“Supporting Financial Inclusion using the Co-operative Model of Financial Access”

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Welcome to the fourth edition of the cooperative Summit. In this issue, the focus is on financial inclusion linear to the SACCO Leaders forum 2014 themed, “Supporting Financial inclusion using the Cooperative Model”. The role of financial inclusion in uplifting living standards of the unbanked cannot be undermined hence the focus of this year’s SLF.

In this issue, it has been explicitly demonstrated how the Cooperative model of financial access has stood the test of time and is ideal to serve communes that are unbanked. Financial exclusion has led to limitation in economic activities which has resulted into unemployment. The possible courses of action that are likely to address the unemployment challenge are addressed herein.

As a way of promoting financial inclusion, some Cooperative Financial Institutions (CFIs) have adopted ICT techniques to expand their financial arena; a model that has worked well in Kenya. It has further been noted that channels of financial access to the youth and the rural farmers will go a long way in propelling sustainable economies.

In comparison to banks, it has been argued that the CFIs approach offers a simpler procedure to accessing financial services. Doesn’t this create an opportunity for the CFIs? What comes out clearly is that need to do a lot more to reach out to the disadvantaged that are far off the financial grid. Are CFIs tied down by the limitation of the common bond? Do CFIs have technology in place to support the growth opportunity? Are the unbanked an opportunity for growth? To ably take up the task, CFIs ought to adopt an innovative approach of handling their affairs, reorganizing and streamlining their operations amidst strengthened legislative environment.

It is our role as CFIs to take a lead in offering financial services with democratic interests to steer development. The financially excluded persons are often left out by design. The traditional banks are concentrated in the urban areas yet they have stringent rules to accessing finance. Our focus should be towards extending financial services to the unbanked since financial inclusion is important in promoting economic growth, reducing inequalities and stimulating job creation thus directly reducing poverty among others.

Lastly I would like to acknowledge everyone who contributed articles to this magazine, the sponsors that made this issue viable. Look out for the Fourth edition of the Cooperative Summit Magazine in October 2014 during the Savings and Credit Cooperatives of Africa (SACCA) Congress in Abuja, Nigeria. The edition will highlight some innovations that leading CFIs in Africa have undertaken to attain sustainability.

It is my hope that you will enjoy your stay in Lusaka Zambia and don’t miss out on the tour to the spectacular Victoria Falls.

Many thanks
Atuhura Joan Susan
Head Of Program
Executive Directors Message  
Mr. George Ombado  
Executive Director, ACCOSCA

“Does my co-operative society meet the social and economic empowerment needs of other members?”

Is Africa the richest Continent? Maybe yes! If so, why is it that a Continent with a lot of resources is yet to effectively transform her people’s lives? Arguably, this could be either a case of lack of direction or a case of low financial access?

Consider this; the IMF observes that Countries in Africa are growing faster than previously imagined with the current real average GDP growth rate estimated at 5 per cent in 2014. However, even with scanty information about the proportion of Africans enjoying the services of financial institutions; it is appalling that over 65% of the adult population in Africa do not have access to financial services. As co-operators’ organisations we must tap into this group; this exclusion is unjustifiable given that - irrespective of the country under review- they display similar financial service needs.

From the perspective of a Co-operative practitioner’s, the question that must be asked in filling this gap is “Does my co-operative society meet the social and economic empowerment needs of prospective members?” This is really the bottom line purpose of our organisation; we contribute towards improving people’s quality of life.

As managers; therefore, we need to understand the potential gains of conducting our co-operative business through the Savings and Credit Unions (SACCOs) model. I must say that there is credible evidence that today’s Co-operative Financial Institutions in Africa have grown to address some of the unmet needs such as: provision of Bank accounts, Credit availability, Savings Products, insurance, remittance and financial advisory service through education of members. However, a lot still needs to be done to create awareness about these potentials and also develop support initiatives that contribute towards sustainable growth of the sector.

It can be argued that the Sacco’s model has demystified the perception that the poor is un-bankable or unservable. As practitioner’s, we need to maintain this tempo with the broad objective of meeting the members needs.

For this to happen:

- We need to appreciate and acknowledge the importance of co-operative philosophy
- We need to understand and appreciate the pioneers behind development of Co-operatives in Africa.
- We need to learn from the past mistakes and support the new approach of governing the sector
- We need to support professionalism in our Sacco’s; as such improve the public confidence
- We need to adopt a participatory approach in the sector in line with the co-operative principles

All these will require numerous initiatives organised to strengthen Sacco existence and thus create robust relevance with key stakeholders. One such initiative is the Africa Development Educators (DE) Program being launched in Nairobi on 1-6 June 2014. This is a unique leadership development program for the co-operatives, the program currently runs in America (CUDE), Europe (DEEU), Asia (ACDE), Caribbean (CarribDE), Australia (DUDE), and Philippines (PHDE); with each region having a distinct DE Program.

Those who graduate from the program will be designed with ADE. Though attendance to this program will be competitive, we will strive to give all regions in Africa an equal opportunity to sharpen their co-operative leadership prowess through the program. I am aware that a number of countries have already filled their slots and we hope that every member country will seize the opportunity.

With this, I believe the co-operative sector will contribute to: transformative leadership in Africa; Leaders and managers who will be able to match Co-operative member’s ambition to that of the organisation challenges; Leaders who will inculcate co-operative philosophy mentality at a young age since they acknowledge that the youth are agents of change; and leaders who will promote expertise volunteerism in the sector because they recognise and share a commitment to human well being through the Co-operatives.
AFRICA STILL HAS MUCH TO DO TO BOOST FINANCIAL INCLUSION, REPORT FINDS

BY GILLIAN JONES

Africa may be the second fastest-growing region, after Asia, but it lags the world in financial inclusion, according to a report from the African Development Bank. Less than one adult in four in Africa has access to an account at a formal financial institution, while the continent has recorded annual gross domestic product growth rates of more than 5% over the past decade.

Broadening access to financial services will help to mobilise greater household savings, expand the number of entrepreneurs and create more capital for investment. The report, Financial Inclusion in Africa, released this month, finds that technological advances such as mobile money innovations have started to make inroads into banking the unbanked. Mobile money, via cellphones, has been the most successful innovation in Africa, with 14% of adults reporting they have used it in the past 12 months. In comparison, less than 6% of adults in all other regions globally used mobile money in the past year.

The African Development Bank predicts technology could be a “game changer” in drawing the financially excluded into the formal banking world. In sub-Saharan Africa, 16% of adults said they had used a cellphone in the past 12 months to pay bills, or send or receive money. In Kenya, 68% of adults reported having used mobile money. The country’s M-Pesa service, launched in 2007 by telecommunications company Safaricom, transformed the banking world as it did not have a bank licence and users did not need to have bank accounts. About 43% of adults in Kenya who reported having used mobile money in the past 12 months, did not have a formal account. The 2012 Global Financial Inclusion database, covering 148 economies that include 42 from Africa, found that less than a quarter of adults in Africa banked with a formal financial institution, but many people used informal methods to save, such as burial societies, and borrowed from family, friends and informal private lenders.

Companies in Africa tend to lack access to bank credit, and this particularly affects small and medium-sized enterprises (SMEs). Other sources of financing, such as equity markets, are underdeveloped. The African Development Bank report estimates a credit gap of about $100bn for businesses, of which SMEs in sub-Saharan Africa make up a credit shortfall of $70bn-$90bn.

Roughly 23% of adults in Africa overall have an account at a formal financial institution, compared with 42% in Southern Africa. In contrast, 95% of adults surveyed in the Democratic Republic of Congo and the Central African Republic did not have an account at a formal financial institution.

Across the continent, of those without a bank account, 80% said they did not have the revenue to use one. A quarter of respondents said cost, distance and lack of documents prevented them from having an account.

In Uganda, for example, maintaining a cheque account costs the equivalent of a quarter of GDP per capita a year.

Financial inclusion goes beyond providing credit to those people previously excluded. It refers to all initiatives that make formal financial services accessible and affordable to the entire population, according to the African Development Bank.

Financial inclusion should encompass “how frequently clients use products, if the products are effectively meeting their needs, and if they are better off as a result”, the bank said.

“Financial inclusion goes beyond providing credit to those people previously excluded.”
Financial inclusion is seen as a major driver of economic development in Africa. However, access to financial services by individuals and enterprises is still limited across the continent. Gender plays a particularly important role, as women are much more financially excluded than men. The various challenges differ from country to country. In some countries women have only limited access to credit or insurance products, while in other countries women have more difficulties opening a savings account or face access barriers to any financial product. These diverse constraints offer many opportunities for improving women’s financial inclusion and are often linked to reaching overall development goals. In the past, financial institutions have undertaken efforts that primarily focus on women but with limited broader regional or national outreach. In order to reach a wide range of financial institutions and have an impact on the supply side, while improving women’s access to financial services on the demand side, framework conditions need to be adjusted. This issue has been recognized by African policy makers and regulatory authorities such as the central bank governors of Zambia, South Africa and Mozambique. What can these and other stakeholders do to facilitate women’s access to finance? To answer this question a set of policy recommendations for Africa was developed during a round table discussion under the umbrella of the partnership Making Finance Work for Africa (MFW4A), an initiative for African governments, the private sector, and partners supporting financial sector development across the continent. This process was strongly supported by New Faces New Voices, a pan-African network of women in finance, and other stakeholders including the East Africa Community (EAC), Bank of Zambia, microfinance institutions, commercial banks, development partners and international experts. These financial sector policy recommendations were summarized and published in the Policy Brief: Advancing African Women’s Financial Inclusion, which is directed at African governments, central banks, regulatory and supervisory authorities and other stakeholders involved in the policy-making and advocacy process (networks, associations and other civil society organizations as well as donor agencies).

What are the recommendations? One is to ‘Build the awareness of policy makers and other stakeholders with regard to the financial needs of women in different market segments, bringing women leaders into policy dialogue’. This recommendation is the first step in an ongoing process to achieve policy change. As a way to encourage the adoption of effective policy measures, it is recommended that stakeholders identify and endorse policy champions for fostering women’s financial inclusion. For example, in Zambia, the central bank governor, as a high-level representative, supported the implementation of a self-check tool for the commercial banks in the country. This tool encouraged the banks to check whether their financial products and services address women’s needs in the same way as those of men. As a result, some banks adjusted their products to better meet the financial needs of women. Another recommendation is to ‘modify and adjust legal, regulatory and supervisory frameworks, removing impediments and allowing space for innovation..."
to allow greater financial inclusion for African women; inform and build awareness where discriminatory legal provisions have been removed”.  

Two long-standing issues regarding the promotion of women’s financial inclusion in Africa are the removal of discriminatory legal provisions that assign women the legal status of minors and prohibit them from owning property, and needed changes to strengthen women’s (land) ownership rights. In Rwanda, for example, modifications in 1999 to the marital and succession law gave women more property rights. In 2005, the non-discrimination principle and rejection of customs that exclude women from land ownership was introduced. It is assumed that both of these changes in the law were necessary preconditions that led to the narrowing of the gender gap with regards to access to credit in Rwanda.

It is also very important to build awareness of changes in laws where reforms have taken place. According to the World Bank’s Gender and Law library, legal barriers were removed in almost all 38 Sub-Saharan and North African countries surveyed. Experiences of the stakeholders show that customary laws very often predominate and that often individuals are not aware of changes in law. Awareness raising campaigns like radio shows could be used to explain changes. These could focus on men as intermediaries, as they often hold decision-making positions (especially in rural areas), and they could also target women to explain the changes and their rights. In terms of innovation, regulators are asked to balance prudential regulation with openness to innovation, such as new products and delivery channels which need to undergo a thorough assessment of risks and benefits.

For example, legal and regulatory frameworks for mobile and agent banking allow non-bank participation and new models of transactions for loans, disbursement, repayments, savings, payments, transfers and (micro) insurance. Kenyan regulators, for example, have been able to develop suitable regulation for mobile banking and, in terms of innovation, have permitted a pilot savings product combined with a loan product tailored to poor women and delivered through a mobile channel. In the long run, such efforts would have to be linked with a regulated deposit-taking institution. This is challenging, as it requires the creation of a regulated deposit-taking institution with mobile products that is able to take deposits within the Kenyan regulatory framework.

Other recommendations focus strongly on the financial sector, such as investing in more extensive gender-disaggregated data collection in order to better understand where framework conditions need to be changed. This could be implemented as part of the reporting structure between financial institutions and central banks. In addition, measures that are not usually gender-specific, like the reduction of the minimum loan amount covered by credit reference bureaus, favor women as they access smaller loans to a greater extent than men. In this context, a good (re-)payment history helps to overcome constraints related to collateral.

As all these examples show, policy makers and regulators have a crucial role to play in supporting the development of financial systems that advance financial inclusion for women in Africa. With gender issues rarely on the agenda explicitly in the African policy sphere, there is room for much greater focus on women’s financial inclusion on a whole range of policy issues. Successful adaptation of the recommendations outlined here into national policy will not only serve the cause of women in Africa, but it will also have a positive spill-over effect for financial inclusion more broadly as well – for both women and men.
A ‘MARSHALL PLAN’ FOR AFRICA’S EMPLOYMENT CHALLENGE

To Africa’s many challenges, add one more: unemployment. Unemployment, independent of any other factor, threatens to derail the economic promise that Africa deserves. It’s a time bomb with no geographical boundaries: Economists expect Africa to create 54 million new jobs by 2020, but 122 million Africans will enter the labor force during that time frame. Adding to this shortfall are tens of millions currently unemployed or underemployed, making the human and economic consequences nearly too large to imagine.

Thus, even with the strong economic growth we have seen over the past decade, job creation in Africa remains much too slow. Africa needs a comprehensive, coordinated approach akin to America’s “Marshall Plan” in Europe after World War Two. That effort focused on building infrastructure, modernizing the business sector, and improving trade. By the end of the four-year program, Europe surpassed its pre-war economic output. We can, and must, do the same for Africa.

Entrepreneurs, politicians, philanthropic foundations, and development organizations — such as the World Bank, International Finance Corporation and USAID — must all work together to solve the unemployment crisis and make Africa an engine of growth.

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First, we need enlightened government policies that help reduce administrative and operating costs for investors and businesses. We must streamline licensing and permitting processes, reduce import duties and tariffs and ease visa restrictions, among other reforms. Such policies would do much to attract investment, increase entrepreneurship and ultimately generate jobs.

Enlightened government policy in Kenya and Nigeria has already helped to advance the information technology and financial services sectors. Microsoft’s pilot project to expand broadband access in Africa depends on government policy that frees up unused “white space” in the TV and radio broadcast spectrum. Financial services reform across several African nations, starting with Nigeria, enabled United Bank for Africa to grow into a pan-African financial institution. The government’s privatization program has attracted billions of dollars of private investment to develop Nigeria’s power infrastructure.

Governments and the private sector must also commit to strong, transparent institutions to help boost confidence in Africa’s business climate.
African nations such as Botswana, Rwanda and Liberia have made tremendous progress in this area, though in some countries, war and civil unrest continue to take a toll on development. Sustained economic and job growth requires creating a safe and reliable environment for capital — including strong civil and legal institutions, corporate financial transparency (such as efforts by the Nigerian Stock Exchange to improve the quality of financial reporting for listed companies), accountable, democratically-elected politicians, and modern, open and transparent markets (like the new commodities exchanges that Heirs Holdings, Berggruen Holdings and 50 Ventures and its partners are creating at African Exchange Holdings). Aggressive advances on such policy fronts will help support the development pillars of infrastructure investment and industrialization — both of which are vital to creating employment on the continent.

The second pillar of Africa’s development program must be infrastructure investment, particularly in power and transportation, without which business cannot function.

Today, more than 70 percent of sub-Saharan Africa lacks access to electricity and every 1 percent increase in electricity outages reduces Africa’s per-capita GDP by approximately 3 percent. Access to affordable electricity is essential to unlocking the continent’s growth potential — reducing costs and enabling business growth, including homegrown businesses that create jobs and sustainable local economies.

Transportation infrastructure promises to have an equally transformative impact: roads, railways, waterways and airways are the backbone of a thriving commercial economy. The African Union should encourage and embrace transportation projects that first connect African nations to each other, and then to our global trading partners. Projects like the toll road between Entebbe and Kampala, and the Kenya-Tanzania highway will facilitate greater trade of agricultural and manufactured goods within Africa. Consider that today in Nigeria, 65 percent of our produce spoils for lack of storage infrastructure, and is difficult to export to other African markets for lack of rail and road infrastructure. Major multinationals like Diageo, Walmart, Barclays, and Microsoft are ramping up African operations in spite of infrastructure challenges. In some cases, they even build their own infrastructure. Stronger policy and physical infrastructure would bring more investment from those who cannot or refuse to bootstrap it. It would also help small and mid-sized enterprises grow faster, and these companies are the engines of job growth in any economy.

Africa’s third development pillar must be building our manufacturing and processing industries. Africa lacks the capacity to process and refine its own natural resources. Raw materials such as oil, cocoa and gold are shipped overseas, where they are processed into high-margin products and often re-imported into Africa — costing both jobs and hard currency. For example, Nigeria exports raw crude oil and then imports expensive gasoline, when the country should be able to refine the oil itself, supplying not just its own market, but also other markets across Africa. This inability to create finished goods at home, and trade them with other African nations, drastically limits the continent’s growth potential, and thus its ability to create businesses, jobs and wealth within Africa’s own domestic economies.

I believe we can solve Africa’s employment challenge, but only if we focus on these three development pillars with great urgency, and accelerate current investment and business trends.

Many of Africa’s stock markets are delivering stellar returns, while institutional, retail mutual fund and private equity capital is flowing rapidly into African markets. Many multinationals and African conglomerates are investing heavily in Africa.

Despite such investment and economic growth, however, Africa is not creating nearly enough jobs. According to demographics, time is not on our side. But with a coordinated jobs plan for Africa, we can secure a productive, economically independent future for the continent and its people.
Six ideas to make success of your African-based business in 2014

BY JACO MARITZ

1. Many opportunities, but patience required

Although Africa certainly holds many opportunities for business, dealing with red tape and bureaucracy remains a major challenge. Even getting to a meeting on time can be a taxing exercise due to traffic congestion in many cities. It is therefore important to have patience and not expect success to happen overnight.

According to Randy Buday, who looks after DHL’s operations in Nigeria, businesspeople need patience and tenacity to succeed in Africa’s most populous nation. “Nobody is going to make a fast buck here. You need investment, you need patience, you need the ability to understand the workforce, and some of the other unique constraints particular to the country,” he explains. “Even coming to work can be a daily challenge for employees due to inadequate public transport and congestion which is endemic to a number of the larger cities. That being said, there is no doubt that Nigeria is offering some of the most attractive investment opportunities and companies that are willing to invest time and energy here, will see major returns.”

2. Know your market and customers

As a continent of 54 different countries, each with its own distinct economic and cultural features, companies need to ensure they have a good insight into the market they are targeting.

Bernard Malaba, manager for DHL Express in the Democratic Republic of the Congo (DRC), notes that companies wanting a national footprint in the DRC should make sure they have a very good knowledge of the country, as the market can differ widely from one region to another. “The people in the country are so different. For example, what applies in the south of the country, does not necessarily apply in the east.”

Kader Coulibaly, country manager in Ghana, says foreign investors need to do their homework and choose their local partners wisely. “The biggest challenge to doing business in Ghana at the moment is market knowledge. It is also important to choose the right local business partner because the Ghanaian market is a very particular market, and it is better to have somebody that knows the environment very well.”

Coulibaly adds that companies shouldn’t “cut-and-paste” strategies used in other territories.

3. Look at the opportunities in lesser-known countries

While countries such as South Africa, Kenya and Nigeria are receiving significant attention from a foreign investor perspective, there are many often-overlooked countries that might offer good opportunities for business.

The West African country of Niger is such an example. “According to some mistaken beliefs, Niger is seen as a country with no resources and few economic fundamentals useful for doing business. Actually, Niger is one of the richest countries in West Africa with a lot of natural resources, including uranium and oil. Moreover, the authorities have managed to establish an acceptable legal and regulatory framework for the conduct of business,” says Amadou Diabate, DHL Niger country manager.

Sierra Leone’s reputation as a war torn economy also remains one of the greatest hurdles for business today. “One of the biggest challenges is the misconception about the state of insecurity, particularly for those who have never been to Sierra Leone,” notes country manager Basil Akinbinu.

“Patience
Market
Be Creative
Build Relationships
Exploit Opportunities
Capitalise “
4. Build strong business relationships
According to Claude Edgard Zocli, country manager in The Gambia, personal contacts and networks are important for closing business deals in the small West African country. “You can have the best product, a strong brand, the most efficient sales force, but if a person doesn’t know or trust you, if your friendship network is not rich, you cannot succeed in business. People will not buy from you. Except if they don’t have another choice.”

In Madagascar, local businesspeople enjoy face-to-face visits with those they do business with. For this reason DHL country manager Mamy Rakotondraibe suggests that foreigners doing business in Madagascar should take the time to meet with potential and existing clients to strengthen business relationships. Rakotondraibe adds that clients expect top management to be accessible and easy to communicate with. “You need to remain very simple and accessible to people, even humble, I would say… Be yourself… people appreciate that.”

5. Exploit the opportunities in agriculture and food processing
Nearly all the DHL country managers we spoke to during the year identified agriculture as one of the top business opportunities in their respective countries. Despite the fact that it has abundant land suitable for the cultivation of numerous crops, sub-Saharan Africa still imports large quantities of food products. Significant opportunities exist across the agricultural value chain – from basic crop cultivation to food processing. “At the moment the agriculture industry in Africa is around US$313bn and we definitely have the potential, across sub-Saharan Africa certainly, to take that to a trillion dollars or more. Firstly because of the arable land and the water resource that are still available, and secondly simply because of the consumer demand and spend that is becoming available. It’s no secret that the middle class is on the rise in Africa and that’s also going to be driving a lot of the growth that we are going to see for the next 15-20 years on the continent,” explains Hennie Heymans, managing director of DHL Express South Africa.

6. Capitalise on game-changing events
Keep an eye out for big economic developments that could present opportunities for your business. Large mining and oil projects, and the subsequent influx of people, often create demand for many other products and services, from accommodation to consumer goods. There are usually also opportunities to directly provide services to mining and oil companies. One such development happened in Botswana this year.

Diamond mining company De Beers has signed an agreement with the Botswana government to relocate its London-based sales activities to Botswana by the end of 2013. Diamonds from all De Beers’s mines in Botswana, Namibia, South Africa and Canada will now be brought to Botswana. Sales to sightholders – a select group of buyers picked by De Beers to buy rough gems – will take place in Gaborone. The world’s most influential diamond traders will fly to the Botswana capital 10 times a year from major centres such as Antwerp, Tel Aviv and New York to buy diamonds from De Beers, reports Business Day. It is expected that over $6bn worth of diamonds will flow through Botswana every year.

According to Mokgethi Magapa, Botswana country manager for DHL, the influx of top diamond buyers to Botswana, as well as other related businesses setting up shop in the country will create a need for numerous services, from hotels and restaurants to telecommunications and banking.

BY JACO MARITZ
The potential of Inclusive business models to contribute to poverty eradication and sustainable development is well known – and is increasingly gaining attention among governments and policymakers in general. But many inclusive businesses are facing constraints, hindering them to reach a larger scale. They typically include a lack of information, rules, financial resources, and structure and capacity. Inclusive business policies can help overcome these constraints and help businesses to achieve broad impact, as the newly published study “Inclusive Business Policies – How Governments can Engage Companies in Meeting Development Goals” shows.

As part of the study I visited Nairobi in May 2013 to interview some of the main stakeholders involved in designing and implementing policies for financial inclusion; among others FSD Kenya, the research department of the Kenyan Central Bank and the SACCO Societies Regulatory Authority (SASRA). These visits and interviews, together with an extensive document review, give a clear picture of the success factors for policy making aimed at making the financial sector more inclusive:

Success factor 1: An overarching policy framework with a clear vision

Lack of access to financial services is one of the key constraints for lower-income households and small enterprises. In Kenya, the topic is high on the agenda for both policy makers and private actors and covers a broad range of issue areas, such as access to bank accounts, insurance, credit, mobile banking etc. The Kenyan overall long-term policy framework, Vision 2030 recognises the financial sector as a major driving force for national development, and conceives financial inclusion as vital in the production of inclusive growth.

Strategies can be even more effective when they build on an overarching development vision. These frameworks can act as strong coordinating forces, bringing all relevant societal actors together and defining the roles they can play in contributing to shared visions.

Success factor 2: An independent facilitator creating opportunities for dialogue and informal exchange

Kenya’s Vision 2030 was also a driving force for the Financial Sector Deepening Initiative (FSD Kenya). FSD was established in 2005 by the United Kingdom’s Department for International Development (DFID) - a multi-level, multi-actor financial-sector development programme to speed up financial inclusion of society at all levels and in all areas. Informed by a “making markets work for the poor” approach, FSD is an independent facilitator and cooperates with and supports all actors in the financial system - the Central Bank of Kenya, government agencies, private service providers, informal providers, etc. - through research, analysis, advice and the coordination of activities. FSD has a solid and extensive network of links to all relevant people in the country’s financial sector and can easily intermediate between different parties, creating an opportunity for dialogue and informal exchange.

A central facilitator can centralise communication streams to monitor the broader activities and interests of different stakeholders while ensuring they are aligned with the shared objective. It also reduces communication costs for all the other stakeholders.

Success factor 3: A solid fact base for policy making

One example for a specific initiative within the financial inclusion agenda is the FinAccess survey, informing on gaps that need to be addressed and leading to further policy measures. One of these measures is the creation of the SACCOs societies Act of 2008, which established a new implementing institution, SASRA. Both show the interconnectedness of concerted financial sector innovation instruments:

Until 2005, no systematic measurement system was in place to map the financial sector. Therefore the Financial Access Partnership was created by industry, government and research institutions to generate reliable data on the financial sector.
This was realised by the first FinAccess survey in 2006, a national household survey providing policymakers with information about the state of financial inclusion.

In Kenya, some 5,000 cooperatives provide financial services, formed by individuals to pool savings and lend to each other. These Saving and Credit Cooperative Societies (SACCOs) are very popular among middle- and low-income people unable to access traditional bank accounts. About 215 operate a front office service activity (FOSA), quasi-banking services with products such as savings and credit, demand deposit accounts and ATM transactions. Over the years SACCOs grew in size and numbers and began to offer more ambitious services leading to capacity gaps in governance and technological and financial management. Without clear regulation and oversight, account holders could risk losing their money if it is given out as loans to other members without proper management.

This risk was also clearly identified by the first FinAccess survey. It showed that most people with access to financial services were using SACCOs and that SACCOs could no longer be regarded simply as negligibly small societies. Their failure could pose a systemic risk to the whole economy. As a consequence, the SACCOs societies Act was established.

To reduce uncertainly and unintended effects, policymakers must be able to design policies based on sound information. Gathering data on the need and constraints of people and companies can help bring new issues onto the government agenda. Policymakers must also be able to measure the effects of the policy, thus allowing for an objective analysis of results that enables correction and adaptation over time. The FinAccess surveys serve both as an evaluation instrument for policies and as an agenda-setting tool to identify emerging issues.

Success factor 4: cooperation among all stakeholders at all stages of the policy making and implementation process

The SACCOs Societies Act

As we can see, FinAccess identified a major risk in the financial sector. As these challenges could not be adequately addressed by existing legislation, policymakers and key stakeholders agreed that a specific legislation was needed[4], which resulted in the 2008 SACCO Societies Act.

The responsible government authority for all cooperatives - and for designing the new law - was the Ministry of Cooperative Development and Marketing (MoCDM). It convened a taskforce comprised of staff from the relevant agencies, among others the Central Bank, the Cooperatives Bank, the Kenya Union of Savings and Credit Cooperatives, FSD Kenya, led by the World Council of Credit Unions.

This government task force involving all relevant public agencies to design the SACCO Societies Act, was a critical factor in gaining the consensus needed to establish the act. Open and honest dialogue among all actors involved is the essence of collaborative governance and is particularly critical to ensure that any new policy gains internal support and can be effectively embedded within existing policy frameworks. Another crucial factor for successful implementation was the combined expertise of all stakeholders during the whole process of implementing the new legislation.

Outcomes

The Act contains provisions to make the SACCOs offering banking services more secure and efficient, and protects the shares and deposits of the (largely poor) customer base. The main structural implication of the Act was the establishment of a new institution, the SACCO Societies Regulatory Authority (SASRA), a semi-autonomous government agency under the authority of the MoCDM. It is mandated to license deposit taking SACCOs, assisting them in meeting the regulation requirements by 2014.

As for SACCOs, in order to obtain a licence they have to establish business premises, develop a comprehensive information and risk-management framework, pass a “fit and proper” test and demonstrate minimum core capital of KES 10 million.

FSD assisted in the implementation of the new regulation in close cooperation with SASRA, by developing technical materials and toolkits, providing advice for strategic management and capacity development and information material for key stakeholders.

To date, 124 out of the 215 SACCOs - controlling 80% of the sector’s financial assets - have been licensed. They have shown a 15% rise in total assets, a 27% rise in membership and a 35% rise in share capital. SACCOs’ reputation among Kenyans has markedly improved since the start of the licensing process.
youth unemployment is an issue that keeps many African politicians awake. Though data unavailability and informal economic activity make estimates difficult, youth unemployment rates in sub-Saharan Africa are believed to hover around 30-50% (and even higher in parts of North Africa). The World Bank puts the figure at 38% in Nigeria, while the Economist projects 55% for young black South Africans. This is set against the backdrop of a fast-growing youth population, expected to double from a base of 200 million by 2045. Africa’s youth are at a crossroads, and today’s decisions will determine whether they become a demographic dividend or a ticking time bomb.

Companies and entrepreneurs can bring a sustainable solution, while unlocking massive economic opportunity, but a change is required from today’s status quo.

In June 2013, some Harvard Business School classmates and I launched a social enterprise (WAVE: West Africa Vocational Education) targeted at the youth unemployment issue. We identified two sides to the problem: the jobs gap and the skills gap. On the one hand, decades of policy failures and stunted private sector growth have led to a shortage of formal jobs; on the other, many youths leave schools and universities wholly unprepared for employment. Our organization focuses mainly on plugging the ‘skills gap’: we identify, train, and place underprivileged youths in emerging industries like the hospitality sector. However, our experiences so far have highlighted opportunities for even broader impact through a different approach to in-house training at African companies.

A ‘Training-Heavy’ Strategy

Today many African companies employ a ‘Training-Light’ approach. In the hospitality sector, for example, they invest upfront into luxury real estate and equipment, but rarely into training programs. Some may have short on boarding programs for new employees; at best some multinational companies will budget similar training budgets as in their developed market businesses. But there is a marked lack of a holistic training strategy that over-invests in response to the challenging African environment, and prioritizes continuous learning and customer feedback.

Instead African companies need to adopt a ‘Training-Heavy’ strategy, which positions enterprises as remedial schools and emphasizes continuous, metric-based learning.
There are many reasons for African companies to step back in 2014 and rethink their training approach:

- The current system is broken. Many schools and universities pump out students who cannot string together coherent sentences. Companies that fail to take training seriously will face personnel issues sooner or later.

- A good training strategy is directly linked to reducing the unemployment problem. Companies who take the lead will find themselves on the right side of public policy momentum as government concern about the youth unemployment issue deepens.

- A good training strategy is a competitive advantage. In his work on interdependence vs. modularity, Harvard Professor Clay Christensen predicts that firms with integrated architectures perform very well in under-served markets with ‘not-good-enough’ products. Many emerging markets in Africa fall into this ‘not-good-enough’ category. In such an environment, companies should see training as an R&D investment – part of their secret sauce – rather than a distracting expense.

There are four essential elements of a ‘Training-Heavy’ strategy:

- **Train early and often.** The inferior quality of many schools necessitates early access to youths through internships, short-term placements and even school-based training programs. By finding high potential candidates early, companies can develop them for many years before bringing them onboard. As soon as the new hire is made, companies should emphasize the employee’s position as an apprentice and present each day as a learning opportunity. Regular job functions should be topped up with frequent top-up training sessions, and continuous access to e-learning.

- **Use mentors and feedback.** Mentorship is well-established within many African cultural norms, and exists in some form in many companies. However, companies should be careful to promote mentor-mentee relationships that are based on competence and company experience rather than external factors like age. Many companies also need to work hard to lower the cultural barriers towards giving and receiving feedback. Company executives can set a good example by being transparent in receiving feedback from subordinates.

- **Metrics are your best friend.** Companies need to identify objective metrics to assess the progress of employees – without metrics any training strategy will be haphazard and unsuccessful. These metrics should be linked to value drivers for the company’s business: for example in the hospitality industry, companies need better metrics on customer satisfaction and how individual employees may have contributed or detracted from it. Today, many hotels and restaurants even lack simple feedback forms, and have absolutely no idea how their customers feel.

- **Align Culture and Incentives.** Ultimately, most transformational initiatives will fail if the company’s culture is not aligned. Company leadership should frequently communicate training and development as priorities and promote objective measurements of employee progress. Compensation, promotions and other rewards should be tied to employees’ performance on the identified metrics.
As minister for finance and economic planning, Amb. Claver Gatete is right to be concerned about the low savings rate in the country, now at just 13.3 per cent. His recent call to Rwandans to save money in formal finance institutions ought to be taken seriously. Amb. Gatete rightly pointed out that it is from savings that commercial banks collect money they lend businesses, people to trade, manufactures to produce goods we consume daily, and individuals to build houses or pay for things we need for personal development.

Unlike foreign sources, local savings provide banks with cheaper working capital. That is why countries with higher rates of savings sometimes have lower interest rates because banks have access to cheaper cash which they also lend cheaply. The very first benefit from domestic savings is that the private sector is able to access cheaper loans. Remember, the private sector is the engine that powers growth in any economy. When interest rates are lower, Rwandan businesses looking for credit to expand will borrow more. And when they borrow and invest wisely, they create more jobs for young people.

When the youth get good paying jobs, they will earn money and spend on goods and services. As consumption increases, producers of goods and services will invest in more production and hence more jobs, further increase in savings from extra incomes and above all, tax revenues will grow. With more revenue available, the government will have a big resource envelop to fund social programmes and build infrastructure. That leads to the second and broader benefit: economic growth.

At individual level, it is quite obvious that if you spend all your earnings to the last coin, you will certainly never invest. And when you don’t invest, you cannot develop – meaning you condemn yourself to perpetual poverty, especially at old age.

Saving, however, does not mean keeping money in commercial banks alone. Some people have saved in form of investment in land, real estate, livestock (cattle, goats and pigs). This is apparently driven by fear of exposing one’s savings to inflation because most of the time, the interest rates paid by banks on savings fall far below the rate of inflation. That is where banks have their work cut out as they move out to attract savers. It is not enough to open a bank branch in the village to get farmers open accounts and start saving money. They must be told, in clear words and figures, why they should keep their money in the bank and not buy a cow or a goat. Old perceptions about banks as institutions where the rich (people with excess cash) keep their money still persist.

People who cannot read and write have been kept away from banking halls by the cumbersome paperwork. Others have been kept away by hidden charges.

Last month, I walked into a local commercial bank with a branch in Nyabugogo. As I stepped in, I heard a lady with a heavy American accent in a furious exchange with teller. She was demanding an explanation why her account had been debited $3 (three dollars). She insisted that all the known bank charges had been accounted for, but she didn’t understand why she was being charged extra three dollars. Banks will, therefore, need to come up with simplified and clear processes. That is why Umurenge Saccos are doing well in mobilising savings. In Saccos (savings and credit cooperatives), there is little or no paperwork to intimidate less literate customers. Members know and trust each other. The rules of the game are clearly explained to each member. Official figures show that Saccos have been able to collect over Rwf35 billion in savings since 2010. That is a clear indication that billions of Francs remain stashed away under mattresses.
Everyday services and products delivered **efficiently and affordably** to you.

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INVEST IN THE YOUTH AND RURAL FARMERS

Sub-Saharan Africa’s economies are growing at more than twice the pace of economies of any other region, except China. But Africa’s growth has produced less than a trickle of good fortune for hundreds of millions of Africans who cannot find work.

One in four Africans are hungry. Recent estimates show that the number of people living in extreme poverty in Sub-Saharan Africa has increased. Despite high GDP growth, hundreds of millions of Africans are hungry and malnourished. Between 2010 and 2012, the number of hungry Africans grew from 175 million to 239 million, with nearly 20 million added in the last few years.

In Kenya, it is estimated that less than 7 percent of the nearly 800,000 young people entering the job market annually can find decent wage paying jobs.

Moreover, less than 15 percent of Kenya’s 14.3 million people in some form of employment are engaged in the modern, formal sector of the economy, i.e., agribusiness, services and industry.

In 2014, Kenya’s policymakers should make equitable economic growth and creation of high quality jobs for a major priority. To be successful, economic growth strategies and employment opportunities must be designed and calibrated to respond to Kenya’s unique circumstances; a youthful and a predominantly rural population.

Creating opportunity for the youth must begin with how we educate our children. Education in this country is a protracted process of university entrance. This is wrong. Our school system designates as failures too many creative and talented kids who do not enter university. But the irony is that college degrees are not worth much, especially in this economy. A majority of fresh graduates are “hustlers”. Moreover, potential employers think most of our college graduates are not work ready.

We must re-think our education system and invest in high quality early childhood education, a primary school system that encourages and nurtures the creative instincts of children. We must discard the current system, which privileges memorization and regurgitation.

Our secondary school system must lay the foundation for learning to learn. Vocational and tertiary education must produce problem solvers who are capable of complex reasoning, life long learners and creative innovators.

About 70 percent of Kenya’s population lives in rural areas. A majority of this population is self-employed smallholders engaged in subsistence crop production, fishing or pastoralism. Decades of underinvestment in research, extension, rural infrastructure, financial services,
and weather information have led to inexorable decline in productivity and left a majority of Kenya’s rural population outside the mainstream economy. Consequently, agriculture’s share of GDP has declined from 88 percent in 1960 to 25 percent in 2012. The minders of our economy are under the illusion that investing in legacy mega projects like massive irrigation, highways and railway lines alone will deliver sustainable and shared economic growth. Among policy makers in this government, just like the previous three the role of smallholder agriculture is nebulous and often misunderstood. Agriculture is more than just crops and food. A one-dollar increase in exports of green coffee from Costa Rica generates an increase of USD1.18 in family income. In comparison, each dollar transferred to Costa Rican households produced only USD 0.99 of value added. Agriculture has considerable multiplier effect in the wider economy. A multiplier is a measure of the relationship between an initial increase in spending in one sector of the economy and the total increase in spending in all sectors of the economy, owing to the initial increase. Recent studies cited by UNEP and International Fund for Agricultural Development (IFAD) show that a 1 percent increase in agricultural per-capita GDP has five times the impact on the poverty gap than the same increase in GDP in other sectors. Other studies have shown that for every 10 percent increase in farm yields, there was 7 percent reduction in poverty in Africa. Studies have shown that agriculture promotes the inclusion of rural communities, especially the poorest. Agriculture has been identified as an important supplier of inputs and a generator of value added that plays a key role in the distribution of the income between urban and rural regions. Youth unemployment and grinding rural poverty are the defining challenges of our time. Investing in the youth and rural farmers offers the best pathway to achieving inclusive and socially sustainable economic growth. Investing in our youth and rural development is smart economics. It is also a moral imperative.

“To be successful, economic growth strategies and employment opportunities must be designed and calibrated ....”
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Little economic grounding dictates that markets for products play a critical role in growing any economy, itself a key prerequisite for enhancing the livelihoods of communities. Assuming that the manufacturing base of a nation is sound, with various products being churned to the satisfaction of consumers, the market for such products will have the natural say in the determination of the profitability or otherwise of such business ventures. Markets for products will be essential in determining whether the manufacturing companies will break even or at least eke out profits so as to sustain production. For industrial productivity to be a reality and if trickle-down effects are to grow the source of raw materials and ultimately generate employment either side of the production circle, a sound market for goods has to be in place or at least be generated through various strategies at the companies’ disposal.

It sounds refreshing as an African for the continent’s political leadership to have finally realised the economic gem in their midst, which is the market, a staggering billion-plus population with the extraordinary potential to change the economic fortunes of individual countries’ domestic economies. About one hundred trade and customs experts from the 26 countries under COMESA, EAC and SADC met in Mauritius to map the way forward on the free trade area (FTA) that brings the three blocs together.

Yes, there is practical optimism in Kenyan President Uhuru Kenyatta’s observation that “Strong partnership and co-operation between African countries will bolster trade and investment, consequently improving the living standards of people.”

Whilst China is an indisputable technological giant, its booming economy is partly attributed to its solid market, a staggering one in excess of a billion people. It is every economically successful nation’s secret arsenal. Ask yourself, is it a mere coincidence that the continent’s economic powerhouses such as South Africa and Nigeria also command huge populations? There is indeed power in huge populations which translate to thriving economies in the event of other fundamentals being correct.

Imagine if the whole of Africa was to become a single economic bloc with prudent trade rules being adhered to by individual countries, the continent will be a living paradise to its inhabitants. Such a huge economic bloc will enable small countries such as our own Zimbabwe, with massive potential to reignite its sleeping industrial base, to tap into the vast market for its products.

Those with a stable memory will recall that at its peak, Zimbabwe’s industrial capacity was a marvel for the whole of Africa. Had it not been for the illegal debilitating sanctions which were engineered by the British and their American kith and kin, with the tacit support of their local surrogates, the two Movement for Democratic Change formations, the country’s manufacturing industry could have been robust and intact. It is pleasing to note that, the recently elected Zanu-PF Government has prioritised the retooling of...
of the country’s industries in the short term. This is what the country needs for it to extract value from the envisaged Free Trade Area. Where a nation has a comparative advantage, it is bound to harness modest profits hence enhancing its economy for the benefit of its citizenry.

All the nations of Africa will benefit from the economies of scale, a simple economic principle where mass production has an effect of lowering prices for consumers’ benefit. With flexible boarder trade policies that cater for smooth movement of labour, production costs will be substantially low which will ultimately trickle to the people, manifesting itself in low prices. Certainly, the quagmire of poverty, which reflects itself in families failing to have decent meals, will be a thing of the past or it will at least be reduced.

There is no need for sceptics to press the panic button by suggesting that such a noble venture will suffer a stillbirth. As usual, in such a grand project which is earmarked to benefit the ordinary folks, merchants of doom, especially those of our own whose livelihoods are sustained by deriding anything African, will be quick to point out supposed anomalies.

Surely, such retrogressive personality need to be watched out for, for their agenda has always been to perpetuate foreigners’ interests. For once, as Africans we need to harness the abundant potential that we possess in order for the continent to grow economically in leaps and bounds.

Just a glance at the European Union, it is the amalgamation of energies by the various governments for the benefit of their citizens. course territorial integrity and sovereign issues are of paramount importance to all governments globally, but it is the crafting of economic policies that take aboard such critical pillars that define nationhood that will enable Africa to emerge strong from its deep slumber.

Whilst other continents and economic blocs are be- reft of resources to support their economies, Africa is blessed with numerous raw resources whose judicious exploitation is the panacea to the total eradication of various economic and social quagmires afflicting Africa. Each country has to use its comparative advantage which will enable the rest to tap and gain from its expertise which will ultimately benefit the rest.

In order for Africa to sustain such an enormous economic project, there is need to invest in water-tight security which is a prerequisite for peace and stability. Peace and stability are key elements in the bid to achieve economic prosperity at the national and continental level.

For those who have visited Europe, it is quite clear that the political and economic bloc invest so much in security which has resulted in the relative wealth which has accrued to their citizens and countries. Africa should not be an exception as it aims to realise this crucial goal of economic prosperity. Security should always be available to citizens as they undertake their daily chores.

There is therefore need for the various economic blocs in Africa that peace is made available in some trouble spots such as the Renamo-engineered menace in Mozambique, the need to halt the volatility that now characterises the Great Lakes region, the need to bring normalcy in West Africa where coups have become the norm and the need to ensure that the unrest in North Africa is managed so as to concentrate on economic progression.

A casual look at the unrest bedevilling these various spots in Africa will unravel that the hand of former colonisers is ubiquitous in all these conflicts as they attempt to consolidate their hegemony over Africa’s resources. Ironically, it is for the benefit of their citizens at the expense of Africa.

Therefore, the greatest threat to the establishment of this noble economic initiative are the rapacious former colonisers who view it as a threat to their erstwhile illegal role of distributing Africa’s resources as if they were theirs. Africa, it is time Africans control their destiny by ensuring that the economic levers of their continent rest firmly in their hands.

“Imagine if the whole of Africa was to become a single economic”
African Confederation Of Cooperative Savings And Credit Associations (Accosca) goodwill ambassador Emmanual Darko, address in Sacca Leaders Forum in Accra Ghana.

Zambia Police Thrift Credit and Cooperative Society Limited, CEO Moono Faula Namalongo joins other leaders during Sacca Leaders in Sacca Leaders Forum in Accra Ghana.
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