

Focus :

INTERNATIONAL YEAR OF COOPERATIVES

## COOPERATIVES IN MICROFINANCE: SPECIFICITIES AND ASSETS

ROUNDTABLE

[COOP2]

Room Amartya Sen  
Palais Brongniart

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### MAIN FINDINGS

In a context of crisis and at a time when the role of microfinance in fighting poverty has to be addressed anew, the cooperative model is revealing itself to be an alternative model which can help those disadvantaged by way of their limited access to the conventional banking system. Indeed, the members of a cooperative provide the capital and are more involved in the organisation; the solutions and products on offer are more adapted to their needs; and the pooling of different types of expertise reduces the operational risks and guarantees the social objective. 50,000 credit cooperatives and 184 million members can be found across 100 countries, from all different sectors of activity. As well as being more efficient and showing higher growth rates than conventional organisations, cooperatives are also better able to resist crisis thanks to their unique participation model. They create 100 million jobs, 20% more than multinationals. But given their high growth rates and the need to scale up, the challenge facing cooperatives is the need to preserve their close relationship with the local and regional area and with their members while guaranteeing rules of good governance and solidarity mechanisms that reflect their social and solidarity ethics.

### SPEAKERS

**Priscilla Carpenter**

Director of International Affairs, Crédit  
Coopératif

**Bernard Horenbeek**

Managing Director, Crédal

**Zana Konini**

Chairwoman and Executive Director, Albanian  
Savings and Credit Union

### MODERATOR

**Yaël Zlotowski**

CEO, Caisse Solidaire

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## SUMMARY OF INTERVENTIONS

### The origins of microfinance cooperatives

**Zana Konini** explains that in 1992, after the change in politics in Albania, the World Bank supported the creation of a credit cooperative as part of its programmes to fight against poverty. The Albanian Credit and Savings Union was created in 2002 to unite these activities while giving them a better structure and a formal status. The regulatory role played by the central bank allowed the group to protect against risks while ensuring more reliable development. The Union's mission is to provide funding for economic activities in rural areas in order to improve the lives of its members. It currently has 40 million euros in assets, a portfolio of 28 million euros and 10 million euros of deposits. The Union is funded through savings, membership shares and external funding. The three main ways in which the Union contributes to society are the support it provides to civil society organisations, its participation in creating a regulatory framework for microfinance and funding for agriculture and cattle breeding. These sectors, which have difficulty finding sources of funding, represent 20% of GDP and 50% of employment.

**Bernard Horenbeek** notes that in the 1980s, Belgian activist movements against apartheid in South Africa discovered that Belgian savings banks were in fact supporting this policy. They therefore decided to withdraw their money from banks in order to place it in a cooperative named Crédal they created in 1984. The aim was to defend ethical and solidarity saving by supporting the nonprofit sector and social enterprises. In the 1990s, the Muhammad Yunus microcredit initiative attracted their attention and Crédal began to develop microcredit on a professional level in Belgium. In 2000, following a rise in excessive debt in the Wallonia region, Crédal worked in partnership with the region in order to make credit a tool for fighting against excessive debt and protecting people from harmful products such as revolving credit. Crédal then began to offer professional microcredit to those with scarce means and cover. The cooperative is a company with a social mission; a business able to limit its profits.

**Priscilla Carpenter** adds that Crédit Coopératif was created in 1893, and is today a cooperative bank that belongs to its clients (businesses and associations). Its mandate is to provide funding for the social and solidarity economy in France. The cooperative makes a

profit and places a portion of it in an indivisible reserve. If the cooperative's activities come to a halt, the reserve must be transferred to another project with a social aim. The dividends of the membership are limited by law. Currently, Crédit Coopératif has 100 branches, 40,000 members, 250,000 clients and a total of 14 billion euros on its balance sheet. Client representatives are board members. On an international level, the aim is ideally to support projects that take the form of cooperatives. Microfinance is also supported by the Crédit Coopératif Foundation. A case in point is the Kafo Jiginew microfinance institution in Mali which has been receiving support for 25 years.

### Growing without compromising on principles

**Zana Konini** points out that the Albanian Savings and Credit Union favours a close relationship with those on the ground and therefore delegates some of its financial services to banks with scarce means.

**Priscilla Carpenter** explains that, unlike the previous example, Crédit Coopératif puts in place the means necessary in order to avoid having to compromise. There are two types of intervention: a subordinated loan, in order to provide the institution with a certain amount of leverage, and investment in capital, which aims to support the project in the long term. Crédit Coopératif also carries out discussions with large structures that want to move in the direction of this type of model.

**Bernard Horenbeek** explains that Crédal creates a new product when a need emerges which is not covered by banks. The cooperative's growth has been continuous since 1984 but has sped up since the onset of the crisis. The fact that Crédal's origins are rooted in the citizens is very much alive and visible. Close relationships are important and there is a need to be wary of some institutions becoming detached by following the example of conventional banking, which no longer responds to the needs of its members.

**Priscilla Carpenter** points out that when total deposits are not enough, microfinance institutions turn towards external funding. However, continued follow-up of clients must be ensured. Otherwise, they risk drifting from their mission and their values as a cooperative. For example, Kafo Jiginew has gone through difficult times with episodes of fraud, but the system of checks was strengthened. The main risks are non-microfinance sources of funding and developing activities in urban areas, since many people are moving to the cities.

## SUMMARY OF DEBATE WITH THE AUDIENCE

### **What are the main attractive features of cooperatives?**

Cooperatives are organisations which provide the best form of resistance against periods of crisis, they are the most efficient and show high rates of growth. This can be explained by a number of factors: firstly, members provide the capital and are therefore more closely involved and more trusting; secondly, cooperatives offer solutions and products that are better adapted to the needs of their members; thirdly, combining different types of expertise reduces the operational risks and guarantees the social objective (financial and social experts); finally, members contribute on a voluntary basis and have a long term vision anchored in the future.

### **What is the difference between mutual funds and cooperatives?**

In Africa, the two terms are synonymous. In Europe, cooperatives receive capital from their members, whereas mutual funds do not have capital but simply voluntary membership.

### **How can we ensure the common good when individual interests are being combined? How can good governance be ensured?**

Governance is an interesting question and a challenge in the cooperative model. General assemblies are vital meeting times when needs are pooled together; cooperators have to try to find their own place in order to give greater meaning to the shared project and to set up a dynamic. The role of the facilitator is key in achieving this. What is more, new technologies and meetings prior to the general assembly are vital tools for sharing information and getting more people involved. Governance is therefore a difficult question but a relevant one.

### **How can a group be transformed into a cooperative considering all the management problems involved which have caused serious crises in African microfinance networks (distancing oneself from clients, internal discipline, the different influence that each member should have, setting up an internal solidarity mechanism, etc.)?**

Internal regulations must be established as should supervision by regulatory bodies and solidarity mechanisms in order to tackle difficulties. A great deal of organisation is necessary in order to protect against risks.

## REPORTER

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## MORE ON THIS TOPIC

- Albanian Savings and Credit Union : [www.ascunion.org.al](http://www.ascunion.org.al)
- Crédal : [www.credal.be/](http://www.credal.be/)
- Crédit Coopératif: [www.credit-cooperatif.coop/](http://www.credit-cooperatif.coop/)
- Kafo Jiginew: [www.kafojiginew.org](http://www.kafojiginew.org)