



## Using Co-operative model to tackle Challenges in Africa



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## ***How SACCO's in Africa can promote entrepreneurial growth***

George Ombado

The first modern SACCO was started in Germany around 1850s. A quick review of developed world shows that not many big firms were born that big, most of them began as Small Medium Enterprise. The most successful Company (Microsoft) began with a few people in a small garage in North America, Hewlett-Packard(HP) started in a little wood shack and a group of young kids began Google

What made those ideas give birth to huge companies employing millions across the world? SACCO's in Africa has a role in transforming the continent considering that most entrepreneurs are in need of financial support. In 1952, Ghana became the first Africa country to start SACCO. Ironically five decades behind the lane, we are still talking of their role in stimulating SMEs survival.

In an African context both agricultural marketing co-operatives and financial service savings and credit co-operatives have a significant role in stimulating SME's growth. However their contribution should go beyond providing financial support as a means of promoting sustainable SME's development. The benefits associated with transforming SME's to big companies are enormous, given the economies of scale it can derive from the two forms of co-operatives.

Arguably, it is no longer credible for entrepreneurs in Africa to solely link slow progress to lack of capital or market for their products. A bigger unit would imply shared services, low unit cost and ability to improve on research and development. Those who dispute this argument reason that Africa is at a different level of development with developed world and this system would have a negative impact due to inefficiency. This reasoning is not convincing

given that one can observe similarity in challenges across nations.

What we need are more competent and efficient personnel at the highest level of co-operative movement. It is therefore a paradox that members of SACCOs still borrow from financial institutions that charge higher interest yet SACCO's have relatively low rates. Or is it that SACCO's are not doing enough to compete?

A close look at the commercial banks in sub-Saharan Africa shows a trend that introduces products that were once associated with SACCO's. In East Africa for instance, these financial institutions have been hawking loan products, with higher interest rates in comparison with SACCO's but quicker loan delivery ;often without the need to have savings with the bank.

The Co-operative model used by SACCO's has a 50:50 benefit between members and the institution; making it 'practically' free from exploitation. Co-operatives need to devise innovative ways to market their products even if that includes lobby for legislation changes that protects them from commercial banks.

SACCO's should develop products for SME that entails follow up training on business developments and entrepreneurial skills. Advocating for co-operative legislation and monitoring system that would strengthen SACCO's, thus promoting sustainability and service delivery to it members. They need also to review their business operational models in position to changes in financial sector.

The probability of SACCO's to succeed in transforming SME are quite high if they provide alternative and innovate ways of conducting



business. It is important that SACCOs engage in improving entrepreneurial skills for SME starters. This is quite different from promoting business skills which is already being done in most African schools in form of business education. The aim is to initiate enterprise education programs that would develop entrepreneurial skills, enable the youth understand about entrepreneurial and business development process.

SACCO's should engage with policy makers in identifying workable programs that address cross cutting issues in the society, thus empowering the community and making SACCOs relevant to the community. The national umbrella bodies in conjunction with the continental body can make this possible by working closely with various arms of government responsible for policy formulation. Transforming SME's to big and profitable companies by SACCOs would therefore require a comprehensive and appropriate advocacy on legislative development, designing supervisory systems appropriate for financial cooperatives and building service capacity among the continent's SACCOs

While SACCO's are attempting to strengthen their organization system, it would be important for them to develop capacity building initiatives for entrepreneurs that benefit from their products. A balance score card for top management of SACCO also does help keep managers accountable for their organization performance.

SACCO's can turn SME's to big companies 'only' if they make themselves relevant to the

current cross-cutting needs of entrepreneurs. There is a need to benchmark SACCO's activities with members needs; make application procedure simple but robust and devise new ways of using collaterals. There is a need to provide continuous advisory assistance and information about market opportunities to beneficiaries of SACCO's products

The commercial banks focus has been on profit, while SACCO's philosophy is tied on members' interest. Where earnings are ploughed back to members inform of low loan interest, higher interest on deposits and minimal operational fees. SACCO's should therefore contextualize and improving on strategies used by commercial when providing financial support. By so doing, growth and sustainability on SME would be achievable

The link between entrepreneurial education and SME's growth is complex. It takes years to develop entrepreneurial capabilities and more years for that capability to yield significant results. However, the co-operatives have the invisible hand through SACCO's in accelerating these capabilities. It is upon co-operative national apex bodies to engage with the government in creating a level-playing field that would allow SME's to compete in equal basis with large companies. The government intervention should create an enabling environment to do business

**The author is a development economist**



# The Co-operative Movement in Rwanda is Surviving Genocide: Hope for the widows of genocide in Rwanda

By Peter Mathuki

Best known for the appalling genocide of 1994, while the world stood by and did nothing, Rwanda is now building a new co-operative sector, initially around coffee. Very little existed until recently, when a minister who had been in exile-Kenya returned to the country and requested Kenya's help in setting up co-operatives. At the same time, the national trade union organisation, CESTRA, set up a workers' savings and credit organisation.

The project labeled 'AMIZERO', which means "hope" in the Rwandan language, is a support group for the widows and orphans of the genocide, which killed one million people. Rape was also used as an instrument of the genocide, so many of the women are HIV positive. 'AMIZERO' assists them by setting up small income generating schemes, which take the form of co-operatives. One group in Gatenga, a district in Rwanda, grows and sells vegetables. Another group collects and recycles rubbish, but is in urgent need of personal protective clothing. This project is based on co-operative model

Another successful initiative is the association of motor cycle taxi drivers, 'Assetamorwa'. Their presence is felt everywhere in Kigali, with their distinctive yellow tunics. They have more than 1,500 members, the co-operative

This project has provided a good framework for informal sector in Rwanda to be well organized, shown potential for the informal workers to organize and advance their interests, therefore protecting them from exploitation and increasing co-operative movement relevancy. An attempt should be made to replicate and contextualized these program with the help of new donors in other countries in the region.

model has empowered them train drivers, establish and manage garages that handle repair works and sell spare parts. The association is also actively involved in, formulation and improvement of traffic policy within Rwanda through Traffic police. It is registered as a trade union but operates more as a co-operative movement since it affiliated to CESTRA

Survival of co-operative movement in Rwanda is made even more important since more than 90% of people work in the 'informal economy', mostly operating with limited rights, labour inspection or social security. The informal sector in Rwanda if not observed can encourage child labour, forced labour, excessive working hours and poor working conditions

It is in this respect that 'SYNDICOOP' was formed to harmonize the informal sector activities. The name SYNDICOOP is derived from the word 'SYNDI'-syndicate, French word for trade union. It aims to promote workers through co-operatives or trade unions. SYNDICOOP In partnership with international Labour Organisation, (ILO) has spread its operation in East Africa and South Africa through funds from the Dutch and Flemish governments.

**The author is a specialist in international labour standards**





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## Co-operative News Brief

The Federation of Women's Entrepreneurs Association (FEWA) in Kenya will make loans available at 8% interest to women, a lower figure than the current market. They cite inequality of loan distribution as one of the main driving force behind this initiative; with only 3% of women in Kenya having access to loans as compared to 44% of that ratio to men.

DFID releases funds through Coop Africa to protect fishermen in Africa from price fixing, UK International Development Minister, Gareth Thomas announced during this year international co-operative day. This allows fishermen and women to have access to

buying and selling prices for fish on their mobile phones, thus reducing the influence previously exerted by middlemen

WOCCU helps South Africa establish the first Deposit Insurance for members of SACCOs in the country. This is aimed at encouraging savings and protecting the members

ACCOSCA to conduct a research that looks at the role of co-operatives in mitigating challenges faced by women and youth living in Africa

## Events



Some of the African Delegates for African SACCO workshop in Spain being addressed by WOCCU President Mr. Pete Crear





**ACCOSCA CEO Mr. Carilus Ademba, address delegates in WOCCU conference in Spain Barcelona**

## **THE NATIONAL ASSOCIATION OF CO-OPERATIVE CREDIT UNIONS OF THE GAMBIA (NACCUG)**

### **1. BACKGROUND INFORMATION**

The National Association of Cooperative Credit Unions of The Gambia - NACCUG, was formed in August 1991 as an Apex body of all the affiliated Cooperative Credit Unions in the Gambia. The formation of NACCUG constituted as one of the 1985 strategies of the Gambia Government Economic Recovery Programme - ERP- aimed at complementing Gambia Government efforts in poverty alleviation programme. Prior to its formation in 1991, Cooperative Credit Unions were under the umbrella of the defunct Gambia Cooperative Union (GCU) and were known as Thrift and

Cooperatives (TCC). These TCCs had little or no supervision from the GCU, which concentrated its activities more on agriculture and marketing of agricultural products. This led to the inability of Cooperative Credit Unions to function effectively.

In 1989 following a report from the World Bank on the Co-operative Movement in The Gambia, the GCU was asked to shed its responsibility for the TCC's. These TCC's had to be taken over and supervised by the Department of Co-operatives. It meant also that these societies were, in theory, to be self-managed, however,



**Promoting and Empowering Co-operatives in Africa**

the skills and resources required to make this happen were not available.

It was because of this situation that the World Council of Credit Unions (WOCCU) was invited to send a representative to The Gambia in 1989. They in turn recommended that the African Confederation of Co-operative Savings and Credit Associations (ACCOSCA) send out a study team to carry out an institutional analysis of the Thrift and Savings Societies throughout The Gambia. The results indicated very positive signs and potential for the survival of savings and credit unions in this country if members were properly trained.

The Irish League of Credit Unions Foundation (ILCUF) became involved at this point, and negotiated with the Irish Department of Foreign Affairs and later the European Union, to co-fund a project to strengthen the Credit Union Movement in The Gambia. Following a number of detailed meetings and information visits, NACCUG was established in August 1991 as the apex organisation of all the affiliated Cooperative Credit Unions in the Gambia. The key thematic area of focus was on institutional development of co-operative Credit Unions to mobilise savings and to provide credit facilities to its members.

The Irish League Representatives have since then organised leadership training programmes and given detailed administrative advice and recommendations for the operation of Credit Unions and NACCUG.

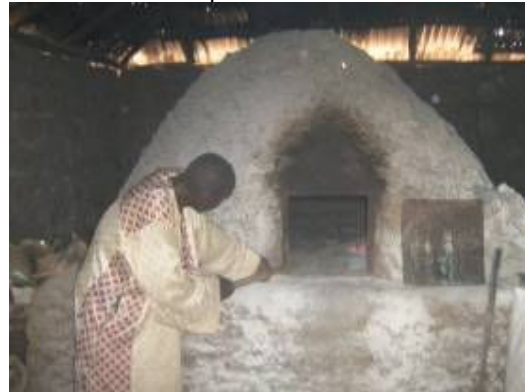
## VISION

A Movement that provides the best and most cost effective and efficient financial and non financial services; to become a model for viable Financial Cooperatives in The Gambia through the Credit Union principles and making it a household word.

## MISSION

NACCUG will endeavour:

- To fight poverty through the Philosophy and Principles of Credit Unions



A bakery project supported by credit union in the Gambia



One of the women benefiting from credit facility advanced by credit unions for SOAP making project

- To develop and make available the best financial and non financial services to the members at reasonable cost.





Animal project being management by Credit union

- To maintain the long – term viability of the Association through self-sustaining strategies.
- To promote and support the development of viable Credit Unions through sound and market based business strategies
- To conserve the image of NACCUG as a model financial co-operative.

## 2. Membership, Savings and Credit Growth

Currently NACCUG has 55 affiliated Credit Unions across the Country. As at end December 2008, membership stood at 29, 511 with a total savings of D155 million. Loans outstanding amounts to D131 million over the same period. The Treasury Bill and other investment portfolio by Credit Unions stood at D12 million. A substantial proportion (36%) of those members are women, most of whom are engaged in small scale farming during the rainy season, and income generating activities in the dry season (gardening, soap making, sewing, petty trading, etc.).

Industrial/Workplace Credit Unions have also taken centre stage in Credit Union activities. The Banjul Kombo Chapter constitutes the biggest block out of the six Chapters established by NACCUG Countrywide. There are twenty (19) Workplace Credit Unions in the Banjul Kombo Chapter.

## 3. The Chapter System

In-order to facilitate communication and information flow at all levels of the Movement; the Credit Union Chapter System/Structure was established 13 years ago. Currently, there are six (6) Chapters throughout the country. Each Credit Union has a representative in the Chapter. Chapter Officers are elected out of the representatives who co-ordinate the activities and networking of Credit Unions. The Chapter members also elect a representative to the NACCUG Board every two years at the Annual General Meeting and all Chapters have their own bye-laws.

## 4. Twinning with Irish Credit Unions.

Through the partnership of NACCUG and the ILCUF, ten (10) Credit Unions have been twinned with Irish Credit Unions. Twinned Partners provide assistance in the form of computer software and hardware, some provide funding for the remuneration of managers for workplace Credit Unions or a Roaming bookkeeper to help community-based Credit Unions record and update their books of accounts.

## 5. Education, Training and Advice

As the Apex Body for Credit Unions, NACCUG supports its affiliates through regular training of Board of Directors, loan committee members, supervisory committee members, promotions committee members and provides regular general members education.

Through this training, Credit Union members have benefited a lot in being able to manage their Credit Unions. Credit Unions operate their own bank accounts, issue out loans for agricultural, educational, health, and small enterprise development purposes. Some of the larger and financially stronger ones have started to provide car and building loans and mobile telephones to their members. All these loans are properly documented and the data is available at the Credit Union offices.





Credit Unions are also provided the facility for financial investment, technical advisory services, and regular inspection of Credit Union accounts and annual audits of Credit unions.

#### **6. Central Finance Facility**

This is a facility set –up by the members as an investment tool in which they save monies that they do not have an immediate need. These funds are invested in an investment facility called, Central Finance Facility (CFF). The Facility is currently being managed by

NACCUG through the CFF Manager and has an investment portfolio of D5 million. Presently, Credit Unions are borrowing from the facility to provide their members with enough liquid funds to be able to effectively deliver efficient financial services to their members. The Facility charges reasonable interest to borrowers and pays back good returns on invested capital. It is like a Credit Union for Credit Unions.

#### **Information**

Articles covering issues affecting Co-operative movement across the continent can be sent to [info@accosca.org](mailto:info@accosca.org)

