).

All financial statements and records are up-to-date. This includes appropriate general ledger postings, subsidiary ledgers, bank reconciliations, and loan documents. The Board and management should receive regular financial reports detailing the fully-cost contribution on each segment of the business (product or service). This information is used in decision-making and to initiate corrective action where appropriate.

Promotion / Marketing

The SACCO's service profile includes a comprehensive range of competitive products and services designed to meet the needs of the field of membership. As such members should be served in a friendly and efficient manner while conducting SACCO business. SACCO products and services are to be proactively sold by staff, not just offered.

The written marketing plan should use information gained from comprehensive membership surveys, demographic studies, and needs analysis. Marketing plan documentation includes research, goals, action plans, media analysis, timetables, budgets, and methods for evaluation. The marketing materials should communicate both adequate product information and the appropriate image for the SACCO.

Members should actively be provided with educational opportunities to learn more about SACCO products and services, as well as how to properly

use these products and services. This is especially important when it comes to high tech products, such as remote banking.

Management / Staff

Employees project a positive and professional image of the SACCO.

Employees maintain a comprehensive knowledge of rules and regulations governing the SACCO.

- Employees demonstrate a thorough knowledge of applicable operating policies and procedures.
- Moderate (appropriate) employee turnover indicates effective leadership practices and human capital policies are in place.
- The SACCO has an established and documented pay-for-performance salary program.
- The SACCO has a written salary administration program, which defines minimum / maximum base

salaries for all SACCO positions and is reviewed on an annual basis.

- Rewards and incentives are provided to foster continued development in knowledge, skill, and service areas, consistent with the organization's strategic / business plan.
- An annual training plan and budget is established and implemented for volunteers, management and especially for the staff.

In view of the fact that over 60% of the issues raised above are non-existent or unaddressed, it's important to inform all stakeholders about the challenge upfront, and therefore recommend that special organizational development sessions should be conducted to ensure that progressive planning & implementation is done to achieve the above status core.

Regional Inequalities in Cooperative Development in Africa

By Abby D.M. Mugabo

Regional Inequalities is a situation where by some economical imbalances are identified within countries of the same region due to Economic, Political, Social or Cultural reasons. These imbalances have been identified in co-operative development in African region and reasons for this, plus possible solutions have been tackled within this article.

Co-operatives are autonomous association of persons united voluntarily to meet their common

economic, social, cultural needs and aspirations through a jointly-owned and democratically controlled enterprise. The equal members in rights and duties take part democratically in the management and the administration of the enterprise of which they share all rights, duties and advantages proportionally with the transactions of each member. The general body is formed by active members and elects the Board of Directors which later on appoints its paid employees to run the cooperative.

Situational Analysis of Cooperatives in Africa

Various figures in relation to cooperatives in Africa indicate the

disparity between countries as regards registered co-operatives, membership, share capital, saving deposits, etc. However, it should be clear that culture of recording is hardly found in most African countries and this emphasizes the fact that various sources of information on cooperatives do not exist, thus making it difficult to check the reliability/validity /accuracy of the data. Although this problem exists, most figures in 2005 (where available) indicated a tremendous increase in cooperatives development in some African countries. The notable increases have largely been tied to national policy reforms or the strengthening of representative structures. For instance, the strong promotional work has undertaken the formation of various institutions in different countries as reflected by:

- Rwanda Cooperative Agency (RCA) in Rwanda
- The Cooperative department in Tanzania.
- The Federal Cooperative Agency (FCA) in Ethiopia
- The Ministry of Co-operatives Development and Marketing in Kenya.

- In case of Zambia, the success of the fertilizer programme which requires farmers to form cooperatives in order to be supplied has created conditions favourable to formation of cooperatives.

Given the optimistic trend identified in most cooperatives of various countries, the question remains how active these cooperatives are and what their significance is.

Best Practices

Many studies reveal that it is possible for any country to emerge from almost zero to the forefront. One can take the best practice of Rwanda where the government took initiative to develop the UMURENGE (Administrative Sector) SACCOs Program as elaborated in its Vision 2020 and the EDPRS development agenda, aimed at increasing access to financial services for all citizens. This program that sensitises and mobilises people to save by joining SACCOs was officially started in 2009, and it intensified in 2010. Prior to that, Rwanda had only **84** SACCOs countrywide and the number arose to **502** after the introduction of the UMURENGE SACCOs Program in the 416 administrative sectors. Since then there has been some remarkable and commendable progress as far as SACCOs development is concerned. February 2011 statistics show that, Rwanda has **502** SACCOs with almost **2.2** million members, **US\$ 14.6** million

share capital and **US\$43.8** million saving deposits. Compared to the high population and the experience of the leading countries like Ethiopia and Kenya in this field of cooperatives, conclusion can be made that Rwanda is very soon taking the lead if it continues with such a pace. The tremendous Rwandan experience has mainly been due to intensive mobilization and sensitization of its population to join SACCOs, continuous, strict and serious supervision, continuous government support and outreach, etc.

Why the Inequalities?

It has been identified that the regional inequalities are normally due to a lack of conducive environment for cooperatives to develop and operate. In order for cooperatives to become sustainable, the local environment must be assessed to determine if it is supportive to the creation of a viable cooperative business enterprise. Some common factors which can lead to regional inequalities can thus be categorized into economical, political, social and cultural.

Economical Factors: These are very crucial and can be identified through non-performance of the economy, inadequacy of resources, competition from commercial banks, lack of economic liberalization, regulation of business, and price decontrol.

Political Factors: Political factors are quite destructive in terms of cooperative development if not properly handled. These are such as leadership and governance problems,

poor government attitudes and policies, absence of investment policies, absence of Co-operative Legislation, culture of lobbying and favouritism, interference in management system, lack of law enforcement, etc.

Social Factors: Due to the fact that cooperatives have social element in them, social factors play a big role in their formation and sustainability. These are like demand for quality service, changing employee values and expectations, cultural diversity among employees and cooperatives leaders, non-remittance of cooperatives dues, poverty which results in mismanagement and embezzlement of cooperatives funds, HIV/AIDS epidemic and lack of contemporary skills in cooperative management.

Cultural Factors: Cooperatives in Africa embody members from various cultures. If they are not managed well, cultural factors can retard their development and sustainability. Some of cultural factors experienced in cooperatives management are differing cultural norms and values, lack of Ethics and integrity, dependence Syndrome, lack of entrepreneurial culture, lack of confidence in cooperative management and fear of taking loans.

How to combat the existing inequalities:

In order to get rid of the above mentioned inequalities, one has to create conducive environment for

cooperatives to operate in Africa. This may be done through:

- Introduction of strong leadership and proper administrative system.
- Proper management of the scarce resources.
- Continuous sensitization, education and training of cooperatives members.
- Initiate quality Management systems of cooperatives.
- Introduce the culture of accountability and fight corruption and embezzlement.

- Encourage study tours, trade fares and self reliance of cooperative members.
- Being competitive through provision of variety of better products and services
- Orientation towards customer demands
- Acquiring entrepreneurial culture through innovative and creative means.
- Encouraging investment in appropriate information and technology

- Proper legislation that favours cooperatives
- Proper Documentation and accuracy in data

Conclusion: Cooperatives in Africa are regarded as a vehicle for economic development through provision of financial services to marginalized communities thereby alleviating the recurrent poverty. Cooperatives capacity must therefore be built in order to meet the challenges and problems that retard their development and sustainability. In order to achieve this in our region, we must fight the existing inequalities by introducing favourable government policies, proper governance and management systems.

The author is a Director of SACCOs Supervision Unit, Rwanda Cooperative Agency (RCA).

Youth Participation in Cooperatives

By Elizabeth Ngutuku

Africa is the youngest continent with 70% of the population under the age of 35 years. However, the demographic dominance of young people contrasts sharply with their constrained participation in core institutions and processes of production including Savings and Credit Cooperative Societies (SACCOs). Yet cooperatives are agencies that hold potential for the entrepreneurial development of youth

most of whom experience social exclusion as evidenced by their overrepresentation among the poor and unemployment or underemployed. Despite the fact that cooperative institutions advocate values of self-help, mutual responsibility, equity and equality, cooperatives are spaces that are dominated by older males and youth occupy a subordinate position.

A research carried out collaboratively by Dr. Auma Okwany of the International Institute of Social Studies the Netherlands and Nascent Research and Development Organization, and ACCOSCA reveals the state of affairs of youth participation in cooperatives in Africa. The research whose objective was to examine barriers that constrain the participation of youth in cooperatives was carried out across Africa amongst cooperative leaders as well as youth cooperators and non-cooperators from countries affiliated with ACCOSCA. The bulk of the data was collected through electronic questionnaires as well as interviews and key informant discussions in selected countries. Challenges included the fact that some youth were not able to access the Internet, thus research assistants obtained verbal responses to questionnaires, which were noted down. Responses were not obtained from all the targeted leaders of cooperatives especially the apex bodies even after several reminders.

The research findings reveal that a key factor defining youth marginalization in cooperatives emanates from the way youth as a category is defined. While a majority of SACCOs do not acknowledge youth as a category of analysis in their operations, those who do so use age based criteria to define youth. Indeed the findings reveal that about 85% of the participants under study defined youth as individuals between 18-35 years; 5% defined them as those between 25 and 45 years while 10% defined them as those between 25-35 years old. While

such quantitative definitions of youth may be instrumental for comparison of data across space and time, they ignore the fact that youth vary by gender, social class, educational level and employment status. This 'one stroke' view of the youth therefore hinders the development of the right type and mix of cooperative products and services for the different categories of youth. Additionally, the findings also highlight the stereotypical perspectives of youth held by cooperators and non-cooperators as well as the SACCO leaders. This includes persistent (mis)perceptions of youth as credit-risks, consumption oriented and as inadequate leaders. This coupled with the apparent lack of financial security among the youth intersect to lock youth out of leadership but also constrains their participation in cooperatives. The study further reveals that lack of information and education on cooperatives as well as failure to take advantage of Information Technology or use of 'alternative Business channels' in cooperatives to tap on the dynamism of the youth makes cooperatives unattractive to youth. The findings also points to the absence of business mentors and other business development services, which account for the often-cited failure of the youth enterprises.

Based on the findings, the study provides recommendations for transformative and youth responsive cooperatives targeting diverse stakeholders ranging from ACCOSCA, Cooperative apex bodies, SACCO's as

well as the state as the ultimate duty bearer. These recommendations include: the need to ensure a strong foundation for cooperative and entrepreneurial development by embedding cooperative and entrepreneurship principles in the education of young people and cultivating a savings culture among children and youth. While maintaining the position that youth participation is not about a generation shift, the research calls for a discursive shift in the way youth have been (mis)perceived and calls for an 'inter-generational dialogue' to enhance

substantive participation of youth in cooperatives. Youth responsive cooperatives would also require establishing an evidence base through research as pertains the different needs of youth and for sharing best practice on youth participation. The study also underscores the need for

cooperatives to work together with other stakeholders including the state, NGOs, as well as private financial and other institutions to enhance youth participation.

AITEC COMESA Conference and Exhibition

Nairobi, Kenya: ACCOSCA attended the 5th annual AITEC banking and mobile money COMESA conference and exhibition, held 2-3 March 2011 at the KICC in Nairobi, Kenya. The theme of the day at this conference was the *"Innovation for a new era of financial inclusion and regional integration"*.

The event engaged banks as they shared and exhibited experiences on the new services available to the population through a wide range of new payment technologies. The meeting was well-attended by manufacturers and vendors across East Africa that displayed their latest products and systems enhancing the region's rapidly growing financial sector.

As reflected in the subject matter for the day and as a focal point of interest to the key players in the financial industry, the need for financial inclusion has shown tremendous growth in volume and complexity during the last few decades. Yet banks

have not been able to include a vast segment of the population especially the underprivileged groups of the society into the fold of basic banking services.

Worth mentioning however, key players in the financial sector throughout Africa are re-working the quality of services they provide to accommodate the new era of mobile money that has empowered customers to engage in the decision making process over service delivery models that will serve their needs.



ACCOSCA participates in Aitec Exhibition

At the gathering, the key providers demonstrated that banks have started to rethink ways of including unprivileged groups by tapping into the mobile money technology that rapidly owning-up the centre stage.

And so, mobile money has opened up a new era of financial inclusion and regional integration. Presenters at conference gave insights on the key

trends surrounding this service including the latest developments in mobile banking, aggregation and integration of challenges in mobile money, mobile e-commerce implementation, risk management, mobile banking technologies among others.

Nonetheless, competition in the financial sector for this market segment with low cost accounts is on the rise and therefore, as part of the 'survival for the fittest' strategy, Savings and Credit Cooperatives must comply in adopting appropriate ICT applications so as to enhance their clientele service.

The event thereby created an opportunity to learn from presenters with vast field expertise, and to network both vertically and horizontally.

2nd SACCO Leaders' Forum 2011

Kigali, Rwanda — the need to improve capacity of SACCO leaders in addition to the discussion of topical issues affecting cooperative growth were key areas of dialogue at the just concluded SACCO Leaders Forum. The 3 day event held 21-23 March 2011 was organized by ACCOSCA in conjunction with the Rwanda Cooperative Agency and The National Confederation of Cooperatives in Rwanda.

The SACCO Leader's Forum attracted 154 participants from 13 countries among which were cooperative leaders, government officials, development agencies, policy makers and researchers. The theme of the

forum was '*Re-discovering effective management for SACCOs as a catalyst to development in Africa*'. The participating countries included; Botswana, Canada, Ghana, Kenya, Namibia, Nigeria, Rwanda, South Africa, Swaziland, Uganda, Zambia, Zimbabwe.

The event was officially opened by Hon. Monique Nsanzabaganwa, Minister of Trade and Industry, Rwanda and closed by Hon. Joseph Nyagah, Minister Cooperative Development and Marketing, Kenya.



In this picture from the Left is Mr. Damien Mugabo Director General Rwanda Cooperative Agency (RCA), Mr. Bless Kwame- Vice Chairperson the African Confederation of Cooperative Savings and Credit Associations (ACCOSCA), Hon. Monique Nsanzabaganwa, Minister Trade and Industry Rwanda, Mrs. Rita Ngarambe, Executive Secretary from Association of Microfinance Institutions of Rwanda (AMIR), and Mr. George Ombado Executive Director ACCOSCA.

The key issues covered during the forum ranged from youth entrepreneurship, ICT innovation, consumerism, quality management in SACCOs, risk management,

Strategic Planning for Cooperative

In the spirit of information sharing and building capacity in the region, ACCOSCA further offered a two day strategic planning course 24-25 march 2011 at Sports View Hotel Rwanda, having successfully completed the 2nd SLF.

governance, regulation in SACCOS, youth inclusion in cooperatives among others. ACCOSCA presented a research report on Youth inclusion in Cooperatives to the government and SACCO leaders.

The key recommendations of the forum were: the need to strengthen regulation in SACCOs, promoting youth participation in cooperatives, collection of accurate, reliable and accessible data and building evidence for cooperative development in Africa; SACCOs to participate in environmental conservation projects, promoting youth entrepreneurship; leveraging IT for developing new products and improving efficiency and strengthening governance of SACCOs. "The forum was quite educative with best practices being exhibited that enhanced learning and created an opportunity for benchmarking," said the Mr. Danstan Kisuule the CEO of Y-Save a SACCO in Uganda.



In this picture participants of the strategic planning Course

The strategic planning course was attended by 29 participants with representation from 9 countries. The course was perceived by the participants as relevant to the growth of SACCOs. Participants comprehended the need to adopt change as a constant factor.

“This course could not have come at a better time than this when SACCOs are facing several challenges ranging from poorly structured strategies,

inappropriate implementation plans, increasing competition from the banks among others” said Mr. Nzigahimana Jean Marie the Chairman Umwalimu SACCO in Rwanda.

On the overall, participants requested ACCOSCA to conduct more courses of this nature to improve capacity in the sector.

Announcements

Look out for ACCOSCA upcoming events:

Regulatory framework workshop in Nairobi, Kenya 15th – 17th June, 2011.

SACCA Congress in Accra, Ghana 3rd – 7th October, 2011.

For more details go to: www.accosca.org

ACCOSCA SLF 2011 EVENT PICTORIAL



Hon. Joseph Nyaga Minister of Cooperatives Kenya during closing ceremony of SLF 2011



Hon. Monique Nsanzabaganwa Minister of trade and Industry during opening of SLF in 2011



Hon. Joseph Nyaga hands over certificates to Swaziland participants



SLF 2011 participants



Kenya and Rwanda regulators during regulatory panel chaired by Mr. Bless Kwame Darkey ACCOSCA Vice Chairman – (Ghana)



SLF 2011 participants

