

UN Capital Development Fund

Global Forum on Cooperatives

6 September 2012

Cooperatives in Africa: lessons learned and the way forward

The case of Financial Cooperatives in Africa and lessons for support

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Objectives

- Depth and breadth of financial cooperatives in Africa
- Some opportunities and challenges linked to providing services through financial cooperatives
- Lessons for donors and practitioners



Breadth and Depth of Financial Cooperatives in Africa

- Financial cooperatives represent about 80% of non-bank financial institutions in West Africa
- Big financial cooperatives in Kenya are larger than small commercial banks
- In most African countries, financial cooperatives have the deepest penetration
- Financial cooperatives found in hard-to-reach areas



Opportunities

- Member owned
- Not credit-focused
- Local community based and owned
- Equal access
- Can be started anywhere
- Low barrier to entry
- Rely on savings mobilized from members
- Sustainable institutions



Challenges

- Lack of regulation and supervision in most countries
 - Kenya, South Africa, Malawi, West African countries have financial cooperatives specific Laws
- Governance issues
- Traditional lending practices (share-based lending)



Challenges

- Limited product offering
- Lack of long-term financing
- Local political interference



Some lessons for Donors and Practitioners

- Provide support to enhance savings mobilization abilities
- Support regulation and supervision reforms
- Capacity building to focus more on institutional strengthening and product development and less on providing funds for credit



Some lessons for Donors and Practitioners

- Encourage the use of financial standards for internal management, even in non-supervised environments
- External credit should be relative to savings mobilized and ability of the institution to manage large funds



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THANK YOU

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