REPORT ON
SACCO LEADERS FORUM (SLF 2010)
ORGANISED BY
AFRICAN CONFEDERATION OF COOPERATIVE SAVINGS AND CREDIT ASSOCIATIONS (ACCOSCA)

DATE: 24TH -26TH MARCH 2010

LOCATION: JOHANNESBURG, SOUTH AFRICA

THEME: “UNITED IN TACKLING THE CHALLENGES FACING SACCOS IN AFRICA”

HOSTED BY SACCOL- Savings and Credit Co-operative League of South Africa Limited

IN PARTNERSHIP WITH CANADIAN CO-OPERATIVE ASSOCIATION (CCA)
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The views expressed by presenters in this report do not necessarily reflect the views of the ACCOSCA, CCA, CIDA, or the government of member countries
Acknowledgements

ACCOSCA management would like to express sincere gratitude to everyone who made ACCOSCA SACCO Leaders Forum (SLF 2010) a success, without which the forum activities could have been impaired.

Gratitude is dedicated to our partner Canadian Co-operative Association (CCA) and by default Canadian International Development Agency (CIDA) for their financial contribution.

ACCOSCA would also like to thank SACCOL for hosting the forum and for their active participation. This appreciation is extended to the presenters for the time spent in preparing their presentations; the session’s chairs for engaging the participant in deliberations and to all leaders who directly or indirectly participated in the forum.

We are aware that economic renaissance of Africa is an issue that has continued to preoccupy co-operator’s activities. Yet the written words in this report can never adequately describe the benefit derived from SLF 2010 in pursuit for that renaissance. The forum as enable us gained a deeper appreciation of the SACCO leaders’ effort in steering this sector forward and more specifically identify a common ground to mitigate challenges faced by co-operative societies.

Finally special thanks is extended to the Board of ACCOSCA and ACCOSCA SLF 2010 organizing committee who either contributed individually or as a team in making this event a success.

SLF 2010 Programme Director

George Yashon Ombado
List of Abbreviations

ACCOSCA: African Confederation of Cooperative Savings and Credit Associations
BOSCCA: Botswana Savings and Credit Cooperative Association
B.O.D: Board of Director
CBDA: Co-operative Banks for Development Agency South Africa
CCA: Canadian Co-operative Association
CFN: Co-operative Federation of Nigeria
CIDA: Canadian International Development Agency
CUA: Ghana Cooperative Credit Union Association
GMT: Greenwich Mean Time
JKUAT: Jomo Kenyatta University of Agriculture and Technology
KUSCCO: Kenya Union of Savings & Credit Co-operative
SACCA: Savings and Credit Co-operative Association Africa Congress
SACCOL: Savings and Credit Co-operative League of South Africa Limited
SASSCO: Swaziland Association of Savings and Credit Coop
SASRA: SACCO Societies Regulatory Authority of Kenya
SLF: SACCOs Leaders Forum
MASCOLE: Mauritius Cooperative Saving and Credit League
MFIs: Microfinance Institutions
NACCUG: National Association of Coop. Credit Unions in Gambia
1.0. About ACCOSCA SACCO Leaders Forum (SLF 2010)

The SLF 2010 forum was conceived by ACCOSCA on understanding that SACCOs overall performance correlate with it leaders’ credibility. It was planned in view towards contributing to discussion on managing effective leadership of SACCOs in Africa. The deliberation therefore was meant to encourage adoption of best and workable management practice within the continent. As SACCO leaders, the participants were perceived to possess the critical management acumen needed to positively influence their members in respective countries towards a common goal arrived at the forum.

This influence would meet the needs of its members who are from low-income households and where there is a stable political environment that enables macro economy, Savings and Credit unions to provide financial services to members. It is with the understanding that continuity of sustainable and long-term financial provision often occurs where leaders adhere to co-operative principles and subsequently good management practices.

ACCOSCA’s fundamental aim is to empower people living in Africa; in this context Africa’s main challenge is to achieve economic development. This implies striving to increase income level of members of SACCOs which can results into new savings levels. By extension SLF 2010 was aimed at stimulating the leaders understand why there is need to assist SACCO members manage their income and expenditure with an entrepreneurial mind set.

Participatory approach was adopted identifying most facilitators and session chairs among SACCO leaders or experts in the field of co-operate enterprises. This approach is critical in ensuring human development and it empowers participants to influence decisions that affect their operations. This was also a way of SACCO leaders taking ownership to the resolution arrived at the end of SLF 2010. The forum was attended by 95 SACCO leaders who shared their knowledge, experience and expertise.

The application of knowledge can be complex in Africa due to complex decision making process and different level of economic development of different countries. ACCOSCA knows that there are many obstacles to overcome which requires all stakeholders to be involved in developing solutions that mitigating these challenges. Participation of SACCO
leaders on critical issues affecting their members’ needs is therefore a key motivator in organizing this event.

Initially this was a one–off planned event for 2010; however during the deliberation it was clear that majority of participants wanted this to be an annual event. Their argument is justified by the need to have a forum that updates SACCO leaders on critical and topical issues affecting co-operative development across the regional blocks.

The forum was declared a great success by participants with 94% filling SLF evaluation forms. What were appreciated most were the topical issues raised and the manner in which the forum included everyone in the deliberations. To the majority of participants, it was a time of empowerment, information sharing and networking. The sessions, which were divided into presentations, group discussion and field visits were lively and very much appreciated by all participants.

This report provides an insight of events that took place in SLF 2010, implications of resolutions arrived at by the leaders present and way forward for future activities. The main plenary focused on the following topical issues with-in the SACCO sector:

- Paradigm shift, Re-engineering the SACCO business in Africa
- Current challenges facing Co-operatives in Africa, Strengths, Weakness and opportunities
- Achieving Financial Sustainability and Stability within SACCOs through effective governance structure
- Laws and Regulatory Framework of SACCOs Kenya’s/ South Africa’s Experience
- ACCOSCA role in promoting SACCOs growth and development in Africa

While group discussion sought answers on the following topical issues:

- Impact of SACCO in solving longstanding development Challenges in Africa
- Effective governance in SACCOs a pathway to sustainability of SACCOs
- Role of stakeholders in SACCOs operations (Government, Apex bodies, partners, members – gender & youth etc)
- Repositioning SACCOs as solutions to members’ economic and social goals
ACCOSCA SLF 2010 concluded that SACCO should play a deliberate pivotal role key in poverty eradication programs considering that most of their members are from low-income levels. It was also agreed that ACCOSCA provide a viable link between SACCO Management and Other Stakeholders, this could be done through training and facilitations of programs that meet the needs of SACCO members.

1.1. Message from the Chairperson
Guest of Honour Sir, Partners, Distinguished guests, Ladies and Gentlemen. It gives me great pleasure to share this platform with the leadership of SACCO movement in Africa and the people of South Africa.

I want to thank all of you sincerely, for choosing to participate in this forum which is meant to shape the direction of SACCOs in Africa. On behalf of the Board, I take this opportunity to welcome you to the African Confederation of Cooperative Savings and Credit Associations (ACCOSCA) family. It is my hope you will see the need of becoming ambassadors of ACCOSCA in your respective countries.

Africa as a continent is unique in many ways. It is in this background that this forum adopts “United in tackling the challenges facing SACCOs in Africa” as the main theme. Ladies and gentlemen we want to encounter these challenges in a united front knowing well that for Africa diversity to be strengthened, we will need to remodel Africa to be a one stop continent. To my knowledge vicious cycle of poverty continues to impact on the people of Africa, at different levels. Agriculture has continued to be the mainstay for majority of our people. Particularly our farmers have continued to post poor and low yields mainly due to lack of credit to use modern technology. We need to encourage collaboration with interest stakeholders in providing solutions. For instance government support is a positive motivator in Agriculture as the case has been realized in Malawi.

The purpose of this forum is to provide an avenue in which we as SACCO leaders can share successes and difficulties experienced in different technical areas. In brief, we are here to tackle challenges facing SACCOs in Africa. I would want to urge the participants to give particular interest to the Laws and Regulatory framework of SACCOs in Kenya and South Africa experience. The two countries have moved considerably forward in this area.

I believe we are all in agreement that cooperatives play an important role in the socio-economic development of an economy. It is in this stance; therefore, that ACCOSCA is pleased to be used as important vehicle through which SACCOs can steer the country’s economic growth.

It is important to highlight that historically, ACCOSCA encountered major challenges that adversely affected her operation. The quest for ACCOSCA revitalization program is traced
from Malawi declaration. Today we are gathered here to contribute on the direction we all want ACCOSCA to undertake in the coming years.

It is in this respect that the Board of Directors have taken a vigorous step in ensuring that ACCOSCA succeed together with its members at all cost. Looking forward we have set deliberate steps that would:

- Promote the organization of SACCOs in Africa.
- Assist member in undertaking country projects and activities; implement or coordinate such projects and activities undertaken at the inter-country or regional level.
- Represent the interest of the SACCO movement before stakeholders: Government entities, public and private international organizations and cooperative institutions.
- Manage on behalf of members those challenges identified by them as necessary for a common benefit.
- Promote collection of information of interest to SACCOs, and disseminate this to the public and stakeholders through publications and other media.

ACCOSCA strategic Vision of promoting and empowering SACCOs in Africa presents multiple objectives that fundamentally show she belongs to Members. As a regional organization ACCOSCA plays a role in unifying African SACCOs through innovative and sustainable mechanisms which will assist them develop and strengthen their system.

It is my hope that as leaders gathered here for the common good of SACCOs and its members; we will ensure that the forum does produce sustainable declaration or recommendation that fall to the hamper of ‘here today, gone tomorrow’ phenomenon. It is imperative that we ask ourselves deep questions about impact of SACCOs to the local communities around us and our role to ensure that they yield maximum benefit to the members.

Since the time ACCOSCA board was constituted and mandated to drive members’ agenda the management team has been reconnecting with all interested stakeholders. However the challenge faced has been on getting effective communication with countries and this forum provides an opportunity to deliberate on such challenges.
It is also important to note that ACCOSCA BOD is composed of dedicated individuals who are highly respected by their peers and community. They bring on board not only ACCOSCA perspective but also a larger perspective that enables us to see ourselves as others see us. My fellow leaders allow me to introduce to you the six directors.

- Eastern Block: Mr. Ademba Carilus and Mr. Peter Werikhe
- Western Block: Mr. Bless Kwame and Jeng Baboucarr (Mr. Patrick Mendy is sitting in for Jeng Baboucarr)
- Southern Block: Mr. Patson Ngwevela and Doctor Hlongwane

Our goal as a Board is to work with governments and our many partners towards promoting the growth and development of SACCOs in Africa. We will continue to pursue this goal with diligence and determination.

In closing, I would like to thank all in attendance and our supporters for hard work and dedication that has seen revival of ACCOSCA. I do trust that you will find this interactive forum productive and use this to have a common declaration that would move ACCOSCA and by default SACCOs in Africa to greater heights.

Chairman, ACCOSCA

Fidelis Kimutai
1.2. Welcome Remark

The Chairman of SACCOL, Patson Ngwevela welcomed participants to the forum and asked them to feel at home in South Africa. He mentioned that they were honored to host this event and by extension referred to the growth and development of SACCOs in South Africa as a learning book for participants.

He admittedly acknowledged that the present co-operative development in Africa is so far not satisfactory and, as such, is undergoing a series of reformative measures. It is in the context of this effort to reform the co-operatives in Africa that we presume that this Leaders forum will be of great benefit to us here, as well as to South Africa in providing a forum for the exchange of experiences and views in improving the impact of SACCOs to the local communities.

Mr. Bernard Elizabeth, Vice Chair of Seychelles Credit Union, gave a highlight of historical trends of co-operative development in Africa and particularly the role ACCOSCA played on promoting development of SACCOs through capacity building initiatives.
2.0. Topics deliberated

The director of co-operative unit from department of trade and industry, Republic of South Africa Mr. Jeffery Ndumo officiated SLF 2010 event. He urged participants to openly deliberating on issues affecting their SACCOs growth and development

2.1 Why Co-operative Governance is an ingredient to co-operative success

Jeffrey Ndumo,

The Chief Director of Co-operatives in Department of Trade and industry of South Africa Mr. Jeffrey Ndumo took participants through co-operative governance which he considered as a key ingredient to co-operative success. From a co-operators view point Co-operative governance is one of the cross cutting issues adversely affecting success of co-operatives in Africa.

As the chief guest representing the government, Mr. Ndumo highlighted the concept of governance that needs adherence by SACCO leaders. He advised the participant on importance of co-operative governance and singled out some of the features that can be used to identify a SACCO society going through co-operative governance difficulties

The concept of co-operative governance

This is a system, by which a co-operative as an entity is directed, controlled and held to account for the manner in which it manages its assets and resources in a way likely to satisfy or meet the needs of stakeholders

During the discussion it was clear that in broad perspective, good co-operative governance aims at achieving:

- Increased membership and efficiency of management of SACCOs.
- Enhanced ability to create wealth for members.
- Increased employment opportunities with better terms of workers that attract qualified personnel
- Enhanced separation of ownership from control.
- Enhanced legitimacy, responsibility and responsiveness of the SACCO enterprise.
- Transparency, accountability and probity of business enterprises.
These aims and objectives can be achieved through the seven co-operative principles as listed below

1) Voluntary and open Membership
2) Democratic Member Control
3) Economic participation by Members
4) Autonomy and independence
5) Education, training and information
6) Co-operation among Co-operatives
7) Concern for community in general

During question and answer it was clear that co-operative organization governance can be threatened by:

- Conflict of interest among Co-operative Officials and succumbing to political influence
- Over-reliance on guidelines or circulars from the government that are obsolete or may in some cases not apply to certain Co-operatives.
- Though Board members are democratically elected this can lead to non-professional board members sitting in highly technical committees.
- Resistance to change by either board or individual members can affect management ability to implement strategic programs

A full power point presentation is available on Annex 1
2.2 Paradigm shift, Re-engineering the SACCO business in Africa
Professor Henry Bwisa, JKUAT

History shows that SACCOs originally where formed to assist the poorer members of society in Europe. Today it’s becoming clearer that SACCOs are gaining popularity as a catalyst of development in Africa. They bring in much needed social as well as economic development.

The presenter explained to participants the reasons SACCO must change the manner in which it does things and refocus on poverty alleviation programs. He noted that a well coordinated approach would make this assignment less tedious, hence use the available statistics to show the need for SACCOs to utilize ACCOSCA platform in achieving this goal. It was noted that food availability in Africa has continued to decline for the last four decades subsequently making it difficult to lower poverty level. Yet Africa masses are largely engaged in agriculture, arguably making agriculture and mass production the main paths of lowering poverty. Tanzania was used as a case study on the link between cluster production and SACCOs.

![Lowering poverty: Food availability in Africa per capita](source: FAOstat)

In this session, participant engaged in practical exercise meant to gauge their entrepreneurial ability. It was noted that SACCO leaders would benefit from entrepreneurial skills that would trickle down to their members with 60% of African labour force being employed in the agricultural sector.
This topic also addressed the impact of capital formation (Financial, Human, Social and Physical) to a country. However, the discussion mainly focused on social capital which is the least talked about amongst the four yet it adds value to other forms of capital.

It was noted that inability to improve conditions in Africa can be attributed to lack of capital needed for development. Particularly in agriculture where farmers find it challenging to increase their output due to high operating cost associated with obtaining necessary inputs. Farmers need better tools, improved seeds, fertilizers, pesticides that would make their enterprises more competitive. In the bigger picture, intensified agriculture activities would minimize rural-urban migration and thus reduce those unemployed in the urban centres as a result of this shift.

It is under this background that SACCOs as membership organizations were brought into the picture since they are in themselves social capital. Therefore SACCOs are important hence need to be managed effectively to yield desired result. Most of them, acknowledged that small business enterprises failures are attributed to lack of entrepreneurial skills, harsh business environment and high operating cost.

Participants were taken through stakeholders’ analysis and role of ICT on SACCOs in an effort to improve their understanding on an effectively run SACCO. The session provided food for thought for participant on what roles can ACCOSCA effectively play in contributing to growth and development of SACCOs in Africa.

It was unilaterally agreed that ACCOSCA facilitates development of national apex bodies of SACCOs in the continent, actively engage with stakeholder in development of SACCOs across the continent, and organize events that would continue to build strong and sustainable bridges with stakeholders, particularly government entities.

A full power point presentation is available on Annex 2.
2.3 Challenges facing Co-operatives in Africa

Carilus Ademba, C.E.O ACCOSCA

The C.E.O gave a well-informed and interesting account of challenges faced by co-operatives in Africa with back-up statistical data to giving an insight of way to approach the issues. Participants were taken through internal and external challenges faced by SACCOs, some of which were profound during times of crisis such as Financial, Food insecurity, climate change and conflict crisis. Arguably the SACCOs are intertwined with numerous problems faced by the society making its role in achieving development objectives in African countries as no- contestable

If capital is pivot to development process, then the question that arose is how can the people at the grassroots relate to this important factor of production, when certain challenges exist which inhibits the process of capital accumulation. Currently there are measures where savings through the SACCOs is being systematically channeled into productive enterprises. This is further made effectively by regulations as in the case of Kenya and South Africa

It was argued that SACCOs as a self-help group can bring about much needed economic and social development among its members through mobilization of savings and advancing of loans to various entrepreneurial initiatives by the members. The leaders should therefore guard against any condition that would threaten this benefit to the members. In some cases the loan demands of members exceed the available savings. It is at this point that management needs to come up with measures that mitigate challenges associated with capital accumulation

The Statistical information available shows that a considerable part of the world population largely depends on SACCOs; In Africa for instance, there are 60 millions who depend on the SACCOs. Any threat to the SACCO sector would therefore have undesirable effects on a huge population and exerts pressure to the existing governments
## STATISTICAL OVERVIEW OF SACCOS IN AFRICA

<table>
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<tr>
<th>COUNTRY</th>
<th>NO OF SACCOS</th>
<th>MEMBERS</th>
<th>SAVINGS</th>
<th>LOANS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin</td>
<td>52</td>
<td>1,993,198</td>
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<td>157m</td>
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<td>Cameroon</td>
<td>203</td>
<td>252,629</td>
<td>149m</td>
<td>91m</td>
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<td>Ethiopia</td>
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<td>477,817</td>
<td>88m</td>
<td>13m</td>
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<td>Gambia</td>
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<td>72m</td>
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<td>1980m</td>
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<td>Zimbabwe</td>
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<td>Ghana</td>
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<tr>
<td><strong>Total in Africa</strong></td>
<td><strong>18 200</strong></td>
<td><strong>20,116,921</strong></td>
<td><strong>4388,000,000</strong></td>
<td><strong>3750,000,000</strong></td>
</tr>
</tbody>
</table>

**Internal Challenge:** Deficiency in contemporary skills, Leadership and governance problems, Inadequacy of resources, Insufficient technological development, Quality service demand, HIV/AIDS pandemic, Ethics and integrity etc.

**External Challenges:** Competition, Political government, Technological, global changes

**Mitigating Internal challenges requires:** Education and training, Cultivate strong leadership, Proper management of the scarce resources, investing in appropriate Information Technology, Encompass Total Quality Management concept, HIV/AIDS awareness

Avoid vices e.g. corruption and learn to be accountable

**Mitigating external challenges requires:** Become more competitive through better focus, products and service provision, Legislation that favors SACCO Movement, Understand customer needs and wants, Become creative, Inject business culture, Specialize, Diversify, Network, Foster interaction with “common bond”

A full power point presentation is available on Annex 3

### 2.4. How to develop effective Risk management & saving strategies in SACCO’s

*Bless Kwame, Chairman CUA Ghana*
The Chairman of CUA Ghana took participants through the historical development of SACCOs and other Microfinance Institutions (MFIs) across the globe and particularly in Africa. Changes in circumstances have brought about the need for the leadership to increasingly develop new and better products to satisfy their members. These are in response to growing competition in the microfinance industry, the search for more defined market niches and some anxiety about dropout rates.

To design successful products, the first step entails understanding the financial needs of members (and potential members) of SACCOs and how financial services fit into their money management strategies. Understanding SACCO members requires mostly an awareness of the economic goals for poor households, how people manage resources and activities and how they deal with risk in their day-to-day lives. Such a framework can be a useful starting point to better understand financial service preferences of poor households.

However, the recent credit crunch that engulfed the global economy has given the indication that not every financial institution has in place a clear strategy for managing financial risk. In most cases, SACCOs and other MFIs lack formal policies that are required to govern how they monitor and handle financial risk. The lack of such policies has caused some of them to falter, thereby damaging their reputation or more seriously leading to liquidity crisis that jeopardises their operations. Besides few manages seem to be well informed about financial risk management. It is important for financial factors to be tracked regularly and also relating both SACCOs operations to its external environment.

The uniqueness of SACCOs in terms of services they provide to their members is gradually eroding since the Banks and Microfinance Institutions have gathered momentum and now growing interest in offering similar services in both developing and developed countries. SACCOs are therefore caught in the proverbial “big squeeze” between the Banks who are threatening from above with services such as loans, savings, chequing and credit cards and MFIs who are also encroaching from below with services such as micro credit, micro insurance and micro enterprise, among others.

It is therefore important as a matter of fact to find a distinctive value proposition for the Savings and Credit Union industry which requires that an effective risk management and
savings strategies need to be adopted to uphold their integrity and sustainability in the long-term. Thus, attracting younger members for instance will clearly require creative new product offerings. Leveraging young people’s interest in the environment and sustainability through products and services that address these concerns might provide one such avenue.

If credit unions are to overcome this “big squeeze”, they must revive the same innovative spirit that triggered their initial growth and development, that is, they should forecast by engaging today’s underserved, in order to uncover tomorrow’s untapped opportunity. By returning to their roots-serving the underserved – and incorporating environmental concerns into new product offerings, credit unions may be able to carve out a unique position in the financial services market attractive to the younger demographic.

The presentation further tackled various components of risk management by first identifying risk associated with SACCOs growth (Liquidity, Exchange rate, Reputation and saving mobilization) then looked at various strategies that can be used to mitigate these risks.

The savings mobilization strategies that are employed by SACCOs in various forms and at different times draw certain fundamental elements that are common to all. They have common objective of attracting membership and offering efficient and effective services. In ensuring a good financial risk management policy, the following are recommended – institutional structures to manage risk, balance sheet policies to measure and control risks in individual accounts; asset – liability management which involves a consolidated view of both assets and liability thus monitoring the relationship between these two accounts and finally liquidity ratio monitoring and calculation of cash projections.

A full power point presentation is available on Annex 4

2.5. Financial Sustainability and Stability within SACCOs

Ingrid Fischer, Africa Regional Director CCA
Africa Regional Director of CCA took participants through an interactive and contextualised view of governance. It is in the understanding that Governance is one of the cross-cutting issues affecting SACCOs in Africa. She began by using Oxford definition “the activity of controlling and organization, the way an organization is controlled”.

It is in the understanding that the phrase governance captures fundamental management and business practices required to sustain sound institutions. Thus encompasses all aspects of operations from vision and leadership to risk management and reporting, from innovation and member relations to monitoring and corporate citizenship.

On this base, it was envisaged that one cannot de-link governance from culture and customs of local environment. A section of participants questioned the nature of governance as advocated for by the western would, however majority asserted that governance principles apply across the borders whether in developed or developing world. Since the purpose of establishing and implementing the governance principles is similar in all organizations.

In the context of co-operatives, the presentation was made clear that governance is meant to assist in:

- Monitoring the financial and human resource performance
- Promote accountability to members through effective reporting
- Adapt innovative ways’ of embracing knowledge transfer and less resistance to change
- Develop good leadership structure and success map
- Protect members’ assets and interest against risk initiatives

In an attempt to capture the participants understanding, the presenter asked how many participants had job descriptions. Surprisingly less than 5% acknowledge that they had clear job description on their titles. In the absence of appropriate personnel and administration policies and Accounting Procedures Manual, job descriptions and specifications and performance appraisal tools compound the problems of governance.

A strong case was made for the following to be used as tools for effective governance

- Legislation – external rules of governance
As SACCO leaders, importance of Board report as an effective tool for governance at the highest level was highlighted. This ought to include Budget variance reports, Loan Portfolio reports, PAR, Aged NPL’s, Delinquency management, portfolio concentration, Related party transactions, Strategic and Operating Plan variance reporting, New member, closed member reports and Market/environmental scans.

In-order to have effective governance the SACCO need to de-link composition of Board Members with that of Management, Managers need to have sufficient authority to carry out their daily mandate and dual custody which will essentially guard against fraud.

Governance framework make’s it less difficult when dealing with some of the delicate personal issues of governance and provides members with a clear means to judge governance practices. Instituting this is easier before the crisis hits and which also allows room for improvement. The following where critical question asked by the presenter:

- How comfortable are you that the governance practices in your credit union are in the best interests of all your members?
- Does your board govern while management administers or is there role confusion in your credit union?
- Does your credit union have a measurable operations plan and how does it address variances to the plan?
- Do some of your boards or staff take advantage of their position for personal gain? Does your supervisory committee present a separate report to members at the annual general meetings?

A full power point presentation is available on Annex 5.
2.6. Laws and Regulatory Framework of SACCOs Kenya’s/ South Africa’s Experience
Carilus Ademba, M.D KUSSCO /David DeJong, Director CBDA

Mr. Ademba and Mr. David De jong have respectively taken Kenya and South Africa through the development process of co-operative law and regulatory framework. Under this background their presentation attracted much attention and discussion.

Treatment of savings is an important issue in reconciling household income and expenditure that is needed in understanding poverty eradication measures. For SACCOs, such treatment requires adequate Laws and Regulatory framework that protects the interest of its members. It is widely accepted that credit unions have an important role in economic and social development of a nation.

Under this perspective, the participant where taken through history of legislative development with-in South Africa and Kenya with both having established their respective co-operative regulatory body. In South Africa the co-operative act segments the co-operative in three levels tiers
- Primary with at least five individuals and mainly to support community development through it members
- Secondary levels with at least two primary co-operatives and provide services to members that are financial related
- Tertiary/Apex: Members are mainly secondary co-operatives and advocates interests of their members to government/private sector/other stakeholders

Both presentations tackled the purpose of which the co-operatives act in respective countries is established. They went further to identify key terms used in regulations for the purposes of providing interpretation that secures a common understanding.

In Kenya, it was noted that the law requires SACCOs to provide annual audited account at the end of each fiscal year. The development of Law and regulatory framework will require them to provide financial statement on a more regular basis and also ensure that they compile with the accepted accounting standards. Establishment of SACCO Regulatory SACCO Societies Regulatory Authority of Kenya (SASRA) will see SACCOs compile with standards that would benefit their organizations.
It is important to note that both countries requirement for capital adequacy, Liquidity and assets management standards, tackled issues affecting shares, savings and deposits of SACCOs. The two countries require all SACCO societies are to report their financial operations with return done on monthly, quarterly and annual basis.

The presentations illustrated the importance most countries attach on the development of regulatory framework. Questions where asked that clearly sought answers on experience and challenges faced by the two countries during formulation of co-operative acts. ACCOSCA in particular was requested to facilitate and promote development of these regulations across the continent. Some participants requested ACCOSCA to facilitate and advocate for development of a joint regional policy for mobilizing savings and credit. However this the presentations said would materialize when most of the countries have established a robust laws and regulatory framework

A full power point presentation is available on Annex 6/7
2.7. ACCOSCA role in promoting SACCOs growth and development in Africa

Bless Kwane, ACCOSCA Board of Director Member

The presentation highlighted ACCOSCA capability and strategic direction towards accelerating the growth and development of SACCOs in Africa

ACCOSCA historic path was brought up. This was discussed in view to understand the past and potential challenges it faces towards promoting and empowering people living in Africa

Participants where informed of ACCOSCA strategic direction that is blended on the following Goals

GOAL 1 – Accelerate Growth of ACCOSCA
1. Increase Membership
2. Facilitate and Promote Regional Blocks Activities
3. Increase Assets Base

GOAL 2: Improve Competitiveness of SACCOs in Africa
1. Develop and maintain best relationship with all stakeholders
2. Facilitate establishment of technical support team to stimulate SACCOs growth
3. Ensuring financial viability and technical competency of members in the Region

GOAL 3: Sustainability of ACCOSCA as Regional Cooperative Body
1. Adoption of leadership Competency Strategy (ensuring good relationship between Management and Board)
2. Improve service delivery to members (facilitate establishment of National Confederations)

ACCOSCA would also advocate and refocus on empowering and promoting co-operatives in Africa by supporting
• Gender Mainstreaming in SACCOs
• Youth Development Activities
• Health and Environmental Issues – HIV/AIDS, Climate Change
The question and answer time clearly shows that leaders present have collectively reflected on, and learned from experience on what works, and does not work for the SACCOs. It was said that ACCOSCA has an opportunity to organize this knowledge and disseminate practical approached into workable continental projects that benefit the members.

Questions on the role of donor community on ACCOSCA agenda were comprehensively answered with the presenter stating that the success of driving ACCOSCA credit union agenda depends more on the member countries will power despite the challenges posed by the prevailing circumstance. It is critical that the funding agencies understand the nature and reality of interrelation of ACCOSCA members with economic development stakeholders in a country. This calls for adequate and sincere focus on initiatives that are in the interest and needs of members. There is need to promote commitment of primary SACCOs to their national associations and likewise, the national associations involvement in ACCOSCA as per ACCOSCA constitution.

Participants affirmed their commitment in working with ACCOSCA to promote development of SACCOs in Africa. They lauded the current strategic plan that does not depend on donor support but instead is ready to work with any developing partners who are keen on empowering people living in Africa through the SACCOs.

Some participant inquired whether individual SACCOs can join ACCOSCA, at the moment this is not possible. The constitution of ACCOSCA stipulates that the membership is in two folds: Regular and Associate. Regular are National associations’ Inc leagues unions, federation etc and Associates are national committees who have not registered.
3.0. Reports from Working Groups

It should be noted that from the outset, the group discussion primary objectives were to highlight critical policy questions for SACCO sector and find a common ground to tackle their challenges

**Group 1**: Impact of SACCO in solving longstanding development Challenges in Africa.
Chair: Bruneau Dorasami, President MASCOLE Mauritius

Poverty within Africa, especially sub-Saharan has multi-dimensional features exhibited by factors such as low literacy levels, limited access to resources, health and education services, and high levels of unemployment among the productive population. The group analysed these factors as the main challenges facing co-operative and as such SACCOs have the ability to encounter them.

In an attempt to identify the impact of SACCOs on poverty, the participants were in agreement that Africa poverty issues can be tackled through the SACCOs. This is despite acknowledging that Poverty is complex in nature and scope which requires multifaceted solutions. In the group discussion it was agreed there is no single approach to solving the problems associated with poverty. However it was understood during presentation that SACCOs role can be made more significant under the involvement of ACCOSCA

The delivery of financial services to the poor population is one of the key poverty reduction instruments relevant to the SACCOs objectives. Although SACCO model was not necessarily designed to eradicate poverty and related development challenges, it can be used to contribute to solving poverty related issues:

- Reduction of poverty through instruments that leads to increase in incomes, and enable the members build their assets and reduce their vulnerability;
- Improve education levels of the members –who are often from poor families, thus enable them embrace education culture and reduce school drop-out rates for those participating in SACCO financial educative programs;
- Improve health levels of its members, by developing products that lead to reduction of child mortality, improved maternal health and nutrition
• Promote gender balance and develop women’s empowerment programs that increase their contribution to household income and have control over decisions that affect their lives

It was discussed that ACCOSCA as the continental body directly or indirectly contributes towards the following issues affecting the SACCOs that can have a positive effect on

• Facilitate or Contribute towards development of Law and Regulatory legislation across Africa
• Facilitate exchange programmes for SACCO Staff and Provide Capacity Building Programs to SACCO members
• Advocate for community awareness on the importance of adopting saving culture
• Engage with the government entities in providing an environment for entrepreneurial activities inclusive of tax breaks within the co-operative sector
• Advocate and assists member countries develop viable National Apex bodies

**Group 2:** Effective governance in SACCOs a pathway to sustainability of SACCOs
Chair: Joel Shimane BOSCCA Botswana

This was interesting presentation that led to an open discussion in an effort to understand the current level of governance within the co-operative sectors. There were examples of well managed SACCOs that have empowered its members, especially the women whose role in improving household income and standard of living is important.

This discussion was a build up on the presentation ‘Co-operative governance is a key ingredient to co-operative success’ by Jeffrey Ndumo. The group universally accepted that governance was essential given that it has an ability to provide the structures in which SACCOs objectives are set and the strategies to adopt in order to achieve those objectives.

SACCOs performance was linked to how effective the managers were able to adopt good governance practices. It was suggested that SACCOs develop Board of Director appraisal system so as to encourage more accountability on strategic decision made on SACCOs operations. This is because of concerns and challenges associated with monitoring and measuring of governance.

Good governance practices inevitably checks the integrity level of B.O.D and top management staff; therefore this guide them to work in the best interest of the members. Participants further pointed out that the co-operative models in some instance frustrated the operations of the SACCOs. In some cases, majority of members can vote for implementation of idea that is not viable or some instance members elect incompetent people to seat on the board.

Though participants appreciated the youth impact on SACCO, it was discussed that their involvement at the top level should be cautiously done to prevent implementation of decision that can adversely affect the members’ interest. It was also discussed that B.O.D and senior management should be held accountable for effective operations of SACCOs. The roles and responsibility of general assembly, Board and Senior Managers should be clearly defined.
Group 3: Role of stakeholders in SACCO’s operations (Government, Apex bodies, partners, members – gender & youth etc)

Chair: Patrick Mendy, Finance and Administration Manager, NACCUG
Stepped in for Lillian Ugwuanyi Head of Department coop, economic and management, Federal policy Nekede – Nigeria, however traveled arranged meant this was not a possibility.

The written narrative combines the group discussed with final work presented by Lillian on the last day of the forum. It was in unison agreement that members of SACCOs are by default stakeholders and therefore should take a key role in the running affairs of their organization. While the Government role was perceived to be that of ensuring compliance, where necessary encouraging curriculum development at institutional level to aid in capacity building

SACCOs sub-sector consists of all persons and organizations which are involved in mobilizing financial resources and investing them mainly in the co-operative sector in order to help create a self-reliant co-operative financial sub-sector.

The man stakeholders identified are:

(i) The members of the SACCOs, (Owners and First line beneficiaries )
(ii) The elected representatives
(iii) The Employees
(iv) The Government and its Agencies
(v) Development Partners and Promoters,
(vi) Special interest groups, women and youths
(vii) Higher bodies to which SACCOs are affiliated, e.g., the secondary co-operatives, state/provincial SACCOs, Zonal and National SACCOs; Supra national SACCOs – the ACCOSCA, International SACCOs – WOCCU- and the ICA
(viii) Educational Training Institutions

It is often prescribed that the co-operatives can be used as vehicles for empowering the youth and women. In understanding multi-stakeholders model which compares different categories in appropriate forms of interdependence, it was argued that the youth should also take active role in co-operative affairs. This bring into perspective a mutual benefit involvement, caution was however directed towards giving the youth colossal managerial responsibility which they
have not been exposed to; For instance, appointing a youth with minimal experience to head a technical committee would be disastrous to the SACCOs own survival. The following are the desirable quality of a co-operative leader highlighted during the discussion

- Must have integrity and good character;
- Be able to resist pressure from special interest groups;
- Be able to work with people, to express ideas clearly, and to ask good questions
- Possess a good educational background (formal and informal);
- Be progressive and loyal;
- Be constructive and energetic.

The members discussed that key stakeholders needs to perform the following roles

- Ensure the harmony and cohesion of the co-operative group
- Exercising legal ownership and responsibility
- Internal financing of SACCOs enterprise
- External funding and active participation in affairs of SACCOs
- Advocacy and patronage

The government on the other hand has a duty to rules, Policies and Regulations, Create environments that would stimulate growth and development of the SACCOs, Promote education and training of co-operators, and advocate

The partners were considered instrumental in capacity building, promoting informational technology and providing financial contribution where necessary. This also meant involving the special groups and encourages them to compile with rules and regulations

Where National Apex bodies exist, it was argued that they need to provide both advisory and financial services to affiliates societies. Their role in advocating for favorable legislations were also discussed all of which got linked with the role of continental body
**Group 4:** Repositioning SACCO’s as solutions to members’ economic and social goals  
Chair: George Ombado, Regional Consultant ACCOSCA

SACCO are increasing taking charge of their own financial obligation, however how well-equipped are they to increase their membership levels; do their members possess adequate financial literacy, are they informed about the most important components of saving plans, do they even consider cost implication for taking loan? This discussion group explored how SACCOs can meet the needs of its members therefore boosting membership numbers and creating financial sustainability.

This group attempted to split needs into two: social and economic, however upon extensive deliberation it was decided not to separate social needs and economic needs since there is a thin line between the two. SACCO therefore need to reposition their agenda on satisfying the social-economic needs of the members. This were identified and not limited to Health, Social Status, Education, Entrepreneurial ventures, agriculture/food security, emergency needs and Improvement in Status

It was discussed that while it is important to identify social-economic needs, it was also relevant to encourage SACCO members to adopt the savings attitude. At the micro-economic level within SACCO sector, it is flawed to assume that income and expenditure are equal. Information from SACCOs shows that for most households’, income is different from expenditure since the poorest households tend to dis-save and richest households tend to save.

To serve the needs of its members effectively SACCO therefore ought to identify some unique selling preposition for their business growth, as solutions to meeting member’s needs

- Service Delivery
It was proposed that for sustainable SACCO development they must treat their clients as a human being not as a cost center. They are supposed to re-focus on service and savings for their members. Unlike Commercial banks who focus on making money for their shareholders hence will not shy away from lending at exorbitant interest rate. SACCO therefore should improve their operations effectiveness and provide quality services
• Professionalism
It was widely agreed that it is in members' best interests that balances on all revolving credit are kept low, where possible members are encouraged to pay off debt within open accounts instead of closing accounts and consolidating it into one or two accounts with higher balances.

This takes the form of financial counseling of its members, educate and train SACCO staff. By extension, SACCOs to provide financial advisory services to ensure members are prepared to manage the given loan

• Receptive to Change
If something is not working, leaders must be quick to accept and change tack. Avoid red-tape but it’s important to protect the downside by working out in advance things that could go wrong and eventualities covered

• Trust: Perceptions
Most participants shared the view that SACCO credibility is often hampered with mistrust. This situation can be rectified by having standard governance tools that encourage transparency and build confidence with the members. Adopted corporate image

• Designed to promote community development
Meeting Social-economic needs of members requires that are provided with necessary skills that would enable them manage the funds they borrow from their respective SACCOs.

• Saving mobilization
SACCO management must adopt new and effective ways of mobilizing savings. Attempt to be made in changing individual attitude towards saving

• Adhere to laws and regulation governing the sector
4.0. Direction/Consensus

*From Carilus Ademba*

Honorable Members, Chair, ACCOSCA Board of Directors, fellow colleagues, ladies and gentle men

I am happy having been here for this forum, knowing that we have deliberated on critical issues affecting the growth and development of SACCOS. I am particularly encouraged since you have made it abundantly clear on how you want ACCOSCA to work with your respective bodies.

We the Leaders of SACCOS have taken a huge step in taking the direction of ACCOSCA into a new path. One that would benefit the members and subsequently their respective communities, the responsibility placed on us as leaders should yield enormous results.

I am encouraged by your willingness to share and openly discuss actions, experiences and challenges. Working together across sectors in this way to address the most pressing issues facing SACCOS is the hallmark of creating a positive impact in Africa. That is why I believe this forum has produced important results.

Through the deliberations, you have made it clear that good leadership and sustainability of SACCOS development go hand-in-hand. This will help us build programs that promote good leadership and also engage stakeholders like the government, our partners and the members towards supporting good governance initiatives.

You have made commitment as leaders to use ACCOSCA as a vehicle to carry SACCOS agenda to the rest of the world in a more fulfilling and meaningful way. Even with the limited resource, you have shown a thirst to see more SACCOS initiatives developed.

In the coming years we will, together with our partners, initiate projects that span all over the regions. Most importantly as per the discussions, you have requested ACCOSCA to contribute/facilitate the development of Laws and Regulation Framework across Africa. This is an important directive towards ensuring good governance of SACCOS across Africa. Going forward SACCOS leaders’ forum will be hosted on an annual basis.
Together, through the Malawi Declaration, we have seen the revival of ACCOSCA. Hopefully this deepens our commitment to embedding poverty eradication initiatives. Yet as we all know, actions speak louder than words. So as we walk away from this leaders forum with plans to meet again in October 2010 for SACCA congress in Swaziland, let us each do our share to give practical meaning to the issues discussed.

- I call on SACCO management to share developments at the forum, and ensure that we embrace within our organization good governance issues
- I call on SACCO management to change tactic in running affairs of the organization, by ensuring that professionalism is practiced across the board. Not with standing, also encourage members to embrace entrepreneurship skills as this is a sustainable way of developing the SACCOs
- I call on the Government official present to change gear on their support for cooperative development initiatives and to contribute towards having a conducive environment for SACCO growth

Finally, let me thank the SACCO Leader Forum Organizing Team in Kenya and South Africa for their invaluable contributions, SACCOL for accepting to host the forum at such a short notice. I also take this opportunity to thank CCA; Ingrid Fischer for joining us in seeing SACCO development in Africa is sustained

Colleague, together, we can achieve a new phase of SACCO development -- one that creates inclusive and sustainable growth, builds community development and enhances international cooperation. We each have a responsibility in moving our agenda forward. Let us leave here today with renewed commitment.

C.E.O ACCOSCA

Carilus Ademba

4.1 Closing Remarks
ACCOSCA chairman, Mr. Kimutai handed in the certificate to participants. Before which he acknowledged that it was remarkable to see SACCO Leaders Forum come uninterrupted three days discussion on the future development of SACCOs in Africa. In his view, Africa must find a common ground in tackling her challenges. Revival of ACCOSCA therefore comes in handy in contributing towards solutions findings on issues affecting SACCO members in Africa.

On his part, the Chairperson of SACCOL said it had been heartening to see a group of SACCO leaders share a platform for three days in utmost interest and concentration. This to him was remarkable and depicts the manner in which SACCO leaders are keen on developing SACCOs across Africa. He went further to invite the leaders to feel the hospitality of South Africa and drum up support for the first world cup event to be held in Africa.

The Executive Director of ACCOSCA, Mr. Carilus Ademba thanked the leaders for showing confidence and commitment in supporting ACCOSCA agenda. He was equally moved by the composition of participants who though are SACCO leaders came from government, academia and civil society groups.

The official closing ceremony was presided over by Sharda Naidoo from the CBDA - National Treasury – in South Africa. The forum was official declared closed at 13:15 Greenwich Mean Time (GMT) by Mr. Bless Kwame, Chairman of CUA, Ghana.
5.0. Team Members in SLF 2010

Mr. Fidelis Kimutai: Chairman ACCOSCA/SLF 2010
Mr. Carilus Ademba: C.E.O ACCOSCA
Mr. George Ombado: Regional Consultant ACCOSCA
Ms Joan Atuhura: Head of Program ACCOSCA
Ms Betty Adhaya: Liaison Officer ACCOSCA
Mr. Patson Ngwavela: Chairman SACCOL
Mr. Musa Mbingo: C.E.O SACCOL-
Ms Grace Dudlu: CEO SASSCO
Mr. Alh Jibrin Bala Jo’s: President CFN

SLF Group Photo
6.0. List of Participants

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Country</th>
<th>Organization/Position</th>
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<tbody>
<tr>
<td>1</td>
<td>Mr. Bless Kwame Darkey</td>
<td>Ghana</td>
<td>Ghana Cooperative Credit Union Association (CUA)</td>
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<td>2</td>
<td>Mr. Patrick Mendy</td>
<td>The Gambia</td>
<td>National Association of Coop. Credit Unions in Gambia</td>
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<td>3</td>
<td>Mr. Dorasami Jean Bruneau</td>
<td>Mauritius</td>
<td>President, Savings &amp; Credit Union of Mauritius</td>
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<td>4</td>
<td>Mr. Gabanamotse Both</td>
<td>Botswana</td>
<td>Commissioner for Co-operative Dev. Botswana</td>
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<td>5</td>
<td>Joel Shimane</td>
<td>Botswana</td>
<td>Chairman BOSCCA</td>
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<td>6</td>
<td>Spiwe Gudza</td>
<td>Zimbabwe</td>
<td>Women Development Savings &amp; Credit Union</td>
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<td>7</td>
<td>Ms. Martha B. Maziva</td>
<td>Zimbabwe</td>
<td>Central Association of Co-op Union (CACU)</td>
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<td>8</td>
<td>Rosemary Mondokoto</td>
<td>Zimbabwe</td>
<td>Women Development Savings &amp; Credit Union</td>
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<td>9</td>
<td>Mr. T.S Haltywayo</td>
<td>Zimbabwe</td>
<td>Director Min. of Cooperatives</td>
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<td>10</td>
<td>Mr. Ingrid Fischer</td>
<td>CCA-Africa</td>
<td>Canadian Credit Association</td>
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<td>11</td>
<td>Mr. William Kanyika</td>
<td>Zambia</td>
<td>CUSA Apex Body of SACCO'S</td>
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<td>12</td>
<td>Mr. Justin Mnswana</td>
<td>Zambia</td>
<td>Registrar of Cooperatives, Ministry of Agriculture</td>
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<td>13</td>
<td>Victor Chizuma</td>
<td>Zambia</td>
<td>Indeni Savings &amp; Credit Union(ISCU)</td>
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<td>Major Chipoya</td>
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<td>Patrick Chanda</td>
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<td>Indeni Savings &amp; Credit Union(ISCU)</td>
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<td>Mr. Doctor Hlongwane</td>
<td>Swaziland</td>
<td>Swaziland Association of Savings &amp; Credit Coop (SASSCO)</td>
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<td>Grace Dudlu</td>
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<td>Dumisa Ndzabandzaba</td>
<td>Swaziland</td>
<td>SASSCO, Simunye SACCO</td>
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<td>19</td>
<td>Mr. Khayelihel Mlangeni</td>
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<td>Mr. Nicholas Nkambule</td>
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<td>SASSCO(Simunye Savings)</td>
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<td>21</td>
<td>Mr. Mavela Dlamini</td>
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<td>Swaziland</td>
<td>SASSCO( Nyonikayiphumuli)</td>
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<td>Mr. Elphas Mdluli</td>
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<td>29</td>
<td>Mr. Nelson Mavuso</td>
<td>Swaziland</td>
<td>SASSCO, SIFONETO</td>
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<td>30</td>
<td>Mr. Stanley Malindisa</td>
<td>Swaziland</td>
<td>Government</td>
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<td>Mr. Mike Gama</td>
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<td>Dept of Co-operative</td>
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<td>32</td>
<td>Mr. Israel Mhlanga</td>
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<td>Swaziland Association of Savings &amp; Credit Coop(SASSCO)-Yetfu Sokhe</td>
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<td>Mr. Patrick Dlamini</td>
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<td>SASSCO, Bunye Belfu co-op</td>
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<td>Mr. Zodwa Mahlaelela</td>
<td>Swaziland</td>
<td>SASSCO(Bunye Belfu Buhle Betfu)</td>
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<td>43</td>
<td>Mr. Bernard Elizabeth</td>
<td>Seychelles</td>
<td>Vice Chairman SCU</td>
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<td>44</td>
<td>Fidelis Kimutai</td>
<td>Kenya</td>
<td>Chairman ACCOSCA</td>
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<td>45</td>
<td>Carlius Ademba</td>
<td>Kenya</td>
<td>CEO ACCOSCA</td>
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<td>46</td>
<td>Daniel Oyugi</td>
<td>Kenya</td>
<td>Kenya Bankers SACCOS</td>
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<td>47</td>
<td>George Ombado</td>
<td>Kenya</td>
<td>ACCOSCA</td>
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<td>48</td>
<td>Engr. Jibrin Bala Jos</td>
<td>Nigeria</td>
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<td>95</td>
<td>Prof Henry Bwisa</td>
<td>Kenya</td>
<td>Institute for Human Resource Development, Jomo Kenyatta University of Agriculture and Technology</td>
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7.0 Annex

This section contain the following topics that were discussed in the forum
Annex 1: Why Co-operative Governance is an ingredient to co-operative success
Annex 2: Paradigm shifts, Re-engineering the SACCO business in Africa
Annex 3: Challenges facing Co-operatives in Africa
Annex 4: How to develop effective Risk management & saving strategies in SACCO’s
Annex 5: Financial Sustainability and Stability within SACCOs
Annex 6: Laws and Regulatory Framework of SACCOs Kenya’s/ South Africa’s Experience
Annex 7. ACCOSCA role in promoting SACCOs growth and development in Africa
ANNEX 1

ACCOSCA Sacco Leaders’ Forum

Cooperative Governance: A Key Ingredient to Cooperative Success

Jeffrey Ndaba – Chief Director of Cooperatives
Enterprise & Industry Development Division (EIDD)
Date: 24-26 March 2010

Outline

- What is a Cooperative?
- Values of Cooperatives
- Cooperative Principles
- Cooperatives in South Africa
- Cooperatives Business Structure
- Importance of Cooperative governance

What is a cooperative, cont.? Cooperative Corporation

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Values of cooperatives

- Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity.
- In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Core Principles of Cooperatives

- Voluntary and open membership
- Democratic control over policy making
- Member economic participation
- Autonomy and independence
- Education, training and information
- Cooperation among cooperatives
- Concern for community
User - Benefit Principle

SUPPORT

SERVICES

NET EARNINGS

MARKET ACCESS

The Cooperative Business Structure
Meeting Members Needs

- Meeting Members Needs
  - Improve bargaining power when dealing with other businesses
  - Reduce costs
  - Obtain products or services otherwise unavailable
  - Obtain market access or broaden market opportunities
  - Improve product/service quality
  - Increase income and provide employment

Importance of cooperatives governance

- Annual general meetings:
  - Members nominate board members
  - Click or action is necessary for the annual general meeting
  - Annual general meeting must be held in writing, approved report in writing, held on the first day of the financial year
  - Board of Directors
  - Chairman, Co-Chairman, President, Secretary, Treasurer, Director, Member of the Board
  - Directors who are members or part of the management team cannot hold office

- Supervisory Committee:
  - Structure is an important aspect of cooperation
  - Review annual financial report to ensure compliance and accountability

- Additional management issues:
  - Good governance
  - Improve the governance process to ensure compliance with the management guidelines

Concluding Remarks

The co-op business model offers a variety of advantages that can contribute to the socio-economic upliftment of our people. It allows for the following:

- Cooperatives can specifically assist them to use the power of cooperation to address socio-economic development.
- Cooperatives can specifically assist them to use the power of cooperation to address socio-economic development.
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ANNEX 2

PARADIGM SHIFT. RE-ENGINEERING THE SACCO BUSINESS IN AFRICA

ACCSA SACCO LEADERS FORUM

11th - 15th March 2008, BHTVETHUWOOD HOTEL, JOHANNESBURG - SOUTH AFRICA

PRESIDENT: HENRY M. BWISA

The structure of this presentation

- Introduction
- Poverty in Africa
- Africa and production by the masses
- Social capital for Africa
- ACCSAS: Paradigm shift and Re-engineering
- ACCSAS: Re-engineering challenges
- ACCSAS: Strategies in the 21st century
- Summary and parting shot

Introduction SACCO HISTORY

1849 - a SACCO was formed in Germany to assist overcome economic problems during famine

1901 - workers in a mill factory in England started a savings and loan association to help each other

1901 - employees welfare SACCOs formed in USA

1966 - ACCSAS formed in Ghana

1968 - ACCOSA formed in Tanzania

1970 - WOCUD formed to promote SACCOs in Africa

Conc...

SACCOs provide about 1.1 million jobs worldwide

- About 750 million people around the world are members of SACCOs (16% of Argentinians), population, 45% of Norway and 47% of the USA are SACCO members.

- In the United States, SACCOs serve 7 million members and their gross business is about $5 billion

- 44 of these SACCOs are included in the Fortune 500 List of the largest corporations.

- In India, 20,000 SACCOs supply 34% of fertiliser imports.

- In Tanzania, 5% of milk production is marketed and 85% of milk is made through SACCOs.

The Message...

SACCOs - as democratic, unique member driven, self-help co-operatives formed for mutual benefits of the members have come a long way and are important. We can only ignore them at our own peril.

The Message...

SACCOs - as democratic, unique member driven, self-help co-operatives formed for mutual benefits of the members have come a long way and are important. We can only ignore them at our own peril.
Africa's masses are largely agricultural. Fighting poverty must focus on agriculture and production by the masses (MSEs).

ACCOSCA Challenges ........
... how to achieve the poverty alleviation mission
In the face of the following scenario ...

Relevant Statistics for SACCOS
• About 60% of Africa's poor live in rural areas;
• 80% of rural populations depend on food production;
• 60% of total labour force employed in agriculture;
• Urban poor spend about 60% of household budget on food (against 25-30% in developed countries);
• But, agriculture's contribution to Africa's GDP has remained at 25-30% as investments and research have dropped.

MAHATMA GANDHI ...
Gandhi Quote: 'Developing nations will not develop via mass production but via production by the masses'
Why might Gandhi have preached the production by the masses? Preach it out loud.
- SACCOSCA's main source is production units, which enable very large numbers of people to get production info, can maximize local food production and protect local self-sufficiency, and open the way for further development of local assets.

Social capital is important
Robert Putnam of Harvard University defines social capital as ... • Feature of social organization—such as networks, norms and social trust—that facilitate coordination and cooperation for mutual benefit.

The world needs more social capital ...
The norms and networks that enable effective action, "the institutions, relationships, and norms that shape the quality and quantity of societies' social interactions. Social capital is not just the sum of the institutions which underpin a society, it is the glue that holds them together" (NWO, 1997)
• (CAN WE READ ACTIVA HERE?!)
Let's Understand Capital

Social capital is important in the successful realisation of the four capitals.

- Human capital
- Physical capital
- Social capital
- Financial capital

CAPITAL is not just about money; it is also about people and their ability to work together.

Social capital is not just about money; it is also about people and their ability to work together.

Are SACCOs Social Capital?

Social capital adds value to other forms of capital.

SACCOs as membership organizations are in themselves social capital. Therefore SACCOs are important.

Paradigm Shift and Re-engineering for ACCOSCA

A paradox is the way you see something, your point of view, frame of reference or belief.

A paradigm shift is a way of looking at something differently, stepping outside the box.

We are what we repeatedly do. Excellence is not an act, but a habit. - Aristotle

"If you always do what you always did, you always get what you always got."

What is Reengineering?

"The fundamental rethinking and radical redesign of the business process to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service and speed."

"A radical change approach that integrates physical and technical solutions with organization structure, management infrastructure and organization cultural change solutions."

Re-engineering challenges for ACCOSCA

As systems for re-engineering themselves ACCOSCA will face challenges that face the Co-operative Movement in general.
Economists teach that any organization operates within a set of environmental domains which have been acronymized wittily including PEST - PESTLE, PESTLSEE, STEEPLE and STEEP.

Prof. E. M. Babu of the Jomo Kenyatta University of Agriculture and Technology in Kenya employs the acronym "SLEPT&CoP" to capture all these variables.

**WHAT IS REENGINEERING?**

- Smaller cooperatives face the challenge of survival.
- They lack economies of scale and business efficiency.
- They will gradually lose their market share and become less relevant to their members with the passing years.
- These smaller cooperatives need to make a bigger impact on their members. They need a paradigm shift and re-engineering.

**Challenges in the external environment**

- **S**ocietal
- **L**egal
- **E**conomic
- **P**olitical
- **T**echnological
- **E**xternal environmental

**Challenges internal to the cooperatives**

- Observations in Kenya reveal:
  - Co-operative 3rd Principle (Education about Co-operative) not being delivered to widest public.
  - Co-operative Successes not comprehensively reported in mainstream media.
  - Co-operative Model not taught effectively in Schools.
- African countries are in a much worse situation than Kenya.

**ACCOSCA STRATEGIES IN THE 21st CENTURY**

A new strategy?

What are the actions needed to make a change, and give ACCOSCA a new strategy to succeed in the 21st century?

To be entrepreneurial

- The ACCOSCA manager
- The SACO manager
- The government policy makers
- The politicians
- Number them ... all of us in this hall ... must be entrepreneurial
AN ENTREPRENEUR IS...

* A person who destroys the existing economic order by introducing new products and services, by creating new forms of organizations and by exploiting new raw materials (Joseph Schumpeter)

Someone who perceives an opportunity and creates an organization to pursue it. An entrepreneur is an innovative person.

So -- how entrepreneurial are you? Two exercises

Ex. 1 HOW MANY FACES CAN YOU SEE?

Ex. 2: How many squares can you see?

The Squares are counted as to give 15
Then 2x2 to give 9
Then 3x3 to give 4
Then finally 4x4 to give 1
The maximum possible squares is 36.
The message is...

"SACCO, ACCOSCA, government and other leaders must start thinking outside the box and working together" i.e. they must be entrepreneurial and see what hitherto had not be seen. That is re-engineering.

SACCOs should no longer wait for members to come to them for loans alone i.e. Reacting to members’ needs. They must be proactive, take initiative.

IF THE MOUNTAIN WILL NOT COME TO MOHAMMED, MOHAMMED WILL GO TO THE MOUNTAIN - The saying has been traced back in English to ‘Essays,’ (1625) by English philosopher Francis Bacon (1561–1626).

Which strategy?

ACCOSCA STRATEGIES

A PARTIAL ACCOSCA SWOT ANALYSIS

A number of cooperatives borrow from their SACCOs to start small businesses. These businesses have very high mortality rates.

<table>
<thead>
<tr>
<th>Business Incubators</th>
<th>Entrepreneurship Training</th>
<th>Business Continuity Training</th>
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<tbody>
<tr>
<td>Strategic Alliances</td>
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</tbody>
</table>
WHAT RESEARCH HAS SHOWN ABOUT SMALL BUSINESS FAILURE

- POOR RESEARCH
- EXPERIENCE
- POOR CASH FLOW
- HIGH OPERATING COSTS
- POOR MARKETING
- HIGH RENTALS
- INADEQUATE SKILL SET
- POOR LOCATION
- LACK OF EXPORT

SMALL BUSINESS FAILURE

Need arises for business incubation as well as entrepreneurship training

Business Incubation

Helps entrepreneurial companies grow by providing targeted business support and resources

Entrepreneurship training

- For co-operative members to be able to change their own life, they must be able to change their mental pictures of the resources and abilities around them
- So that they can initiate development and change as an internally motivated process rather than otherwise. It is important to promote a sense of business entrepreneurship to members.

EXAMPLE: Cluster Production and SACCOs

World Development Volume 21, Issue 3, March 1993 Production of edible oils for the masses and by the masses: The impact of the ram press in Tanzania

The ram press is a low-cost, manual technology for extracting edible oil and byproducts animal feed from oilseeds. These presses are operating in Burundi, Ethiopia, Kenya, Rwanda, Senegal, Sudan, Tanzania, Uganda, Zimbabwe
Of the entire Kenya's coop movement 46% are Agricultural cooperatives, 38% Financial based that is SACCOs and 16% are others. Opportunity exists to extend the movement deeper into the others category which include, but not limited to, retailers, wholesale, utility, worker and business & employment coops.

The deepening strategy would also mean introducing value addition activities. Thus in the case of milk production coop societies could be established for milk collection, milk processing and storage, milk distribution, milk marketing, and milk retailing.

In order to form useful alliances need arises for stakeholder analysis

Stakeholder analysis table

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Nature of interest in increase</th>
<th>Potential impact of interest</th>
<th>Relative importance of interest</th>
<th>Influence of group</th>
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<tr>
<td>3rd Stakeholder</td>
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</tbody>
</table>

Example of an ICT alliance

- Internet provider and a sacco come together to disseminate marketing information to co-operations via mobile phones.
- The Kenya Agricultural Commodity Exchange (KACE) has pioneered into this type of alliance with Safaricom
...in order to achieve millennium goals the governments of Africa cannot ignore the co-op sector and by extension the continental co-operative body (ACCOSCA) only at their own peril.

THE ROLE PLAYED BY GOVERNMENTS

1. Provision of special legislation that gives tax or other advantages to cooperatives.
2. Provision of human resource support;
3. Offering of material assistance e.g. funding;
4. Provision of facilities on land and special rights on buildings.
5. Political figures could help promote the cooperative movement in their political dispensations.

RECOMMENDATIONS

- A comprehensive customer needs analysis to design tailored products
- Explore possibility of business incubation
- A training needs assessment to enable continuous education
- Entrepreneurship not for acco leadership
- Access TO GET INVOLVED WITH CONTINENTAL BODY IN AFRICA
- Jobplex declaration

RECOMMENDATIONS AND PARTING SHOT

Can this SACCO Leaders Forum envision?

Re-engineer ACCOSCA into a new, flexible co-operative entity with a mandate to reinvigorate the co-operative movement to create entrepreneurial cooperatives?
Yes it can

To re-engineer the SACCO philosophy, fill it with an entrepreneurial spirit and diffuse it in all fields of human endeavour, honouring the statement of co-operative identity and the seven principles of co-operation.

PARTING SHOT

African governments need ACCOSCA, SACCOS need ACCOSCA, ACCOSCA needs governments and SACCOS.
The benefits are mutual

Thank You
ANNEX 3

INTRODUCTION

- The world is currently facing a number of challenges.
- Some of these challenges already manifest themselves in terms of crisis.
- The financial crisis, food crisis, climate change crisis, economic meltdowns, wars, and many other.

INTRODUCTION cont...

- In Africa we have faced the challenge of growing SACCOs as a strong tool to meet our financial needs.
- Cooperatives are well placed to bring about equitable development and justice we desperately need for life.
- Social continuity and cohesion for the human man.
- Some of the challenges we face are unique and specific to our sector, and must be dealt with at a sectoral level.

STATISTICAL OVERVIEW OF SACCOs IN AFRICA

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<th>Country</th>
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<th>Members</th>
<th>Loans</th>
</tr>
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<td>140,606</td>
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<tr>
<td>Cameroon</td>
<td>322</td>
<td>2,025,820</td>
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CHALLENGES FACING SACCOS IN AFRICA TODAY

STATISTICAL OVERVIEW OF SACCOS IN AFRICA cont...

- From the above statistics, we observe that a huge world population is dependent on the SACCOS sector, Africa included.
- We have well over 60 million dependents of SACCOS in Africa.
- We need to address any challenges that affect this sector in order to sustain this population.

CHALLENGES

- SACCOS, like other many business entities in Africa, are faced with challenges in their quest towards survival and growth.
- These challenges can be categorized into internal and external challenges.

INTERNAL CHALLENGE

- Deficiency in contemporary skills
- Leadership and governance problems
- Inadequacy of resources
- Insufficient technological development
- Quality service demand
- HIV/AIDS pandemic
- Ethics and integrity

EXTERNAL CHALLENGES

1. COMPETITION
- Economic liberalisation and regulation of business
- Price decrements
- Competition for scarce resources
- Competition from commercial banks

EXTERNAL CHALLENGES cont...

2. POLITICAL GOVERNMENT
- Changes in co-operative Legislation
- Changes in investment policies
- New lobbying systems/approaches

3. TECHNOLOGICAL
- Need to keep pace with Information Technology

EXTERNAL CHALLENGES cont...

4. SOCIAL
- Changing employee values and expectations
- Greater cultural diversity among employees

5. GLOBAL
- Increasing and complex market demands
- Globalisation in ways of doing business
CHALLENGES FACING SACCOs IN AFRICA TODAY

External Challenges cont...
6. ECONOMY
   - Non-performance of the economy
7. COMMON BOND
   - Non-remittance of dues to the SACCOs
   - Restructuring and reorganization of focus in line with global trends

Internal Survival Strategies
- Education and training
- Cultivate strong leadership
- Proper management of the source resources
- Investing in appropriate Information Technology
- Encourage Total Quality Management concept
- HIV/AIDS awareness
- Avoid vices e.g. corruption and learn to be accountable

Survival Strategies cont...
- External
  - Become more competitive through better focus, products and service provision
  - Legislation that favors SACCO Movement
  - Understand customer needs and wants
  - Become creative
  - Import business culture
  - Specialize
  - Diversify
  - Network
  - Foster innovation with “common bond”

Conclusion
- Cooperatives in Africa are important tools for providing financial services to marginalized communities and must be harnessed to help alleviate poverty
- Cooperatives must build the necessary capacity to meet the challenges that constrain their development
- Unfavorable government policies, weak governance and management systems must be addressed
- They must equally work in partnership with the government and other development partners for better policy and legislative environment
How to develop risk management and saving strategies in SACCOs

ACCOSCA SACCOs LEADERS' FORUM
24TH-26TH MARCH 2010
JOHANNESBURG - SOUTH AFRICA

Bless Kwame Darkey

INTRODUCTION

- Introduction
- Product Development
- Economic uncertainty and Competition
- SACCOs Risk and Saving Strategies
- Recommendations

The steady growth of Savings and Credit Cooperatives (SACCOs) and other Microfinance Institutions (MFIs) in Africa requires innovation from Leaders

The leadership to increasingly develop new and better products to satisfy their members.

Product development is as a result of competition

Product Development with-in SACCOs requires...

- Analyzing financial needs of members (and potential members) of SACCOs
- Recognizing how financial services fit into their money management strategies.
- Awareness of the economic goals for poor households, how people manage resources and activities
- Understanding how members deal with risk in their day-to-day lives.

Economic Recession

SACCOs and other MFIs lack formal policies that are required to govern how they monitor and handle financial risk.

- The recent credit crunch did affect liquidity of SACCOs thus affecting their operations
- Few Managers seem to be well informed about financial risk as a subject to be able to make credible decisions

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Competition in Financial sector...

- Uniqueness of SACCOs in terms of services they provide to their members is gradually eroding
- Banks and Microfinance Institutions are introducing similar products
- Risk+Loan, Savings, Cheques and Credit Cards
- MFIs+service for micro-credit, finance & enterprise
How to develop risk management and saving strategies in SACCOs

Credit Unions Vs MFI

- It is important to distinguish credit unions from other microfinance institutions in terms of their sustainability, equity, and choice.
- Credit unions work to offer members much more than financial services.
- As financial intermediaries, credit unions finance their loan portfolio by mobilizing member savings and shares rather than using outside capital, thus providing opportunities for generations of members.

SACCOs-Credit Unions

- In Africa, credit unions are known as Savings and Credit Co-operative Societies (SACCOs) to emphasize savings before credit.
- They offer members more affordable loans, a higher return on savings, lower fees, or new products and services.

SACCOs Strategies

Risk Management Strategies

- Effective risk management is critical to any SACCO for achieving financial sustainability.
- It is important to align risk management to a SACCO's organizational structure and business strategy.
- Concentrations of credit exposure are posed risks to the earnings and capital of SACCOs.
- Monitoring and limiting concentrations of credit exposure.
- Minimization of risk management by SACCOs.

What is Risk Management?

Defined by Gregory Monahan in Enterprise Risk Management: A Methodology for Achieving Strategic Objectives as "dealing with uncertainty for the organization.

- Risk is the chance or possibility of damage or loss. In the context of savings mobilization, risk is the danger caused by an event or a loss that could impair the value of savings deposit or substantially affect the net worth of the institution.

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Forum, Johannesburg-S.A by Bless Kwame Darkey
How to develop risk management and saving strategies in SACCOs

Component of Risk Management
- Identification and evaluation of existing risks
- Decision-making regarding new transactions and changes in the risk profile, in relation to how much profit will be obtained for the assumed risk
- Analysis of results from above and action to manage for risks.

Funding Source Risk
- In order to attract the volume of resources necessary for fund operations, SACCOs rely on three main sources of funds:
  - Internal mobilization
  - External credit from outside entities
  - Shareholder or member capital.
- External mobilization implies risks for the institution and serious risks for clients: it puts clients' money at risk.

Risk Strategic Tools
- There are tools that can help to address some of the major risks:
  - Liquidity
  - Exchange rate
  - Reputation risk.

Liquidity Tools
- SACCOs should be able to return the full value of deposits, plus interest earned as well as meet the withdrawal demands of borrowers and cover their expenses.
- Liquidity risk stems primarily from the possibility of a mismatch in the cash inflows and cash outflows between assets and liabilities.
- Non-earning liquid assets should constitute no more than 1 percent of total assets.

Liquidity Caution!!
- Managers of SACCOs should not rely solely on ratios to evaluate their degree of exposure to liquidity risk:
  - If positive or sufficient, can be reduced quickly by mismatched maturities, composition, or concentration of assets and liabilities.
  - At a minimum, risk managers must evaluate cash flow and the balance between assets and liabilities to monitor and manage liquidity risk.

Exchange Rate Risk
- When the real value of assets, liabilities, and obligations held in foreign currency are adversely affected by changes in the domestic exchange rate.
- To manage exchange rate risk, SACCOs need to balance the funds received in foreign currency.
- Assess exchange rate exposure in both amounts and terms, with investments in that same currency.

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Kwame Darkey
How to develop risk management and saving strategies in SACCOs

**Reputation Risk**
- Reputation risk stems from the public perception of an institution.
- Default/mobilization requires earning the trust of depositors, creditors, and the public at large.
- It takes time for a savings institution such as SACCOs to build a trustworthy reputation in the local market.
- Reputation risk is very difficult to measure, but must be monitored constantly.

**Saving Mobilization**
- Most SACCOs around the globe use an array of demand and fixed-term products to mobilize savings.
- Demand Deposits: they do not have predetermined withdrawal dates and allow unlimited withdrawals.
- Fixed Term Savings: Certificates of deposit are made in one deposit with interest paid upon maturity. Interest on programmed savings is paid out annually.

**Challenges internal to the Cooperatives**
- Observations in Kenya reveal:
  - Cooperative 9th Principle (Education about Cooperatives) not being delivered to the widest public.
  - Cooperative success not comprehensively reported in mainstream media.
  - Cooperative Model not taught effectively in schools.
  - Some African countries are in a much worse situation than Kenya.

**Key Strategies...**
- Institutional Image
- Interest Rates
- Rapid and effective service delivery
- Publicity and advertising
- Hours of service
- Promotions
- Domestic Savings (Saving Boxes)

**Recommendations...**
- Institutional structures to manage risk, balance sheet policies to minimize and control risk in individual socioeconomic asset – liability management.
- Performing 360-degree risk assessments of all aspects of risk including insurance policies, physical operations, and other facets that might be overlooked in a typical risk assessment.
- SACCOs must have a good management information system (MIS).
- Establishing limits for risk exposure.

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Kwame Darkey
ANNEX 5

Financial Sustainability through Effective Governance

What is Governance?
- Governance - the activity of controlling an organization, the way an organization is conducted
- Oxford Definition

Roles of Governance
- Monitoring - measuring credit union performance, evaluating performance of General Manager, ensuring profitability
- Reporting - being transparent and accountable to the members for the performance of the credit union

Roles of Governance
- Citizenship - being socially responsible, treating members and the community fairly, abiding with local laws
- Innovation - emphasizing a culture of learning and change, recognizing that we operate in an ever-changing environment

Roles of Governance
- Leadership - setting strategic directions of the credit union, hiring the Senior Manager, and supervision planning and monitoring the Board of Directors
- Stewardship - protecting and using members assets including risk management, allocating of roles and responsibilities, delivering authority

Credit Union Governance Model

Page 61 of 72
Tools for Governance
- Legislation - internal rules of governance
- Regulations - written standards
- Bylaws - internal rules of governance
- Policies - interpreted, higher standards
- Procedures - commonsensical application of policies

Tools for Governance
- Board reports
- Board committee reports
- Line reports for special, OSHA, WVO, DIF, financial
- Procurement patterns
- Market price trackers
- Suppliers and operating flows
- Expense tracking, special accounts
- Special/external issues

Requirements for Governance
- Separation of Board and Management
- Appropriate delegation of authority
- Ethical conduct

Tools for Governance
- Job Descriptions for staff
- Terms of reference for directors and committees
- Internal andExternal Audits
- Performance
- Self Assessment
- Performance variance analysis
Requirements of Governance

- Active participation of thinkers, board, committee, management, staff
- Technical leaks, healthy skepticism
- Proven sharing, communication
- Learning culture
- Strong policy, good implementation

Good Governance

- Good governance doesn't happen by accident. It is a process requiring innovation, active participation of the governance and the governed, and sometimes, difficult decisions. It requires a good foundation of both policies and procedures.
- Above all it requires good people.
- Good legislator and regulator will not replace good governance.
ANNEX 6

Laws and Regulatory Framework of SACCOs Kenya's ACCOSCA SACCOs LEADERS' FORUM
14-15 MARCH 2006 JOHANNESBURG - SOUTH AFRICA
Cecilus Adebara

INTRODUCTION
1. Section 10 of the SACCOs Act, 2004 provides that "the regulations made under this section shall be subject to the approval of the Commissioner for the better carrying out of this Act." This means that the proposed regulations are subject to approval by the Commissioner for SACCOs.
2. The regulations have been approved and are now ready for publication.
3. The Commissioner has advised that the regulations are now in a ready state for publication.

Part I: PRELIMINARY
1. Regs 1-3.
2. Deals with the definition, purpose and interpretation of 13 key terms used in the regulations.
3. This part includes the "(b)," "(c)," and "(d)", which are undefined.

Part II: Licensing
Regulations 4 - 13.
1. Regulations provide for a test of the fitness of the proposed SACCOs.
2. The Financial Services Authority (FSA) must be satisfied with the proposed SACCOs.
3. The regulations provide for a test of the competency of the proposed SACCOs.
4. The regulations provide for a test of the management of the proposed SACCOs.

Part III: CAPITAL ADEQUACY
Regulations 14 - 22.
1. Capital is important in an institution on loan expansion, a new product or even for the future.
2. Regulations prescribe capital requirements to maintain at least the following capital adequacy:
   - Core capital of at least 2% of total assets
   - Core capital of at least 5% of total assets
   - Loss reserve of at least 2% of total assets
   - Loss reserve of at least 10% of total assets
   - Loss reserve of at least 15% of total assets
   - Loss reserve of at least 20% of total assets

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Part XIII: MISCELLANEOUS PROVISIONS

Regulation 85 - 94

Provides for conditions of amalgamations
- Requires written approval before start of the process
- Authority to approve or deny the proposed amalgamation
- Amalgamating Sacco societies to inform members of the intended changes

Cont...

- Provides for transitional conditions
  - Have core capital of not less than ten million shillings
  - Have 4% core capital to total assets to graduate to 10% by fourth year
  - Have 3% institutional capital to total assets to graduate to 5% by the fourth year
  - Have 5% core capital to total deposits liabilities to graduate to 5% by the fourth year
  - Divest from non-core business to four years
  - Regularise external borrowings within four years.

Thank You!
The Co-operative Banks Act

- Chap I: Definitions & purpose and application of the Act
  - Chap II: Regulation, examination, inspection, management
  - Chap III: General registration, levy of fees, inspection, management
  - Chap IV: Application to particular cases
  - Chap V: Representation of interest
  - Chap VI: Representation of interest
  - Chap VII: Application of Act
  - Chap VIII: Application of Act
  - Chap IX: Application of Act
  - Chap X: Appropriate Appellates
  - Chap XI: Appropriate Appellates
  - Chap XII: General Provisions

Types
- Types of Co-operative Banks
  - Primary Saving banks
  - Secondary Co-operative Banks
  - Tertiary Co-operative Banks

Application of the Act

Application of Act S. 3

- (1) This Act applies to all co-operative banks registered under the Act and to—
  - (a) a primary co-operative registered under the Co-operatives Act that takes deposits and has 200 or more members and holds deposits of members to the value of one million and one more and
  - (b) secondary or tertiary co-operative registered under the Co-operatives Act, whose members consist of at least—
    - (i) two or more co-operative banks,
    - (ii) two or more financial service co-operatives that take deposits,
    - (iii) one co-operative bank and one financial service co-operative that take deposits.

Services (Primary Savings)

- (a) receive loans from members,
- (b) open saving accounts for its members,
- (c) borrow money from the Reserve Bank and other sources at 9 to 12%,
- (d) open savings/current accounts in the name of co-operative banks,
- (e) make, issue, accept, endorse, negotiate negotiable instruments,
- (f) make or receive remittances,
- (g) lend money on terms prescribed by the Reserve Bank or the Minister,
- (h) lend money on terms prescribed by the Minister.

Services (Primary Savings and Loans)

- A primary savings and loans co-operative bank may provide the following banking services:
  - (a) keep the books of the co-operative banks referred to previously,
  - (b) grant secured and unsecured loans to members to the extent of their deposits and
  - (c) conduct any other banking services and invest money deposited within any investments prescribed by the Minister.

Services: Secondary and Tertiary

- (a) any of the banking services referred to previously,
- (b) trade in financial instruments, on behalf of its members,
- (c) offer account with such a co-operative under the Banking Act,
- (d) conduct such additional banking services and invest money deposited with it in any investments prescribed by the Minister,
- (e) conduct such additional banking services and invest money deposited with it in any investments prescribed by the Minister.
Directors, MDs, Executive Officers

- Amongst others, each director, managing director and executive officer of a co-operative bank—
  - serves a fiduciary duty and a duty of care and skill to the co-operative bank;
  - must act in the best interest of the co-operative bank;
  - must avoid any conflict of interest between the interests of the co-operative bank and their own interests;
  - must possess and maintain the knowledge and skill that may reasonably be expected of a person holding a similar position and carrying out similar functions

Directors (Inc. MDs and Executive Officers)

Regulations: Investments

- Only in loans
  - to groups of shareholding
  - for shareholding
  - in a company registered in a country having
    - a suitable system of regulation

Minimum Capital Adequacy

- Not the borrowing capacity of a cooperative bank:
  - in surplus returns
  - in capital reserve
  - in additional reserves of a cooperative society approved by the supervisory authority

Liquidity

- Min 5% of all assets
- Minimum 10% of total deposits must be held in "prescribed investments" such as shares not exceeding 30 days and investible in a trust

Large Exposures

- Held by a deposit from any one member or related person, exceeds the lower of 25% of the total assets
- 25% of the capital of the cooperative bank

Rules

- Follows the administrative requirements
- Contains primarily of application forms and return forms
- Produced: Guidelines notes to study process

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Progress

- Regulations published
- Rules published
- 18 provisional applications
- Need to submit full applications by the end of May 2010
- Application will be assessed
- Registrations of Co-op/Books published

Questions

THANK YOU!