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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