

**“Re-discovering Effective Management for SACCOs as a Catalyst to
Development in Africa”**



Report

The Second SACCO Leaders' Forum

Kigali, Rwanda,

21-23rd March 2011

**In conjunction with Rwanda Co-operative Agency (RCA) &
National Confederation of Cooperatives in Rwanda**

Executive Summary

The African Confederation of Cooperative Savings and Credit Associations in collaboration with Rwanda Cooperative Agency held a 3-day SACCO Leaders' Forum in Kigali, Rwanda from 21-23rd March 2011. This was a follow up to the first SACCO Leaders meeting in Johannesburg, South Africa in 2010 where it was overwhelmingly decided to make this an annual event. The aim of the forum was to share and improve capacity of SACCO leaders on topical issues affecting the development of sub-sector in Africa. The objectives of the forum were to adopt new effective ways of improving management performance; increase youth meaningful participation in sustainable development through SACCOs; promote entrepreneurial and innovativeness of cooperatives; and form institutional partnerships for development on the basis of discussions and networking during the Forum.

The Forum was attended by a total of 158 participants including managers of cooperatives and credit unions in Africa; committee members and elected officials; government officials and policymakers; youth group leaders; researchers and academia. The Forum was officially opened by Hon. Monique Nsanzabaganwa, Minister of Trade and Industry, Rwanda and closed by Hon. Joseph Nyagah, Minister Cooperative Development and Marketing, Kenya.

The key issues covered during the forum ranged from youth entrepreneurship and innovation, consumerism, risk management, governance and leadership in SACCOs, ICT and Innovation, credit rating and quality management in SACCOs, regulation in SACCOs, to youth inclusion in cooperatives. The key recommendations of the forum include the need to strengthen regulation in SACCOs, promoting youth participation in cooperatives, supporting collection of accurate, reliable and accessible data and building evidence for cooperative development in Africa; supporting youth to participate in environmental conservation projects, promoting youth entrepreneurship; leveraging IT for developing new cooperative products and improving efficiency, strengthening governance of SACCOs.

Participants were informed that ACCOSCA has organized a SACCO Regulatory Workshop at the Nairobi Cooperative College, Kenya from 15-17th June 2011. This will further create an opportunity to discuss regulatory issues adequately considering the limited time given to regulators in the forum.

This report provides a summary of the forum proceedings and the key discussions. Detailed information about individual presentations can be accessed from the ACCOSCA website. The Forum programme and list of participants are appended to this report.

Countries Represented: South Africa, Botswana, Namibia, Zambia, Swaziland, Zimbabwe, Ghana, Nigeria, Uganda, Kenya, Tanzania, Canada* and Rwanda

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List of Abbreviations

ABC	Alternate Business Channels
ACCOSCA	African Confederation Cooperative Savings and Credit Association
ICT	Information, Communication Technology
KUSCCO	Kenya Union for Savings and Credit Cooperatives
MDGS	Millennium Development Goals
POS	Point of Sale
RCA	Rwanda Cooperative Alliance
SACCOs	Savings and Credit Cooperative Societies
SAMAF	South African Micro Apex Fund
SASRA	SACCO Savings Regulatory Authority
SME	Small and Medium Enterprises
TQM	Total Quality Management
WOCCU	World Council for Cooperative Unions

1.0 Introduction

The African Confederation of Cooperative Savings and Credit Associations in collaboration with Rwanda Cooperative Agency organized a 3-day SACCO Leaders' Forum in Kigali, Rwanda from 21-23rd March 2011. The aim of the forum was to share and improve capacity of SACCO leaders on topical issues affecting the development of sub-sector in Africa. This report presents a summary of welcome and closing remarks, speeches by Hon. Monique Nsanzabaganwa, Minister of Trade and Industry and Hon. Joseph Nyagah, Minister Cooperative Development and Marketing, Kenya, a summary of forum presentations and discussions

1.1. Welcome Remarks by George Ombado, Executive Director, ACCOSCA

Mr. Ombado welcomed participants to the second SACCO Leaders' Forum. He noted that this was a result of the overwhelming support by SACCO leaders during the first SACCO Leaders Forum in Johannesburg in 2010 that this forum should be made an annual event in order to continuously dialogue on issues that affect SACCOs in Africa.

He noted that the aim of the workshop is to promote entrepreneurship and innovation in SACCOs. In this regard, entrepreneurs, both from the ICT and women groups who have developed some innovative products and businesses were invited to showcase their products during the forum so that participants can learn from them. The Forum is also aimed at promoting meaningful youth participation in SACCOs. This should not however be perceived as encouraging a generational shift in cooperatives, but rather be seen as a way of fostering intergenerational dialogue and partnership that leverages knowledge, resources and experiences of young and older members for cooperative development. He further mentioned that the forum is also aimed at strengthening institutional partnerships for development on the basis of discussions and networking during the Forum. For a long time, development in Africa has been driven by donors. However, cooperatives in Africa have proven that Africa has the potential to fight poverty using its locally generated resources. However, for this to happen, cooperatives need to work together at local, national and international levels. This forum will thus provide a platform to cooperatives to share experiences, learn from each other and build alliances and networks to strengthen collaboration at national and international levels.

1.2. Speech by Mr. Bless Kwame Darkey, Vice Chairman, ACCOSCA

Mr. Kwame welcomed participants to the 2nd SACCO Leaders Forum in Rwanda. He noted that this followed successful hosting of the 1ST SACCO Leaders Forum in Johannesburg, South Africa last year. It is during Johannesburg meeting that ACCOSCA received overwhelming support to make this an annual event. He informed participants that the main purpose of making the forum an annual event was to share and improve the capacity of

SACCO leaders on topical issues affecting the sub-sector. He noted that it is from our past that we learn lessons, and prepare for the challenging future.

He expressed his appreciation to Rwanda for hosting and being part of this event. He said that the selection of the host country by members was based on the need to recognise and highlight co-operative role in Rwanda development. He said that the main objectives of the forum are in line with ACCOSCA slogan, that of: **Empowering people living in Africa**. He urged forum participants to engage in constructive discussions that would enhance our capacity to effectively serve SACCO members in respective countries. He assured participants that ACCOSCA aims at promoting good governance practice and for this reason, a substantial amount of time has been dedicated to aspects covering legislative framework in the forum. He thanked participants for taking time to come and have knowledge-experience based learning together with ACCOSCA. Finally, Mr. Kwame informed participants that this SACCO Leaders' forum provided an opportunity to contribute towards securing a stronger and prosperous future for the people living in Africa.

1.3. Speech by Hon. Monique Nsanzabaganwa, Minister of Trade and Industry

Hon. Nsanzabaganwa informed forum participants that she was honoured to officiate over a forum that has brought fourteen countries across the continent to deliberate on issues pertinent to economic empowerment of the people. She noted that Africa for a long time has heavily relied on external aid to support her development Agenda. She said that she was encouraged by seeing leaders from co-operative sector and by extension SACCO sub-sector taking credible steps in addressing challenges affecting the continent. She noted that the theme of the forum "Re-discovering effective management for SACCOs as a catalyst to Development in Africa" shows the importance attached to SACCO as a development agent.

Hon. Nsanzabaganwa noted that she was encouraged to see regulators and compliance officer across the continent attend this event in order to share challenges with an aim of transforming them to successful initiatives. She informed participants that she was aware in the passing of Resolution A/RES/64/136; the UN General Assembly declared 2012 as the International Year of Co-operatives which provides SACCO leaders in Africa an opportunity to highlight the contribution of SACCOs in the continent's development agenda. She said that it was encouraging to observe that ACCOSCA is initiating activities that support this agenda. It was especially pleasing to notice that ACCOSCA has made 2012 International Year of Co-operative a major theme for the next Annual Savings and Credit Co-operative Africa (SACCA) congress schedule for October in Ghana. She urged SACCO leaders to seize the current Information Communication Technology (ICT) innovation to develop innovative methods that would enable people have access to finance by developing products that are friendly to the poor.

Hon. Nsanzabaganwa called upon cooperative leaders to support cooperative initiatives that spread across all genders and generations since development that is inclined on one side is not equal development. In this regard, she challenged participants to come up with credible ways that address the youth inclusion in the sector. She thanked the Board and Management of ACCOSCA and Rwanda Co-operative Agency for organising the forum. Finally, she declared the 2nd SACCOs Leaders Forum officially opened.

1.4. Workshop Objectives

The forum objectives were to:

- Adopt new effective ways of improving management performance
- Increase Youth meaningful participation in sustainable development through SACCOs
- Promote entrepreneurial and innovativeness of cooperatives
- Form institutional partnerships for development on the basis of discussions and networking during the Forum.

2.0. Summary of Workshop Presentations

This section presents a summary of workshop presentations and discussions. For more detailed power point presentations, please visit the ACCOSCA website on www.accosca.org

2.1. Beyond Credit: Increasing access to capital for young entrepreneurs

By Mr. Gilbert Habyarimana, Dep. Director General of RCA

Most African active population depends on the agricultural sector which is subsistence in nature. In order to accelerate the African development there is need to modernize our agriculture and to encourage transformation in other economic sectors. Sustainable development requires proper involvement of youth entrepreneurs in different sectors. The main challenge however is how to meaningfully involve the youth entrepreneurs in the productive process given a number of barriers. These barriers include low culture of entrepreneurship, lack of skills and technology, poor infrastructure, lack market information, and lack of capital. It is important to note that lack of capital is a symptom but not the cause for failure of youth in the small and medium enterprise (SME) sector. If for instance you take a case of an SME run by a young people, they get capital from their own savings, their relatives and parents and yet the big part of capital should come from financial institutions. The key challenge that confronts youth is how to access external capital since they lack bankable business plans, lack collateral, lack experience in business and fear of risk by financial institutions to lend to youth.

Strategies that can be adopted to address challenges that affect youth entrepreneurship are at three levels that is micro, meso and macro. At macro level, governments should initiate policies and strategies to facilitate youths to access financial services, support financial and entrepreneurship education for youth, initiate national credit and guarantee funds for Youth entrepreneurs, encourage the youth to create and join cooperatives (here, he cited a case of COOJAD in Rwanda), initiate strategies to improve youth entrepreneurship. At Meso level, strategies to improve youth entrepreneurship would include encouraging Public, Private Partnership (PPP) with youth entrepreneurs, providing non financial services to the youth entrepreneurs such as business development services (BDS) to help youth in development of business plans and better management of their business, provision of training for youth in access to capital, promotion of franchise (partnership between investors and youth entrepreneurs), promoting financial institution and financial products in line with youth needs (such as risk capital) and creating specific window fund for youth entrepreneurs at approximate level (special window for youth entrepreneurs in Umurenge SACCO).

At micro level, strategies would include enabling access to financial opportunities information, facilitating youth to develop bankable business plans, facilitating access to market information, supporting youth to improve SMEs accounting systems and their management and introducing awards to financial institutions that champion youth lending. He concluded by noting that youth constitute a big percentage of the people in Africa and yet they constitute a bigger percentage of the poor which calls for the need by governments, civil society and financial institutions to focus on this group to develop their entrepreneurial skills and tailor made lending products.

Discussions

- The issue of youth entrepreneurship and unemployment is a glaring priority that cannot be ignored by government and non-state actors. There is need to address the problem of stereotypes and misperceptions about youth in regard to private sector employment. Youth in Africa tend to prefer white collar jobs and look at ‘blue’ collar jobs in the SME sector or being ‘spanner boys/girls’ as an outcast yet jobs in the formal sector are limited. There is need to inculcate an entrepreneurship culture among young people that will enable them to appreciate entrepreneurship and self-employment in the SME sector. However, this requires a paradigm shift in mindsets that must start with the old generation to change their perceptions about white collar-job-oriented education as superior to technical and vocational education that is critical in promoting self-employment and entrepreneurship among the youth.
- Governments and cooperatives need to support the growth of an organized SME sector and map out more a pool of business ideas and SMEs that can be undertaken by young people based on evidence. This will enable people in the SME sector,

including young people to move away from incidental or “try and error” approach to businesses in Africa. It is also important to note that there is no blue print for youth entrepreneurship since approaches are context specific. Different approaches and good practice need to be documented and tested for different contexts.

- Youth in Africa are more political minded as evinced by their active participation in political activism (cases if Tunisia, Egypt and Libya) and election campaign related violence (Uganda and Kenya). Youth do not have time to sit back and reflect on how they can actively participate in social and economic enterprises. Government, multinationals, development partners and financial institutions should rethink the youth question and support youth entrepreneurship to enable youth channel their positive and valuable energy into productive work. This may be done by supporting and systematically linking youth to capital ventures.
- There is need for governments and cooperatives to support youth employment services through supporting labour market information systems and enabling youth to access financial services that are adaptive to their entrepreneurship needs.

2.2. Using SACCOs to Tackle Adverse Effects of Consumerism in Africa.

By George Ombado, CEO, ACCOSCA

Mr.Ombado described consumerism as the economic and social order that promotes overwhelming desire to purchase. The increase in consumerism is attributed to the increased appetite for consumptions and when personal happiness is equated with purchase. In order to avoid falling into the trap of consumerism, people need to make a distinction between needs and wants. He made a distinction between a need and a want where a need is something we have to have and that we cannot do without such as food, good health, water, and shelter, while wants are things we would like to have over and above the needs. It is important to note that consumerism is not entirely bad since it can lead to increased consumption that can bring about greater national output, can create more jobs. When the consumer market flourishes, the demand for labour will increase. Consumerism encourages consumption and can increase higher economic development. However, people need to be cautious of the negative implications of consumerism on savings accumulation and avoid falling into indebtedness.

There is need to note that a consumerism culture is created when consumers are blinded by instant gratification. The discourse on consumerism is relevant to SACCOs since savings provide an opportunity for members to educate their children, live in better housing and afford better health care. A high culture of consumerism curtails savings mobilisation and the growth of the cooperative sector. He highlighted the savings trends of SACCOs in the Sub-Saharan African Region which show the region’s dismal saving behaviour. In East Africa, there has been a steady growth in savings since 2006. In Southern Africa, savings fell

sharply in 2007 but rose again in 2009. In contrast to the two regions, savings in West Africa are comparably low. For instance although savings were on a rising trend from 2006 to 2007, this was followed by a sharp decline from 2008. The difference between the savings behaviour in the different regions could be explained by consumerism where people in West Africa attach more value to acquisition of conspicuous goods like expensive vehicles as compared to other regions.

Promoting a savings culture has a lot of benefits for SACCOs since savings can translate automatically into capital accumulation and hence growth. Using the SACCOs model is aimed at emphasizing the contribution of savings to growth and achieving sustainable saving pattern. However, to improve a savings trend in the region, robust policies need to be put in place in order to create confidence levels through adoption of regulatory framework, promote the savings culture since our consumption of goods is a function of our culture; encourage entrepreneurial initiative with-in the sub-sector, engage the sub-sector in environmental protection and work with trade unions to promote better conditions for workers to provide them with extra-income to save.

However, a number of distortions that inhibit savings in Africa include ineffective use of available resources, fear to adopt new innovation that minimise operational costs in the long run, inability to include products and services that are friendly to all ages, and constant political challenges with-in the sub-sector. This has resulted in low penetration of the SACCO Sector in the region. For instance, in 2009, the penetration rate was 12.9% in East Africa, 13.5% in West Africa and 2.2% in Southern Africa. He concluded by remarking that SACCOs are our empowerment devices and therefore cooperatives should encourage savings and not focus on consumerism and most importantly, increase participation of both genders since SACCOs leaders and youth need each other for savings sustainability by working on improving saving patterns for the youth.

2.3. Challenges of Maintaining Liquidity in SACCOs

By Mr. Kavugizo Kevin, Director, Microfinance Supervision Department, Central Bank of Rwanda

Mr. Kavugizo started by informing participants that the SACCO philosophy was introduced in Rwanda in 1975 by the creation of the first “People Bank of Rwanda” (Banque Populaire du Rwanda). As financial cooperatives and microfinance institutions, SACCOs are regulated and supervised under the Law No 40/2008 of August 26th, 2008 establishing the organization of microfinance activities and the regulation no 02/2009 on the organization of microfinance activity. The registrar authority of SACCOs is Rwanda Cooperative Agency (RCA) while the regulatory and supervisory authority is the National Bank of Rwanda (Central Bank).

Liquidity is the ability of a financial institution to honor all cash payment commitments as they fall due. The objective of liquidity management is to honor all cash outflow

commitments on a daily and ongoing basis, minimize opportunity cost of idle liquidity, satisfy regulatory standards, and avoid additional cost of emergency borrowing and forced liquidation of assets. Liquidity is a vital condition for any business but it is even more crucial for financial institutions including SACCOs because they are particularly vulnerable to unexpected and payment demands. Managing liquidity risk is itself a challenge because it is about finding a middle way between having too much or too little cash. In short-term, a MFI can probably avoid liquidity problem simply by holding most of its assets in cash. In long run, however, holding too much cash will make an MFI bankrupt. As a financial intermediary between savers and borrowers, the failure of MFIs to manage liquidity, whether it is large or small, will affect directly or indirectly the majority of individuals.

The presenter noted that there are numerous challenges in managing liquidity and these include the imitation effect in loan demand which may cause shortage of liquidity; the mismatch between the needs of long term credit and short-time resources available leading to a SACCO refusing to loan some qualified customers which result in customers losing confidence in the SACCO; lack of managerial capacity of SACCOs to forecast liquidity needs and sources; and lack of financial transparency and weak MIS reduce opportunity of linkages with big MFIs and classical financial institutions from which they could get otherwise short-term borrowings to fill the gap of shortage of liquidity.

Mr. Kavugizo asserted that role of the regulator in liquidity management is to orient SACCOs in the management of liquidity is setting liquidity standards. For instance, every microfinance institution, union or federation must maintain a liquidity ratio of at least 30% at all times. However, the liquidity management will depend on the size and the maturity of the SACCO. For example, SACCOs established in line with UMURENGE SACCO Program are required to maintain at all time a liquidity of 80% of their deposits but the ratio will be revised as the SACCO acquires the capacity to manage the loans compared to the needs for withdrawal of the deposits by its members.

The presenter further said that in order to ensure sustainable liquidity management, SACCOs need to ensure close follow up of asset-liability decisions, build the capacity of the SACCO in forecasting needs of liquidity based on the customers behavior, the environment of their businesses and on how mature there are; promote the culture of savings discourage the culture of non-repayment and avoid the imitation effect through financial literacy of members; understand their source of liquidity requirements; and develop linkages with other MFIs and banks for quick borrowings; and develop long-term products of savings/term-deposits.

Discussions

- Cooperatives should promote the virtue of savings among members: Sensitize SACCO members to know that loans are predicated on savings and that for one to access credit, they need to save first with the SACCO to avoid a situation where demand is greater than supply.
- Interest rates on savings are debatable and context specific. SACCO members should decide the appropriate interest rate that should be paid on savings and loans. However, there is need to strike a balance to ensure that the interest rates set are adequate to cover operational costs and at the same time encourage members to save. There is need to ensure that the desire to maximize profits should not override the need to meet the social needs of members.
- There is concern that supervision of SACCOs by the central bank is likely to be challenging because of bureaucracy and there is a risk of treating SACCOs as 'high street' banks given the 30% liquidity ratio requirement which is too high. In response to this concern, the presenter said that whether the central bank should supervise SACCOs is debatable since ensuring prudential management of SACCOs is aimed at ensuring that SACCOs operate in a sound manner. The aim of the 30% liquidity ratio requirement for SACCOs is to circumvent liquidity problems for SACCOs and protect members' savings.

2.4. How to Develop Risk Management policies for SACCOs

Mr. Faustin K. Zihiga, Chairperson, Association of Microfinance Institution of Rwanda (AMIR).

Mr. Zihiga started by noting that SACCOs are predominantly formed as a result of a need to mitigate life threatening risks mainly by the poor; however, they too (SACCOs) pose a big risk if not well managed through sound policies. The major risk most SACCOs or any other entity providing financial services face is the inability to know what their risks are or the extent to which these risks will affect our businesses/ SACCOs. SACCOs are prone to risk because like any other financial institution, they handle money and more than often; they handle many small cash transactions. Therefore Risk management policies are crucial to provide the essential guidelines to mitigate risks that come with the nature of business.

The presenter described risk as the possibility or chance of meeting danger, suffering loss, injury, or anything that will make your well intended actions to deviate and bring about unintended, in most cases, negative results and or loss. On the other hand risk management is a systematic approach or process of identifying, prioritizing risks and implementing strategies to mitigate the risks. It involves prevention of potential problems and the early detection of actual problems. The risk factor in large SACCOs is characterized by large number of small loans thus small number of many payments that are very difficult to track; the decentralized and dispersed nature of operations over a wide disconnected geographic

area; large numbers of less literate clientele that depend on the ingenuity of the managers of the SACCOs; and limited use of integrated management information systems

He said that risks can be categorized as internal (operational, institutional, financial management) and external (IT and governance) risks.

- Operational risks are likely to occur while executing our day today business; examples include, fraud, theft, cash loss, security, inefficiencies, redundancies, funds concentration.
- Institutional risks are those that threaten the institutional identity such as change in the client target group, dependency on a single source of financing or donor dependency.
- Financial management risks would include those related to treasury and liquidity management and asset liability risks.
- IT risks are very prevalent today and these may be caused by heavy dependence or non dependence on IT.
- Dependency risks include unauthorized access, data inaccuracies, manual systems data tracking inaccuracies, time management and compliancy, limited adaptability to financial systems.
- Governance risks are normally hidden and these include lack of proper governance structures, lack of clear and distinguished roles of the organ with clear sanctions for those that do not respect procedures.
- External risks, these are risks that may impact the SACCO from other factors outside the institution. And these include microeconomic challenges, competition, politics, regulatory environment, and social unrest.

The risk management policy should be designed depending on the risk area of the business or a combination of more than one policy if the risk areas are highly related and should clearly state how particular risks will be deterred before they can be committed; prevented when there is likelihood to occur; detected in the system; and mitigated when they occur. The presenter concluded by saying that risk management is something that each SACCO will always live with which requires management to make conscious effort to continually monitor and alert the institution about possible risks, the implication and the mitigation process to be engaged.

2.5. Cooperative Sector Contribution to MGDS

By Mr. Aimable Nkuranga, Ministry of Finance and Economic Planning - Rwanda

The International Cooperative Alliance defines a cooperative as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through jointly owned and democratically controlled enterprises. Cooperatives are built on 7 values of voluntary and open membership, democratic member control, economic participation, autonomy and independence, education, training and information, cooperation among cooperatives and concern for community. Mr. Nkuranga described Millennium Development Goals as a set of 8 developmental targets agreed upon by all nations and leading development organizations to be achieved by 2015:

- MDG1: Eradicate Extreme Poverty & Hunger
- MDG2: Achieve Universal Primary Education
- MDG3: Promote Gender equality and the empowerment of women
- MDG 4: Reduce child mortality
- MDG 5: Improve Maternal Health and Provide Universal Access to Reproductive Health
- MDG6: Combat HIV/AIDS, Malaria & other Diseases
- MDG7: Ensure environmental Sustainability
- MDG 8: A Global Partnership for Development

The presenter informed participants that MDGs are milestones towards Vision 2020 and Medium Term Socio-economic Plan (EDPRS) in Rwanda. MDGS have been adapted to the sectoral priorities in Rwanda and Monitoring and Evaluation of MDGs is also integrated to the national M&E system. In order to ensure realization of MDGS, the government of Rwanda supports agriculture productivity through the crop intensification program and prevention of soil erosion and irrigation, and addressing vulnerability through Vision 2020 Umurenge program and Ubuudehe - one cow per family program. Most of these programs are implemented through farmers' cooperatives and savings and Credit Co-operatives (SACCOs). The comprehensive food security and vulnerability analysis and nutrition survey conducted in 2009 shows that extreme poverty is declining with the higher growth rates in agriculture.

As far as MGD 3 on promoting gender equality is concerned, in 2003, the new national constitution provided for affirmative action for women by providing for at least 30% of seats to women and all laws discriminating against women have been abolished. Cooperatives promote participation of women and actually women are forming and joining co-operatives in masses such as Agaseke weaving co-operatives.

Regarding MGD 7 on ensuring environment sustainability is concerned, government promotes protection against soil erosion, banned the use of plastic bags, encouraged tree planting, promotes water and waste management and alternative renewable sources of energy such as solar and biogas. As a result, wood in energy consumption reduced from 94% in 2000 to 85% in 2008. Mr. Nkuranga asserted that the commitment by governments and development partners to achieve MDGs is an opportunity for co-operatives. In the same way, co-operatives are a good channel for governments and development organisations to address MDGs. In this regard, strengthening cooperative activities will improve the wellbeing of members and contribute to the achievement of MDGs.

2.6. Use of ICT to Foster Youth Inclusion in Cooperatives

By Ms. Rosemary Muturi Karachi, Craft Silicon Ltd, Kenya

Ms. Muturi started by informing participants that the presentation was aimed at reviewing and assessing the new technological approaches to using ICT actively to enhance and facilitate the engagement of youths in the Cooperatives. ICT covers any product that will store, retrieve, manipulate, transmit or receive information electronically in a digital form. On the other hand, the term inclusion from a social perspective is defined as “a process which ensures that those at risk of poverty and exclusion gain the opportunities and resources necessary to participate fully in economic, social and cultural life and to enjoy a standard of living and well-being that is considered normal in the society in which they live. This provides opportunities for youth to participate in cooperatives and in decision making. Inclusion is a strategy of creating more and equal opportunities for all young people in the Cooperatives sector thereby enabling them to be actively involved.

The presenter noted that based on some recent research study by ACCENTURE, most cooperatives have envisioned the use of Alternate Business Channels (ABC) solutions as a way of attracting the youths to join the cooperatives and as a way of encouraging youths to develop a saving culture. The youth of today are eager and want to be associated with the technology. To maximize on this ‘generation moment’ cooperatives ought to move fast and participate in youth inclusion. Alternate Business Channels or ‘branchless’ banking in cooperatives uses information technology to deliver financial services to low income communities beyond traditional banking methods by leveraging field staff and agents; processes that ensure complete transactions at client locations; and technology that utilizes swipe cards, mobile phones, laptops and internet.

The ABC technology in Cooperatives is attractive to youth because they want to be actively involved in cooperative that offers them financial services using cutting edge innovative technology conveniently, faster, online and real time without having them to temporarily close their daily activities to go perform banking in the traditional brick and mortar branches. Since ABC technology is real-time and online, as the youth perform transactions out there, it

is at the sametime captured online and real time into the database; the turn-around time is faster, which is an advantage both to the youth members and the Cooperative. To guarantee security, there are different and secure authentication methods available in ABC technology. For instance, a member transacting at a point of sale (POS) terminal in the field will need to authenticate and authorize all his/her transaction using finger prints.

The ABC strategy offers tremendous benefits to cooperatives. It helps cooperatives reach customers at remote locations, creates lesser dependency on brick and mortar branches, and reduces costs to institutions while increasing customer base and access to banking facilities. Ms. Muturi noted that in branchless banking members can receive loan disbursements, do cheque deposit/ loan repayments, access balance enquiries, mini statements, funds transfers and mobile top-up.

2.7. The Innovative Factor: Capitalizing on Talent and Achieving Sustainability through ICT

By Mr. Francis Mwangi Njuguna, CEO, Lanstar Technologies Limited, KENYA

Mr. Njuguna started by defining key terms. He defined innovation as the creation, development and implementation of a new product, process or service, with the aim improving efficiency, effectiveness or competitive advantage. On the other hand sustainability is the capacity to survive or endure. In a business sense, sustainability is a proactive approach to ensure the long-term viability and integrity of the business by optimizing resource needs, reducing environmental, energy or social impacts, and managing resources while not compromising profitability. Talent refers to natural abilities or qualities while talent management is an aspect of human resource management that refers to the process of attracting highly skilled workers, and integrating new workers, developing and retaining current workers to meet current and future business objectives.

In order to capitalise on talent, SACCOs should adopt IT solutions that offer flexibility to integrate with value added products such as mobile banking, and e-money. However, there are challenges relating to lack of a clear legislative framework, low levels of computer competency at the grassroots, protectionist tendencies amongst communication, banking and other service providers and mistrust through past mistakes in the financial service sector, costly products that make providers to pass the cost to the end-user, mainstream banks engaging in what was previously the core business of SACCOs.

Rapid advances in technology provide opportunities for developing adaptive services for cooperative members such as use of mobile phones for mobile banking and capitalizing talent. Lanstar promotes talent development by ensuring a conducive working environment, flexible working hours (flexi-time), young, talented and highly motivated team, and encouraging Team players to think “Out of the Box”. As a result, Lanstar was awarded by the Computer Society of Kenya the “Most Innovative Product for SACCOS - 2010” Lanstar’s FinExtreme Product for SACCOs was approved by regulating authorities including

WOCCU, KUSCCO and SASRA. Fin Extreme is currently linked to two major networks in Kenya: Co-operative Bank and Pesa Point and supports VISA transactions (debit card). Mr. Njuguna assured participants that Lanstar is committed to helping SACCOs prepare for the IT revolution by building innovative mobile banking features into its flagship FinExtreme SACCO software.

2.8. Rethinking Governance and Leadership in Cooperatives

My Mr. Emmanuel Abeku Essel, University of Cape Coast. Ghana.

Mr. Abeku started by contextualizing the governance situation on Africa. He said that there are increasing cases where national constitutions are being tempered with because some leaders perpetually desire to entrench themselves in power. Examples include the Arab World crisis, the sub-Saharan African crisis (Cote d'Ivoire), the Eastern African crisis (Kenya and Uganda) and this phenomenon is trickling into our Savings And Credit Co-operative's (SACCO's) such that most of our leaders have been in power for far too long.

Governance is concerned with overseeing the responsible, legal, ethical, transparent and effective achievement of national or organizational goals. Good governance is about fostering trust and ensuring the accountability of decisions makers and requires a systematic approach to ensure that organizations are transparent, honest, and oriented toward equity. Its practice is uneven across organizations and sectors. To ensure that good governance prevails, elected representatives, corporate executives and boards of directors, professional bodies, and civil society groups need to become more active in learning about the perils associated with "bad" governance and push for stronger laws and policies that protect the public interest. Qualities of good governance include participation, consensus building, accountability, transparency, responsiveness, efficiency and effectiveness, equitable and inclusiveness and the rule of law. To observe good governance implies that organizations encourage participation from those who may be advantaged or disadvantaged. Additionally, governance involves sacrificing some decision-making authority by empowering other stakeholders to seek and collectively achieve ends that maximize the public good.

Regarding leadership, the presenter said that it represents the organization of people into manageable groups and influencing them to a specific direction for the purposes of harnessing available resources (spiritual, mental, and physical) for the general good of all. Leadership is not just an art of leading people towards a goal but governance. There are different types of leaders and these include directive, supportive, participative, achievement oriented leaders. A good leader should have good leadership traits and these include strong self drive, extreme knowledge, cognitive ability, self-confidence, and emotional intelligence. Other qualities include self awareness, self-regulation/control, motivation, empathy, and social skills.

The youth factor is very central in the discussion about governance and leadership in SACCOs. There is need for SACCO leaders and managers to nurture, mentor and provide opportunities for youth participation in SACCOs for equitable and democratic cooperatives. The time is now to change the status quo and bring youth on board. The presenter informed participants that in order to enable youth participation in governance and leadership, SACCOs need to improve on their image as some youth consider the movement an upper generation agenda which is connoted with poor governance. It is important to note that successful interventions are not premised on participation and accountability alone, but require attention to political factors (commitment, leadership and mobilization), institutional arrangements, financial resources and technical and managerial capacity.

2.9. Showcasing Entrepreneurship and Innovativeness, Case of South Africa

By Mr. Nkosi Dube, Ditsobotla SACCO Bank, South Africa

The SACCO movement in the country has been developing over the past years and the government of the Republic of South Africa through the Department of Trade and Industry has begun to provide financial and non-financial support to co-operatives in general. In line with the stated National Cooperatives Policy goals, the desired outcomes of the cooperatives strategy are to: increase the numbers, value and variety of cooperatives in South Africa (i.e. increase new entrants and reduce the mortality rate); contribute in reducing poverty and unemployment; position cooperatives as vehicles for access to markets by other types of businesses; close the existing gap with respect to the promotion and development of cooperatives and collective entrepreneurship in South Africa; and provide and support programmes and institutional framework for promotion and implementation of cooperatives in the country.

The total number of cooperatives in South Africa is 16,994 spread over all provinces. The majority of currently registered cooperatives in Kwa-Zulu Natal is 40%; followed by the Eastern Cape, 19%; Gauteng, 10% and others. Drivers of high performance of KZN with respect to new cooperative entrants include massive financial and non-financial support given to cooperatives, linking financial support to education and training first, and availability of state procurement opportunities that are extended to cooperatives. The government of South Africa has passed laws in support of co-operatives. The Co-operatives Act was amended and passed in 2005. This Act further entrenches the democratic principles of SACCOs and creates an opportunity for SACCOs to be creative and develop ways of enhancing members' lives. In 2007, the government further passed the Co-operatives Banks Act. No. 40 of 2007 after realizing the potential of Sacco's and other Financial Services Co-operatives in contributing to the economy of the country and also developing the lives of the people. This enabled the first SACCO in the country (DITSOBOTLA SACCO) to be registered as Co-operative Bank in December 2010.

The presenter informed participants that Ditsobotla SACCO was the first SACCO in the country to be registered as a Co-operative under the new Co-operative Banks Act. Due to the effective management and governance in Ditsobotla, the SACCO's assets have been growing consistently every financial year, assets now stands at R 9 million. Good governance is also one key aspect that made the SACCO stable and sustainable. The SACCO has a successful partnership with Umsobomvu Youth Fund to promote youth participation and entrepreneurship. As a direct result of this partnership, Ditsobotla SACCO was able to finance young entrepreneurs to either start or expand their small business enterprises. Examples of businesses supported by the SACCO include hair salon, car washing, and livestock farming among others. He concluded by asserting that the SACCO is supporting the creation of young entrepreneurs and urged SACCOs to take advantage of and attract young entrepreneurs in their ranks to further strengthen their financial standing while also developing and promoting other entrepreneurs.

Discussions

- There is need to make a distinction between entrepreneurs and ordinary business persons. Emphasis should be put on identifying and supporting entrepreneurial and innovative ventures.
- The example of Ditsobotla SACCO shows that youth with low education levels can be supported to run profitable businesses by supporting ventures that do not require technical skills such as car washing, livestock farming and hairdressing. This has potential for addressing the high unemployment rates of most youth.

2.10. The role of cooperatives in climate change management

By Jean Pierre Hakizimana, Pierre-Anne Turmel & Joel Ratcliffe, Ugama Cooperative Service Center, Rwanda.

Ugama is a local NGO founded in 1985 that operates a service center for cooperatives with the aim of combating poverty through cooperative movements. The main activities include supporting agriculture and livestock, environment protection through integrated water resource management, agro-forestry, and soil conservation; post harvest, processing and product marketing; and cooperative and entrepreneurship development. Climate change is a shift in the state of the climate that can be identified by a change in the mean and/or variability of its properties and that persists for long periods in the range of decades and longer. The change may be due to natural causes or as the result of human activity. Climate change poses a major threat to growth and development in Africa. Whereas the African continent the least responsible for climate change, it is most vulnerable to its effects such as reduced agricultural production, worsening food security, increased flooding and drought, spread of diseases, and the risk of conflict over scarce resources.

Consequences of climate change in Africa manifest in form of changes affecting rain-fed agriculture, changing rainfall patterns, droughts that are worsening water security, decreasing fish resources in lakes, rising sea level, and increased cyclones and other extreme weather events. The protection of forests is crucial for reducing emissions from deforestation, as well as to prevent erosion. It is important to note that climate change is not merely a problem for the environment; but also a problem for development and poverty reduction. Climate change will have intense effects in Africa, and they are already being felt, for instance 2010 was the warmest year on record to date. The adverse effects of climate change will also affect cooperatives.

Important to note is that cooperatives are key-role players in the fight against climate change from the essence of guiding cooperatives principles and values especially principle 7 on concern for the community. Climate change poses a serious threat to livelihoods of members and communities. In addition, cooperatives are key tools for achieving MGDS through promoting the environment, food security, gender equality and youth development. Agriculture is the backbone of governments and States economies, cooperatives have a high potential for stimulating economic growth and promote employment creation. In recognition of the catalytic role of cooperatives in addressing climate change, in 2008 ICA dedicated the International Cooperative Day to climate change with a theme: “Confronting CC through co-operative enterprise”. Environmental mitigation and adaptation present enormous economic opportunities for cooperatives in sectors such as renewable energy, conservation of energy, recycling projects, waste management, and tree planting.

Cooperatives can support climate change initiatives by facilitating information exchanges and environmental awareness, offering green loans or awards to local groups; encourage participation of cooperatives by funding local green projects, support environmental causes. Farmers’ cooperatives can undertake anti-erosion activities, forestation as well as integrated water resource management practices such as roof water harvesting, dams management, and small irrigation schemes. Ugama in conjunction with youth and cooperatives supported the establishment of anti-erosion infrastructures, agro-forestry, and multi-purpose tree planting. Ugama supports youth to get access to finance and engage in nursery tree projects and agro-forestry. Climate change is a critical issue coming across all social-economic development sectors. Cooperatives in particular are the potential key players in addressing issues of climate change.

Discussions

- Climate change is a critical challenge that threatens the livelihoods of most people engaged in cooperatives. Cooperative leaders should set aside resources from their surpluses to support environmental conservation projects as part of their social responsibility.

- Cooperatives should put aside about 10% of their annual surplus to support youth to engage in environmental conservation projects.

2.11. Regional Inequalities: Why Co-operatives are Systematically Developed in some Countries.

By Mr. Abby D.M. Mugabo, Director SACCOs Supervision Unit Rwanda Cooperative Agency (RCA)

Mr. Mugabo started by giving a situational analysis of cooperatives in Africa. Estimates from 2009 indicate that Ethiopia had the highest number of registered cooperatives in 2008 at 24,167, followed by Zambia with 16,167, and Kenya with 11,635 cooperatives. Swaziland had the least number of cooperatives at 176. While there is disparity between countries as regards registered co-operatives, figures from 2005 indicate that the number of cooperatives are increasing. Notable increases are usually related to national policy reforms or the strengthening of representative structures.

As regards SACCOs, data in 2009 indicates that Ethiopia has the highest number of SACCOs at 5,975, followed by Kenya with 3,990 SACCOs and Tanzania with 3,896. Seychelles has the lowest number with only one SACCO. In terms of membership, Kenya has the highest number of members at 3,682,272 followed by Benin with 1,993,198 members and Uganda with 880,000 members. Seychelles has the least number of members at 10,933. However, the reliability and validity of the data is highly questionable due to lack of proper registration or proper updates of data for cooperatives in African countries since various sources of information on cooperative membership do not exist in Africa, rendering it difficult to check the accuracy, reliability and validity of the data. In spite of lack of reliable data on cooperatives, existing data indicates that both the total membership and the percentage of the population covered by cooperatives is on the rise. In Rwanda, there are 502 SACCOs, 1.1 million members with 8.6 billion Francs in savings deposits. This encouraging trend is due to intensive mobilization and sensitization, continuous supervision, provision of loan granting license by the central bank of Rwanda and improved outreach.

The statistics show glaring disparities in the number of cooperatives and membership in Africa. Environmental, economical, social, political and cultural factors are responsible for regional disparities.

- Economical factors include: Poor performance of economies, inadequacy of resources, competition from commercial banks, and lack of economic liberalization.
- Political factors include: leadership and governance problems, absence of investment policies and of co-operative legislation, and lack of law enforcement.

- Social factors include: demand for quality service, changing employee values and expectations, mismanagement and embezzlement of SACCOs funds, and HIV/AIDS
- Cultural factors include differing cultural norms and values, lack of ethics and integrity, lack of entrepreneurial culture, lack of confidence in SACCOs and MFIs.

In order to address regional inequalities, there is need to: introduce strong leadership and proper administrative systems, provide education and training of SACCOs members, initiate quality management of SACCOs, nurture a culture of accountability, orient SACCOs towards customer demands, encourage diversification of SACCOs products, promote a business and entrepreneurial culture in SACCOs members, encourage investment in appropriate IT, ensure proper legislation that favours SACCOs, and promote proper documentation and accuracy in data.

He concluded by noting that cooperatives in Africa are regarded as a vehicle for economic development through provision of financial services to marginalized communities thereby alleviating the recurrent poverty. In order to achieve this in the different regions, there is need to fight the existing inequalities by introducing favorable government policies, proper governance and management systems.

Discussions:

- Lack of accurate, reliable and comparable data is a very big challenge affecting cooperative development in Africa. There is need for cooperatives to invest in research to generate data for monitoring the growth and performance of the cooperative sector.
- There is no single agency that acts as a repository of data for cooperatives in Africa. Information from the Departments of Cooperatives always contradicts information from other agencies working in the cooperative sector. Forum participants suggested that ACCOSCA should establish a mechanism for collecting accurate and reliable data and building strong evidence base on SACCOs from different countries so that it can be the reference point for information on cooperatives in Africa.

2.12. SACCO Regulatory Framework: Challenges and Opportunities in Africa

By Mr. Carilus Ademba, CEO, the SACCO Societies Regulatory Authority (SASRA), Kenya

Regulation of SACCOS is important because they are financial institutions that manage people's money. Since financial sectors are going through reforms, SACCOS must also match up to other financial sector players in order to make SACCOs the financial sector of choice. Regulation of SACCOs has created enormous opportunities including entrenchment

in the mainstream financial sector, enhanced members confidence in SACCOs, enhanced their competitive advantage, increased opportunities for mergers to benefit from economies of scale and improved innovations by introducing new value addition products and enhancement of efficiency.

About 63% of the Kenya population directly and indirectly depends on the co-operative related activities for their livelihood. As at July 2009 there were 12,666 registered co-operative societies with a membership of over 7 million out of which 5,956 are SACCOs and 230 have Front Office Service Activities (FOSAs). The SACCO sector has mobilized over Kshs 200 billion in savings which is about 31% of the national savings. Initially all co-operatives were regulated under the Co-operatives Societies Act. However, this Act did not have prudential standards and as such SACCOs started operating Front Office Services Activities and thus engaged in taking deposits. The SACCO Societies Act, 2008 focuses on SACCOs with FOSAs. The regulatory authority regularly supervises the operations of the Sacco to ensure they operate under the terms of the license. SACCOs are required to meet the following minimum ratios. These include the core capital of not less than Kshs 10million, the core capital of not less than 10% of total assets, institutional capital of not less than 8% of total capital, and core capital of not less than 8% of total deposits.

Regarding liquidity, 15% of the savings deposits and short term liabilities are supposed to be maintained in liquid assets. There is weekly monitoring of liquidity and SACCOs are required to submit monthly statements of liquidity returns to the Authority. As far as credit management is concerned, it is mandatory to have a loaning policy specifically detailing loan concentration limit, terms and condition of insider lending. SACCOs are not supposed to borrow more than 25% of their total capital and shall charge interest at least 2% higher than the borrowing rate. SACCOs are not required to have investments in non earning asset exceeding 10% of the total assets in which land and buildings should not exceed 5% of the total assets. Financial investment should not exceed 40% of core capital or 5% of total deposits. The regulation requires SACCOs to divest from investment in buildings and focus on the core business of serving the members.

Key challenges affecting regulation in Kenya include failure to adopt changes associated with regulation, failure to meet the minimum requirements, weak Management Information Systems, low capacity of regulators, low adoption of technology by SACCOs and regulators, fear to be regulated, complex multifunctional institutions which border between a Sacco, MFI and a bank, political expediencies, high innovations from SACCOs that attracts constant review of laws to keep up with the pace of innovation and lack of responsible governance in SACCOs. In order to circumvent these challenges in SACCO regulation, there is need to ensure clear regulations spelling actions to resolve weak SACCOs, adopt a risk based supervision for a resource constrained regulator, adopt robust technology for effective regulation and strengthen the human resource capacity for supervision. This will

ensure good reporting and monitoring system that promptly identifies problems to warrant onsite inspection.

Discussions

- If Saccos refuse to comply with the law, they are prosecuted in line with the provisions in the law.
- Saccos are always encouraged to inform the regulatory authority about provisions of the law that are harsh to their operations so that they can be amended.
- Small Saccos need regulation for risk management purposes and to foster growth. Lack of regulation hampers growth and members are likely to lose confidence in the SACCO.
- SACCOs are given 4 years to dispose of their big assets to the levels permitted by the policy. It is hoped that within this period, SACCOs will be able to find good buyers and sell their assets at competitive prices. However, if the SACCO is not able to find competitive buyers within this period, the regulator can intervene and advise how such cases can be handled. Some SACCOs have established subsidiaries where members buy shares in the subsidiary and the SACCO retains up to a mandatory 5% ownership.
- Regulation in Kenya focuses on only 30% of SACCOs providing front Office Services due to the rapid growth in this category of SACCOs and the need to ensure that member's savings are secure.

2.13. SACCO Regulatory Policy and Cooperative performance: Experience of Rwanda

By Mr. Kavugizo Kevin, Director, Microfinance Supervision Department, Central Bank of Rwanda

In order for the microfinance sector to optimally exploit existing opportunities and potentials, it needs to be recognized as a part of the existing national financial system and to encompass all financial services, including credit for productive activities, savings and insurance, that help the poor population to generate income and acquire goods that are essential for their living. The legal framework for the SACCOs in Rwanda comprises the Microfinance policy, the Microfinance law, Central Bank regulations on the organisation of microfinance activity, Law No.50/2007 providing the establishment, organisation and functioning of cooperative organisations in Rwanda, Law No. 16/2008 establishing Rwanda Cooperative Agency and determining its responsibilities, organization and functioning and Umurenge SACCO strategy. SACCOs are regulated as MFIs and all SACCOs have to comply with cooperative principles, values, national policy and cooperative law.

According to the National Microfinance Policy, the Central Bank is responsible for the supervision of the whole national financial sector, including the microfinance sector. As such it determines modalities of MFIs licensing, how they get liquidated when needed, defines prudential and non prudential norms, as well as the regular financial statements and their analysis requirement. The Central Bank (BNR) has a responsibility to regulate and to supervise all MFIs (including SACCOs), with possibility to delegate under some conditions. The microfinance activities are governed by the law No 40/2008 dated 26/08/2008. The Central Bank has the mandate to control and to supervise microfinance institutions. Microfinance Institutions are organized into 4 categories and Saccos are found in category 2 and 3. Category 2 comprises Saccos with a capital less than 5 millions and maximum deposits of RwF 20 millions while 3 comprises Saccos with a minimum capital of RwF 5 millions and deposits above RwF 20 millions.

Regulation of SACCOs is done at two levels: by Central Bank (BNR) for financial aspects, and by R.C.A for Cooperative aspects. There is a double regulation for SACCOS in Rwanda but there is no overlap or interference since each Institution has got a mandate clearly stipulated in the law. Each registered cooperative, including SACCOs, is required to comply with values and principles of Cooperatives such as stated in this Law. However, each SACCO shall be required to meet financial requirements and prudential standards set by the National Monetary Authority, the Central Bank. In addition, SACCOs are registered, regulated and supervised by RCA to make sure that those financial cooperatives abide by the policy and the law governing cooperatives. The Umurenge SACCO is part of the National Savings Mobilization Strategy aimed at enhancing the culture of saving among Rwandese and ensuring easy access of financial services to the people.

In Rwanda, cooperatives and especially financial cooperatives (SACCOS) are still young. To develop a robust financial system that will become a real provider of funds to the poor population through cooperatives, there is need for a strong involvement of the Central Bank.

2.14. Study Tours to SACCOs in Kigali

As part of the forum, participants had an opportunity to visit SACCOs around Kigali for cross learning, experience sharing and benchmarking. The SACCOs visited include Umwalimu SACCO (teacher's SACCO), Coopedu, Women's SACCO and the Cooperative Saving Society for Police and Army.

2.15. Effective Risk Management and How to reform the SACCOs

By Mr. Danstan Kisuule, CEO Y-Save SACCO, Uganda

The presenter described risk as the potential that a chosen action or activity, including the choice of inaction will lead to a loss or an undesirable outcome. Risk can also be conceived as potential losses themselves may also be called "risks". Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Almost any human endeavour

carries some risk, but some are much more risky than others. Types of risks include hazard risk such as liability torts, property damage and natural catastrophes; operational risks such as pricing risks, asset risks, currency risks, and liquidity risk; operational risks such as customer dissatisfaction, product failure, integrity and reputation risks and politics; and strategic risks such as competition, social trends and capital availability.

He asserted that SACCOs should manage risk in order to detect early warning signs and avoid surprises, reduce costs resulting from damaging events, achieve better member satisfaction by avoiding damaging events, raise awareness about risk responsibilities, ensure business continuity and to improve management focus and operational efficiency. Risk management is necessary in order to force everyone to pay attention to damaging risks, solve problems early, to reduce 'blame' and improve team spirit, and ensure business continuity.

Enterprise risk management (ERM) in a SACCO will include the methods and processes used by the SACCO to manage risks and seize opportunities related to the achievement of their objectives. It typically involves identifying particular events or circumstances relevant to the SACCO's organization's objectives (risks and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy and monitoring progress.

In order to ensure effective risk management in SACCOs, the presenter advised that there is need for managers to involve members in assessing the risks that they think the SACCO is facing, engage external experts to assess the SACCOs risks and ensure that each SACCO has a risk compliance committee. If possible, SACCO's should have an internal auditor who reports to the supervisory committee or hire the services of certified accountants to carry out the internal audit function, either quarterly or twice a year. Finally, he counseled that though this might be more costly, it will be a great help in mitigating the risks of the SACCO.

Discussions

- In order to effectively implement a risk management strategy, make it as simple and comprehensible as possible, ensure that it fits within the SACCO's circumstance (don't copy and paste from other organizations), consult members and the Board and make prior assessment of risks.
- Document all the risks and keep track of the progress in addressing risks.
- Addressing succession planning is one of the key risk management strategies. Leaders need to ensure a smooth succession planning and balance young talent in SACCO management and leadership.

2.16. Quality Management Standards in SACCOs

By Mr. Moses Musiitwa, Executive Director, Formulation Technologies, Uganda

Mr. Musiitwa defined quality as “fitness for purpose”. It is the result of what we do, not what we actually want to do. He described a quality management system as a set of coordinated activities to direct and control an organization in order to continually improve the effectiveness and efficiency of its performance. Quality management systems help SACCOs to make sure that what they do improves the quality of their products or services. The main thrust of a quality management system is in defining the processes, which will result in the production of quality products and services, rather than in detecting defective products or services after they have been produced.

He informed participants that a quality management system makes a SACCO more effective at meeting its needs by enhancing strength and credibility of the organization or initiative, improves the quality of the SACCO by reducing errors and customer complaints and enhances its competitive advantage. Setting standards is essential in improving quality management in SACCOs. Standards set out widely accepted principles, practices, or guidelines in a given area. These can be locally, regionally or Internationally-accepted practices in a particular sector or business line.

Required standards in SACCOs include:

- Strategic focus: financial sustainability, outreach programs, governance, senior management team, market driven operations, assets management, liability management, roles of stakeholders, shared vision and mission, business focus, market/client definition.
- Outreach programs: These include a well balanced direction which combines profitability with a social mission; products with characters and delivery systems which are in line with poverty profiles of members; significant outreach programs to increase their gross incomes and also gain geographical coverage; and a good mix of clients by serving the poor and a good number-of the “not-so-poor”.
- Governance: These include internal self controls in SACCOs, a high level of flexibility in their policies and operations, responsibility and accountability for policy formulation, strategic planning and performance control, separation of duties, clear structures, board rotation, succession policy and board manuals.
- Market driven operations: These include consumer education, value addition, suitability of products, customer focused processes and culture, continuous innovations, suitability of the delivery mechanism, client participation in product development, product adaptability to local environment and documented policies and procedures.

- Assets management: These include proper assessments of borrowers, delinquency management, documentation of credit operations, clean loan tracking & recovery systems, documentation of fixed assets, minimum investment in fixed assets and liquidity management.
- Liability management: These include safety of clients' deposits, cost effectiveness, proper recording and accounting, moderate gearing (debt /equity ratio), minimizing the cost of funding, timely servicing, and prudence in intermediation.

Implementation of Quality Management System involves writing a quality manual that describes the quality system, documenting how work in your organization is performed, designing and implementing a system to prevent problems from recurring, identifying training needs of employees, to maintain the system, training employees how quality system operates, planning and conducting internal quality inspections, or audits. It is important for SACCOs to note that quality management takes time and effort.

2.17. Leadership challenge in the 21st century: Reinventing leadership

Gershon A. Dulo, Director, Adaptive Management Consultants Limited

Mr. Dulo started by noting that leadership is crucially important to organizations, society, community and the globe since leaders are the cornerstone of organizations. Leadership is the art and science of getting things done by influencing followers along the desired path. It is concerned with getting things done through others. Effective leadership can be a major source of competitive advantage. Behind every successful organization, there is effective leadership in place and behind every failing or poorly performing organization, community, sector and country, there is poor or ineffective leadership.

Leadership has, however, been cited as one of the biggest challenges facing organizations, communities, nations and the world. The leadership problem is further compounded by lack of genuine, purpose driven, committed and trustworthy leaders. An effective 21st Century leader should be a network and alliance builder, a strategic thinker, a visionary, an extraordinary value creator, an integrator, a resource mobiliser, a people developer/talent builder, a change champion, a coalition/team builder, agile and adaptable and an innovator and prime mover. An effective leader should make a difference in other peoples' lives, turn challenges into opportunities, nurture and develop young leaders, challenge the process and the status quo and guide others to extraordinary performance.

The 21st century leaders must contend with the issue of globalization, technology, competition, restive and enlightened followers and the need to turn these challenges into opportunities. Leaders are called upon to be more transparent, tolerant, and decisive and adopt global mindset. Social media is radically changing how leaders are perceived. Technological trends are altering the financial sector landscape, including cooperatives and SACCOs in unprecedented manner. The cooperative sector has to find long term solutions

to the issue of governance, and wanting leadership culture. The caliber of leadership in SACCOs is increasingly put under intense pressure to relinquish leadership to the new generation of technology savvy and ideas driven generation. The cooperative sector is perceived to be suffering from poor leadership yet it's one of the sectors viewed by governments as the driver of economic growth.

At the backdrop of the new leadership challenge to today's leaders, the presenter noted that there it is absolutely necessary to change our leadership approach and practices, reposition cooperatives to meet new expectations, demonstrate willingness to venture in new direction to seize new opportunities and learn new skills, act with integrity, ensure succession planning for sustainable growth.

2.18. Factors that shape inclusion and participation of youth in cooperatives in Africa. Interim study Report

By Ms. Elizabeth Ngutuku, Executive Director, Nascent Research and Development Organisation

Ms. Ngutuku started by noting that with over 70 percent of the population under the age of 35 years in Africa, the demographic dominance of youth stands in sharp contrast to their constrained participation in and exclusion SACCOs. Yet cooperatives are good for youth because they are agencies that hold potential for the entrepreneurial development of youth most of whom experience social exclusion as evidenced by their overrepresentation among the poor and un (nder) employment. Despite the fact that cooperative institutions advocate values of self-help, mutual responsibility, equity and equality, equal participation of all groups including women and youth is lacking. Cooperatives are spaces that are dominated by older males so youth occupy a subordinate position and are absent in decision-making structures and are often not viewed as social actors and agents of change. This affects their access to cooperative services. The main objective of the study was to examine the barriers that constrain the participation of youth in cooperatives and ways in which youth can be meaningfully involved in cooperatives.

Data for this study was collected from different categories of cooperators in Africa working with: government departments of cooperatives, national SACCO apex bodies, regional and international cooperative associations, Cooperative colleges and Universities from Tanzania, Zambia, Malawi, Botswana, The Gambia, Ghana, Swaziland, Canada, Kenya, Uganda and Seychelles and Lesotho. Data was also collected from youth cooperators and non-cooperators, managers and staff of savings and credit cooperatives in Kenya, Uganda, Tanzania, Zambia and Ethiopia. The study used primary and secondary data sources. A total of 228 people participated in the study.

Cooperatives defined youth narrowly using age-based criterion; 85% of study participants defined youth as individuals between 18-35 years. Because of their numerical strength youth can contribute to SACCO capital accumulation. Youth are innovative, technologically savvy, energetic, and flexible. Youth participation enhances democratic and inclusive cooperatives and ensures succession planning and sustained growth. However, despite the rhetoric about the value of youth, no proactive steps have been taken to harness this niche group. The study indicated that most cooperatives do not have youth differentiated services and products. Youth indicates that products offered were inadequate and they highlighted the need for more products like BDS, school fees loans and IT training.

According to preliminary findings of the study, barriers to participation of youth in cooperatives include; legal barriers such as restrictions that bar youth below 18 years from taking out loans, lack of collateral, poor credit rating, limited business skills, lack of information about cooperatives and their services, lack of adaptation of cooperative products and services to youth, and stereotypes and misperceptions about youth which constrains their access to financial services.

Recommendations for transformative and youth responsive cooperatives

- Building strong foundations for cooperative and entrepreneurial development by embedding cooperative and entrepreneurship studies in the education of young people and cultivating a savings culture among children and youth
- Raising awareness about cooperatives and their services among youth using approaches that resonate with youth such as use of brochures, print and electronic media, music, sports and youth camps, and social networks.
- Addressing negative stereotypes and misperceptions that hinder youth entrepreneurship and access to financial services through intergenerational dialogue.
- Undertake research and build evidence base including establishing a database for issues around youth participation to enhance programming efficiency, responsiveness and cross fertilization of good practice.
- Undertake market research for developing ,piloting, and evaluating, flexible financial products adaptive for youth on ; and

Networking with other stakeholders that provide complementary services to youth such as skills training, financial services, and mentorship and employment opportunities to youth to promote youth participation and support entrepreneurship development for youth

- Harnessing technological innovations to develop adaptive and cost-effective services targeting youth such as the use of mobile banking great possibilities of increasing outreach.
- Nurturing and encouraging active youth leadership in cooperatives that is inclusive, open, respectable, and provides opportunities for all members including youth in an equitable manner.
- Establishing and supporting institutional mechanisms for coordinating and maintaining the momentum for youth participation in cooperatives at national and international levels.
- Leveraging and enhancing government support and funding for youth inclusive cooperative development

3.0. Closing Remarks

3.1. Remarks from Mr. Bless Kwame, Vice Chairman, ACCOSCA

Mr. Kwame thanked the Hon. Monique Nsanzabaganwa of Rwanda for supporting the cooperatives in Rwanda and for supporting the Forum. He expressed his appreciation to Hon. Nyagah for working tirelessly for the development of the cooperative movement in Africa. Mr. Kwame thanked the participants for attending the forum. He highlighted key forum proceedings and recommendations. Lastly, he said that ACCOSCA is committed to improving the capacity of SACCO leaders in order to build a sector that can champion economic transformation in Africa and improve the wellbeing of their members.

3.2. Remarks from Hon. Joe Nyagah, Minister of Trade and Cooperatives, Kenya

Hon. Nyagah thanked ACCOSCA for organizing the SACCO Leaders' Forum and informed participants that he came to attend the Forum to prepare for the handover to the Hon. Minister of Trade, Rwanda who will be the new Chair for the African Council of Ministers for Cooperatives. He informed participants that during the concluded Council of Ministers meeting in Kigali, ministers discussed plans to organize exchange visits between cooperative leaders and experts in Rwanda and Kenya for cross learning on cooperative development issues.

He highlighted the need for Africa to overcome the dependency syndrome through cooperatives by mobilizing savings and members. African countries need to encourage their citizens to save and called upon forum participants to be change agents in their respective countries in mobilizing more members to save and lobby their governments to support cooperatives as a vehicle for economic change. He emphasized the need for adults to mentor youth and develop a good youth-adult partnership because youth bring immense benefits to the cooperative sector. He cited a recent meeting of cooperative leaders where youth

contributed the brightest ideas as testimony of the invaluable benefit and value that youth bring to cooperatives. In addition, youth are good mobiliser for cooperatives. He urged cooperative leaders and government department to encourage and support the establishment of youth SACCOs. He further urged cooperative leaders to encourage and support youth in emerging sectors where youth have interest and skills such as IT and transport as opposed to the agriculture, the traditional domain of cooperatives which does not resonate well with youth. He cautioned that without youth participation in cooperatives, achieving Millennium Developments Goals will be very difficult since youth have the energy and skills to bring about fundamental gains in MDGs.

Hon. Nyagah informed participants that governments must commit themselves to support the development of cooperatives in Africa. He said that the African Ministerial Committee for Cooperatives resolved to lobby governments to support cooperatives to enable them compete with other financial service providers. He said that already, a lot of funds from the central government that are being channeled through SACCOs to lower local governments. For instance, about 50-60% of devolved funds meant for women and youth projects are channeled through SACCOs. He said that there is need for cooperative leaders to put more pressure on governments to encourage them to channel devolved funds through SACCOs. However, for this to happen, cooperatives must improve on the quality of service delivery and streamline their management systems.

He highlighted the need to strengthen national apex organizations in order to provide strategic leadership for cooperative development. He said experience shows that when apex bodies die, the cooperative movements collapse. He urged the cooperative leaders to revive defunct apex bodies and in countries where there no apex bodies, to put in place measures for creating them. Africa has more enlightened cooperative members who should not fail to manage cooperatives properly and be more organized by establishing apex bodies that can galvanize and manage the cooperative sector. In this regard, he encouraged cooperative leaders to strengthen the cooperative model and stimulate cooperatives to invest in big investment ventures such as transport and housing.

Hon. Nyagah thanked ACCOSCA for organizing the SACCO leaders' Forum and expressed his appreciation to the Minister of Trade of Rwanda for supporting the event. He thanked participants for attending the forum. Lastly, he declared the 2ND Saccos Leaders Forum officially closed.

3.3. Remarks from Mr. George Ombado, Executive Director, ACCOSCA

Mr. Ombado thanked participants for taking time off their busy schedules to attend the forum. He thanked the Hon. Minister of Trade and Industry, of Rwanda for her support during the Forum and expressed his appreciation to Rwanda Cooperative Agency for providing invaluable support in organizing the forum. He thanked Hon. Nyagah for his support toward the development of the cooperatives in Africa. He was grateful to Hon.

Nyagah for enabling ACCOSCA to mobilize funds for undertaking a study on youth participation in cooperatives in Africa. In this regard, he informed the Hon. Ministers that there was considerable improvement in participation of youth in SACCO forums. He said that about 11% of participants were youth, a significant improvement from about 2% that attended the SACCA Conference in Swaziland in October 2010. Although the improvement is slow, it indicates a promising trend in youth participation. He urged SACCO leaders to support the involvement of youth in cooperatives. He stated that participation of the youth in cooperatives should be taken as a call for cooperatives towards building youth-adult partnerships for synergy in cooperatives.

Mr. Ombado informed participants that ACCOSCA has organized a regulatory workshop in at the Nairobi Cooperative College, Kenya from 15-17 June 2011 since the time given to regulators in the forum was not adequate to engage with all regulatory issues. He informed the Hon. Minister that discussions during the forum immensely benefited regulators and SACCO leaders. Finally, he thanked the Hon. Ministers for honouring the invitation to attend the forum and thanked them for supporting the cooperatives.