

**WHY WE CAN NO LONGER AFFORD
TO IGNORE FINANCIAL
COOPERATIVES IN THE EFFORT
TO INCREASE ACCESS
TO FINANCIAL SERVICES**

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Towards the end of the 1990s, the rising interest in microcredit shed new light on the importance of using financial leverage for community development. Suddenly much attention was devoted to the impact, methodologies and strategies set up by microcredit operators who were highlighting the fact that poor clients could use credit as leverage to improve their living conditions. Two high profile organizations led the debate at the time, first the Microcredit Summit which promoted the need to make credit available to the poorest clientele with the goal of reaching 100 million of the poor in order to make a significant reduction in poverty, and second, the Consultative Group to Assist the Poorest (CGAP) which, for its part, very quickly placed the emphasis on the need to professionalize practices in order to make microcredit operations profitable and sustainable. And over last years, other types of players appeared and have gone further. They promote and claim sustainability sometimes at any cost, even if the poor are not catered to.

Today the international community has come to the realization that both goals must be pursued in tandem and that the dual ambition of reaching the poorest in a profitable and sustainable manner is a formidable challenge. The microfinance community has tried to take a middle path and be more open to pluralistic approaches: the sustainability should not be carried out to the detriment of the accessibility.

But all during this wide-ranging debate, financial cooperatives never really entered the fray. While making financial services available for years to the poor and marginalized, financial cooperatives were surprised to learn that microcredit had just been invented. And even more surprised to learn that one of the reasons why they were not considered credible actors in the sector is because the conventional thinking was that they did not reach the poorest of the poor.

Today, the top performing NGOs of the time have turned themselves into banks or hope to do so and the CGAP is vigorously pushing a solution to the forefront that would have commercial banks move into the target markets of these institutions, seeking to provide community finance for all women and men, including the poorest.

Financial cooperatives are systematically shunted aside and ignored despite the fact that in some parts of the world, 80% of all microfinance activities are still delivered by these types of institutions¹ and despite the fact that history has shown that in certain developed countries, large financial cooperatives have been the main force behind the introduction of banking activities to many communities.

There are of course problems within the cooperative sector but the problems lie mainly with specific institutions. For instance, in many developing countries, financial cooperatives have been so long part of the state policy for expanding access to credit (particularly) to rural areas and peasants, that they have almost become "organs of the state". They lost their autonomy and became instruments in the hands of the local power elites for extracting cheap, non-repayable capital from the state. This is obviously not the model that should be promoted. Another problem which financial cooperative sector is somehow facing is the lack of reliable data about the scale (outreach) of the sector and its performance. This can obviously darken the portrait or give a bad idea of it. In many countries, the number of cooperatives in operation is not even known. Without hard data to help understand the true performance on parameters as outreach and financial soundness, discussion on this topic can remain based on generalizations.

¹ In West Africa (UMOA), according to Central Bank of West Africa (BCEAO) figures, financial cooperatives in 2003 account for over 93% of the savings deposits mobilized and 77% of the outstanding loans within the overall decentralized financial system (the designation used by the BCEAO for microfinance institutions)

However, many other cooperatives organizations are highly effective and succeed very adroitly in linking their economic mission to a social one. It is perhaps time to devote greater analysis to these actors in order to identify the success factors. This should be done in the same way other models are analyzed. Cooperatives must no longer be lumped into one basket marked low quality.

This document therefore offers several elements to stimulate discussion of why we must no longer ignore how powerful financial cooperatives actually are as tools for increasing access by the poor to financial services. Canada has a rich history of cooperative successes. The fact that the Global Microcredit Summit is being held on Canadian soil appears to us as an opportunity to restore the cooperative model to the prominence it deserves.

Cooperatives are amazing delivery mechanisms when networked

Financial cooperatives are institutions that have grown up from the base and are therefore organized in close proximity to the communities they serve. Typically they are often located in rural areas or in communities that are ignored by other institutions².

However, no matter how far they reach, cooperatives still must perform efficiently in delivering their products and services to their members at the lowest cost. Currently, many are, in fact, facing the problem of optimizing the distribution networks they have set up. Succeeding in such large scale reconfiguration means they must see themselves as networks.

² An independent study by a consumer group in Canada in 2002 concluded that banks pull out of low income urban neighborhoods and small rural municipalities. Financial cooperatives in most cases are the only available financial institutions.

Some examples of outreach by cooperative networks	
Desjardins, in Canada	609 local cooperatives (985 service outlets) in 3 Canadian provinces serving 5.6 million members
RCPB in Burkina Faso	108 local cooperatives providing national coverage
Kenya	Cooperatives mobilize 31% of domestic savings ³
People Credit Funds in Vietnam	930 cooperatives serve over one million members
RCC in China	Over 37,000 cooperatives throughout the county ⁴
Russia	1200 cooperatives ⁵
ALKU in Lithuania	56 cooperatives serving 55 000 individuals
Mexico	1800 entities serving over 2.5 million members ⁶
Cyprus	Cooperatives in Cyprus deliver 30% of the country's banking services ⁷
Rabobank in Holland	288 local cooperatives (1299 service outlets) serving 1.5 million members
India	112 309 primary agricultural cooperatives reaching 120 million members

Financial cooperatives will have a major impact if they organize themselves into a network. One cooperative can have a strong impact within its community and some may even attain impressive size. But if it is not part of a well organized network, the impact will remain limited to that community. However, when networked, each cooperative becomes a point of redistribution for the services and resources of the whole network. Resources and opportunities in the network are multiplied the more the network is integrated and communication and interaction are facilitated. The repeated introduction into cooperative networks of specific methodologies dedicated to the poorest (Village Banking model) by Freedom From Hunger, an American NGO that has developed a specialized credit-education product shows the power of their outreach. By introducing group products into coops in rural areas, many financial cooperatives in West Africa and Mexico for example have considerably improved their penetration into

³ International Co-operative Alliance (<http://www.coop.org/coop/statistics.html#economic>)

⁴ Dr. Xie Ping, "Reforms of China's Rural Credit C12. Cooperatives and Policy Options", Paper prepared for DRC/World Bank Workshop on Rural Financial Reforms in China 18-19 September 2002, Beijing

⁵ Support to the Development of Small Entrepreneurship, Microfinance in Russia, Policy paper, TACIS, April 2001 (http://microfinancegateway.org/files/25131_file_microfinance.doc)

⁶ Mexico Country-level Savings Assessment, CGAP, March 2006 (www.cgap.org)

⁷ Idem Note 3

very poor environments. On the other hand, these specific products must rely on existing infrastructure in order to reduce extremely high operating expenses and extreme demand on resources (savings deposits) that they are not yet collecting on a sufficient level. Networks of participating cooperatives have served as springboards for delivering specialized services, multiplying potential outreach tenfold through the reach of their own networks.

Box 1 - The Credimujer program in Mexico: remarkable leverage offered by SERFIR cooperative

In Mexico, the CAN \$50,000 fund made available to women entrepreneurs through the Credimujer program has changed many lives. Thanks to its popularity, sound management and the exemplary discipline of the women when it comes to reimbursing their loans, this initiative of the SERFIR institutions is having a considerable multiplier effect: to date SERFIR cooperative has loaned out more than five times the initial amount provided by the fund!

In the Huasteca region, where activities began in 2003, this fund intended for women provided 918 loans for a total of CAN \$350,000. In Chiapas 1 936 loans were made for a total of CAN \$543,000. The loans were only for a few hundred dollars on average, but they made a huge difference in the lives of the women who obtained them.

Ana Isabel Abrego Hernández had the opportunity to benefit from the Credimujer program. "Thanks to this program, I was able to buy a sewing machine which guarantees me an income as a seamstress. In addition to being accessible, this type of loan is completely adapted to my needs." The Credimujer program offers highly advantageous terms to its members: a lower interest rate, more flexible requirements, etc. It was also agreed to cancel the requirement that women obtain the signature of their spouse to obtain a loan. These are important steps towards self-sufficiency for these women who in general demonstrate a highly responsible attitude towards reimbursing their loans.

The success of the formula can also be attributed to the innovations that were proposed to make the product more accessible. Among these innovations, we must mention the SERFIR mobile service that sends loan officers out to the villages saving members a long journey, and group loans that let women build up a credit history based on solidarity loans until they are eligible for individual loans.

Potential outreach increases the more integrated the network organization is. However, the services and products introduced into these networks must always meet the needs of the members first and not those of a third party. The demise of some networks has been the result of abuse by external actors using the networks for distribution. This phenomenon is also a plea for an

integrated network stimulated by the addition of a second-tier structure in charge of activities other than representation. The notion of the need for a federated organization for networking will be explored in a subsequent section.

Another advantage of network organization is the ability for the cooperatives to serve both urban and rural environments by fostering the circulation of resources among the communities served by the coops belonging to the same network. The circulation of resources can offset a lack of liquidities at lower cost than market cost or smooth out widely fluctuating cash flows caused by dependency on single crop agriculture in certain regions. Networks enable some degree of social intermediation through the financial intermediation making resources available throughout the network. Obviously, these transfers must always respect the wishes of the base entities and be performed in a highly organized manner. There is no room for improvisation.

Cooperatives fit the need to build up local and collective wealth

Attaining the ambitious Microcredit Summit goal of reaching over 100 million of the poor obviously means that all options must be considered. If only for the simple economic benefit of pluralism and diversity, all options should remain on the table when advising decision makers on how to increase access to financial services and create an enabling environment.

Some strategic dimensions are missing from the current debate, in particular the issue of ownership of the institutions. Who owns all these institutions that were set up over the last decade and which today are in the process of a major transformation of their legal status? If the sole objective is to increase access and it is clear that all strategies are equally efficient, then the issue is not relevant. If, however, development goals are set locally or nationally, then the issue of ownership is critical.

Cooperatives by their nature seek to increase local and collective wealth because they belong to their members. In addition, cooperatives are institutions whose activities are based on the idea of financial intermediation among the members to fulfill a variety of needs, some members requiring savings services, others, credit.

Due to this foundation, cooperatives often place more emphasis on savings mobilization and the creation of local capital than do other institutions.

Box 2 - Haitian financial cooperatives, a collective asset

In a country such as Haiti, which underwent a major political crisis in 2004, the local savings and credit cooperatives represent much more than just a place to deposit or borrow money. They are solidly rooted in their community and are today recognized as pillars of community life. In fact, the 63 community savings and credit cooperatives supported by Développement international Desjardins (DID) in Haiti were able to weather the crisis because they were protected by their members and their employees.

"In my community, you can say that the financial cooperative is our pride and joy! At no time during the crisis did we fear that something would happen to it. It is moving to observe just how strongly people are attached to their financial cooperative. They believe in it and will protect it against any danger," stated Germain Jacques Édý, a loan officer with the solidarity financial cooperative of Verettes, located in the Artibonite region, one of the poorest in Haiti.

Génia Patrice has been a member of the Kotelam financial cooperative since 1989. " For me, the financial cooperative is a family. It offers advice and provides support for business. It is easy to develop a feeling of belonging. It belongs to us. The financial cooperative is my concern, one of my assets, stands for life in our community!

Cooperatives have also been very active in converting the microcredit theme into microfinance, highlighting the need to cover a wide range of needs among communities lacking access to formal financial services. This greatly exceeds the need for productive microcredit.

Increasingly it is being recognized that a poor clientele has a need for a diversity of services, including a diversity of credit products (productive and consumer credit), savings products and insurance as well as safe and flexible transaction services that include the ability to make or receive remittances. An impact assessment in Burkina Faso⁸ in 2002 clearly demonstrated that poor clienteles greatly appreciated the security their cooperative provided and confirmed the fact that these clienteles were also calling for savings facilities in addition to financing services. Access to savings services seems as valuable as access to credit although only 13% of the members mentioned they saved in order to have access to loans.

Financial cooperatives have always offered the potential for *distribution* or access to a diversity of financial services under one roof. Lawmakers should certainly not seek to limit their scope by restricting the type of services they can offer or, even worse, by setting a loan limit ceiling. Clearly, the prudential ratios required should take into account the diverse authorizations granted.

In terms of wealth creation, cooperatives are managed in a democratic manner. This practice, which gives a voice to the community through its own financial institution, also creates another type of wealth, a wealth of cooperation and democracy. Cooperatives are in fact fully rooted in an approach that empowers their own development. This involves assuming responsibility for providing the resources (self-sufficiency) of the institution as well as ensuring its management (self-management).

⁸ *The impact of savings and credit cooperative in Burkina Faso*, Notebook 19, Développement international Desjardins. Available in English and French from the DID website at www.did.qc.ca.

It should be noted however that this dimension is often the basis for criticisms on cooperatives and their governance.

The good governance of cooperatives is based on well-organized performance reporting, powerful internal control mechanisms backed up with good external supervision, ongoing training for the boards of directors and a balance of power between the permanent staff and elected representatives, all of which requires a subtle balance that is sometimes difficult to achieve. Two elements are essential for achieving these critical conditions: the presence of strong leadership within the institutions and the structure of institutional governance in place.

The governance and performance of financial cooperatives is strengthened when they are organized into federated networks

Financial cooperative networks can grow using various types of organizational structures. The current situation of these various systems in the world in terms of quality of governance, outreach and efficiency appears to be significantly influenced by the importance they have historically placed on the notion of networking and the type of network they have chosen to develop. For example, European financial cooperatives networks have characteristics that differ markedly from credit unions in the United States of America.

Two major trends may be identified in models evolution. On one hand there are networks in which the member units have relatively loose links among themselves and resources are shared only sparsely. In this instance, *individualism* is utmost, limiting second tier entity to playing a role of representation, lobbying, and public relations. A pooling of resources is often

done without a direct relation to the central integrating structure. These networks are referred to as atomized.⁹

On the other hand are the networks whose components, which often are quite numerous, are intimately interconnected and have an apex agency. They exhibit a very strong integrative force in which the sharing of resources and services is pushed to a high level of partnership. There is strong centralized supervision of the base units. These are referred to as federated networks.¹⁰

These two models are situated at the opposite ends of a continuum. All actual financial cooperatives are located somewhere in between. The federated model is found in European institutions (Germany, France, Holland, or Austria). For example, the German model (Raiffeisen/Volksbank) is a highly admired structure among European cooperatives and can be characterized as federated. This system tends to optimize support activities and strengthen the democratic rights of the local institutions in the decision-making process.

This tendency is also found among institutions influenced by the Europeans. In Canada, the Desjardins Group of financial cooperatives is an exemplary model of a highly integrated network. This model also exists in Latin American nations that experienced strong European immigration such as Argentina, Uruguay, Chile and Brazil. In West and Central Africa, due to the influence of the French, the Swiss and the Québécois, there are networks that are clearly closer to the federated model.

These two models are neither pure nor static. There are hybrid cases and others that exhibit various mutations. Each system is specific and has its own history of evolution. As a result, a network that at one time in its history was

⁹ Fischer, Klaus P. 2000. Régie, réglementation et performance des coopératives financières, *Annales de l'économie publique sociale et coopérative*, Vol. 71, pp. 607-636.

¹⁰ Idem footnote 1.

characterized as atomized can later become an example of a federated network.

Federated networks usually exhibit the following characteristics to varying degrees:

- There is a strong level of shared resources, most often managed and optimized by a second-tier organization.
- Systems are standardized among base units (coops) that share an institutional image.
- There is a contractual solidarity among the base units
- Base units have their own governance rules in which the second-tier organization plays an important role in stimulating democratic practices and setting standards.

All these features produce a powerful institutional homogeneity that multiplies the capacities of each individual base unit while providing for tighter control and governance mechanisms.

Federated networks facilitate supervision (external or internal) for two reasons: 1) standardization of operations facilitates the analysis of operations in each base unit and 2) a federated network, due to the contractual solidarity uniting the financial cooperatives, has a strong interest in developing its own internal control and surveillance mechanisms which could facilitate the work of control, if it is so desired.

Integration in federated networks also allows a better monitoring of the cooperatives by establishing standards and transparent mechanisms of data collection.

All those features comprise clear advantages, but even more, it constitutes a condition for a better performance.

The Canadian cooperative experience – The Desjardins case¹¹

In Canada there are over 10,000 cooperative societies operating in all sectors of activity. Together they hold combined assets worth \$167 billion. They are owned by 15 million members. In 2004, financial cooperatives were responsible for approximately 11% of total domestic assets in deposit institutions. Canada is the country that has the largest proportion of members of financial cooperatives among its population (over 10.5 million members, or the equivalent of about 1/3 of the total population). Financial cooperatives have always held a solid share of the Canadian market for key financial services. In 2003, they held 16% of the volume of total savings and 16% of loan volume.

Development of popular finance and the financial cooperative sector is based on values that are deeply rooted in the economic and social development of Canada.

The Desjardins Group is the largest integrated cooperative financial group in Canada offering a full range of financial products and services to individuals and businesses. In terms of assets, it is the largest financial institution in Québec and ranks sixth in Canada with total assets of \$111.8 billion. It is one of the strongest capitalized financial institutions in Canada.

The Desjardins financial cooperatives reach over 5.6 millions owner-members in Canada (70% of residents in Québec are members of a Desjardins financial cooperative).

Nearly 400,000 businesses in Canada are members of these cooperatives and over 125,000 borrow there (approximately 40% rate of penetration in Québec).

¹¹ The other Canadian actors are being presented by a different member of the panel.

The 560 Desjardins financial cooperatives are supported by 7,660 elected directors. There are 985 service outlets in addition to a virtual network based on the latest technologies.

The Desjardins Group is the largest private employer in Québec (37,310) and ranks among the top twenty largest employers in all of Canada. There are twenty financial service subsidiaries owned by the cooperatives. Desjardins holds a top quality credit ranking.

A superior credit ranking over the mid and long-term

	Moody's	S/P	DBRS
Desjardins	Aa3	AA-	AA (low)

As an institution pays back more to Quebec society than any other institution. A total of \$424 million in 2004 was distributed as dividends, sponsorships, donations and bursaries, amounting to 40% of the surplus earnings. Over the last three years, the financial cooperatives have paid out approximately **47%** of their surpluses to their members in the form of dividends totaling **\$1.3 billion**.

Alphonse Desjardins, the founder, was a humanist who looked at his surroundings with the eye of a sociologist and strategist. In 1900, the year the first "credit union" was founded in Québec (and in the Americas) the province of Québec was a poor, relatively unorganized society.

Industrialization and urbanization had produced a society, especially in rural areas, that had very few tools for development. Financial resources were scarce. Loans were available informally but the interest rates demanded were appalling. The situation shocked Desjardins who deplored such usurious practices and especially the lack of organization among those who were exploited.

Through the creation of a *caisse populaire*, the name given at the start to the savings and credit cooperative, Desjardins intended to fight usurious lenders and equip his fellow citizens with the means to defend their social and economic interests.

Desjardins took the time to lay the groundwork for achieving his goal by looking for inspiration among experiments carried out in the late 1800s in England, Germany, Italy, France, Belgium, Switzerland, Hungary and Serbia. He borrowed elements from one and the other to create an original model. He insisted on a model that would espouse the values, needs and capacities of his fellow citizens. Desjardins clearly saw the power of finance and proclaimed loudly and clearly how urgent it was to organize. In December 1900, the first financial cooperative or *caisse* was founded.

He mobilized community leaders around his endeavor, attracting support from the clergy, lawmakers, politicians, journalists and merchants. He devoted much energy to promoting legislation dedicated to legitimizing and supervising the financial cooperatives while allowing them to maintain their autonomy. A provincial (not federal) law was promulgated after intense lobbying in 1906, fully six years after the first financial cooperative was founded. Between 1900 and 1906, only 5 financial cooperatives had been founded. Legal recognition then fostered more sustained growth for financial cooperatives.

This brief review of Desjardins' philosophy highlights elements that are very significant for the development of cooperatives:

- The importance of conceiving this tool as a means to organize communities and not as an end in itself. Organization was the prime concern for Desjardins.

- The importance of financial leverage as a tool for community development; a tool that communities must fashion on their own due to a lack of available funds at reasonable rates.
- The multiplicity of cooperative models and the need to adapt them to various cultural environments.
- The importance of teaming up with strong leaders in the community right from the outset.

Cooperatives can be synonymous with sustainability and outreach

When they have the qualities required for a proper distribution network and enjoy good governance, financial cooperatives can become institutions able to address economic and social concerns.

The example of the PAMECAS network in Senegal is a striking example. Due to its strong profitability and capitalization, this network of savings and credit cooperatives set up a foundation that intervenes in three sectors considered priorities for community improvement: health, education and cooperation. This instrument is a tangible way for the PAMECAS directors to share and redistribute in a structured manner part of their surplus earnings within the community and especially among its 185,000 members. This offers excellent proof that financial imperatives can make it possible to respond to social and developmental concerns.

In Sri Lanka, savings and credit cooperatives in the SANASA network played a very important role in the overall response to the tsunami disaster in that country. The financial cooperatives had a difficult job in relaunching their own operations. Their first response was to set up a crisis management committee that helped contribute to relief efforts.

By using their network (which covers the entire country) the cooperatives organized the delivery of aid to affected populations without differentiating between members and non-members. In part, this was due to the fact that the SANASA cooperatives are extremely well rooted in their communities.

Another example comes to us from the RCPB network of financial cooperatives in Burkina Faso. By offering diversified services and deploying into both urban and rural areas, the RCPB has succeeded in combining its social mission with its economic one. The cooperatives in this network, by providing a wide range of services that include Village Bank products to poor women as well as a specialized service for business entrepreneurs have achieved a volume of operations allowing them to be profitable. The RCPB, while serving hundreds of thousands of people with different needs, posted an adjusted return on assets (AROA) in June 2005 of 3.7% when similar institutions in the region registered a ratio of 0.1% according to the Microbanking Bulletin.¹²

Box 3 - African financial cooperatives modernizes their operations

In Africa, many of the financial cooperatives supported by DID still enter transactions manually. Computerization enables the cooperatives to carry out transactions much faster and more securely. To help African financial cooperatives with this challenge, DID delivers software that meets their needs and helps them introduce efficient computerized operations. Nearly 270 Desjardins financial cooperatives have made financial contributions to this computerization project for DID African partners. Plans call for over 150 community finance institutions to be computerized by the end of 2007.

Since it is sometimes too costly for a financial cooperative to purchase a conventional computer system, DID has designed software to computerize small-scale or remote financial cooperatives. The application is run on a handheld computer which is much more affordable. This allows loan officers to meet with clients in the field and have their complete files available at the touch of a button. The technology is being used to make financial services more accessible.

¹² Microbanking Bulletin: Benchmarks – Statistics for 2004, Regional Africa, large scale MFIs savings, Return on assets.

Box 4 - Cooperatives and financial services working for the environment

In the Lac Alaotra region of Madagascar, they say that fishermen find money as slippery as the fish they catch in their nets... This is because the fishermen never developed the habit of saving since they make their living on a day-to-day basis: the fish they catch are sold the same day. But overfishing is common in the region with the result that the fish population is decreasing rapidly and risks disappearing altogether if nothing is done.

To remedy the situation, the Madagascar government recently decreed a three-month per year ban on fishing, from October through December. However, it is difficult for the fishermen to obey this new regulation because they cannot do without the income these three months of fishing provide.

One possible solution to this problem lies with the Lac Alaotra OTIV network of savings and credit cooperatives, one of three partners targeted by the DID project to professionalize agricultural credit methods. This network's practices were the subject of a diagnostic last August. Following recommendations made, it is considering setting up a system that would allow fishermen to spread their income out over the year. This would involve collecting savings from fishermen during the months they work, so that they could draw on them during the lay-off period. This solution would enable them to comply with the regulation in force... and protect the precious stock of fish that is the basis of their livelihood.

The network has already undertaken steps to deal with another important environmental problem in the region, the gradual silting up of rice paddies caused by the erosion of nearby hills (erosion that is in turn caused by poor agricultural practices). Rice growing is another crucial sector of activity in the region: of 4.5 billion ariarys loaned out, 2.8 billion went to rice producers.

In partnership with the project to protect the Lac Alaotra watershed, the cooperatives network created a more advantageous type of loan designed to encourage the rice producers to adopt direct seeding, a technique that limits the risk of erosion. The loan officers will encourage the farmers who work the *tanety*, or hills, to employ this method by proposing a specific type of loan for this purpose. In addition, workshops and visits to demonstration plots will be organized for producers to help them master direct seeding and show them that harvests will be as bountiful with this approach as with traditional techniques.

In Desjardins each financial cooperative aims to deliver quality financial services to all members in a personalized manner no matter what size their needs by guaranteeing tangible financial advantages through a personal, attentive approach. In addition, each financial cooperative includes as part of its mission, a contribution to the cooperative, economic and financial education of its members and assistance for developing its environment and the cooperative sector. These three goals for the Desjardins cooperatives which are the very essence of the cooperative difference set the tone for all commercial practices.

Desjardins also invests in developing solidarity products. The Desjardins assistance funds (Fonds d'entraide Desjardins) are part of this effort by the financial cooperatives to be distinctive in their commercial practices. These funds are designed to assist individuals in financial difficulty who do not have access to traditional credit. They offer budget management advice along with relief loans. A microcredit pilot project for businesses was also launched in partnership with the two local organizations, the *Réseau québécois du crédit communautaire* and the *Fonds d'emprunt économique communautaire de Québec*. Micro entrepreneurs, excluded from traditional credit could obtain financing in this manner and being coached to fulfill their business plans.

Risk capital is another important tool that Desjardins has to create wealth and provide support for sustainable regional economic development. The contribution made by Desjardins Capital de risque is crucial: by injecting risk capital into cooperatives and businesses and by providing the coaching needed to launch them and help them expand, this Desjardins subsidiary complements the activities of the financial cooperatives.

But Desjardins goes further by placing its experience at the disposal of community development in areas around the world through the auspices of Développement international Desjardins, a non-profit organization in operation for 35 years that has a goal to foster the accessibility to financial services within developing countries or in reconstruction through the development of local financial institutions that deliver community finance.

This connection between economic and social goals may take various forms from one cooperative to another. Whether through local purchasing policies, the creation of a foundation to foster initiatives in the community or through the development of knowledge that can be reapplied elsewhere (elected and staff), financial cooperatives exercise a positive leadership in their communities.

CONCLUSION

DID partners, now serving 3.2 million people located mainly in very disadvantaged zones in twenty different countries, are working along with Desjardins to connect economic and social goals for better community development.

Nevertheless, cooperatives are facing many challenges of modernization and social responsibilities. Obviously all has not yet been accomplished and cooperatives need to modernize both in terms of governance and operations. The ones that will survive will be those that will:

- be reorganized and be effective;
- demonstrate transparency and rely on effective performance reporting and controls;
- offer quality services delivered by qualified and loyal employees;
- be interconnected and integrated in order to benefit from the force of federation;

- be able to optimize their cooperative advantages;
- be rooted in their communities and look after their collective wealth;
- be effective in delivering their products and services due to the optimization of their distribution network and to a diversified and progressive offer of services.

These cooperatives will respond to the needs of a diversified clientele and will apply the principle of cross-subsidization. They will serve the poorest with entry-level products and provide coaching, but will also be able to meet the more complex needs of business entrepreneurs. To properly fulfill their development role, cooperatives have understood that they have an interest in serving both rural and urban clients to provide social intermediation through their activities.

These cooperatives will become, even more so than they are today, major players in the field of finance and microfinance. They must be considered credible participants. Their major contributions to improving access to sustainable financial services must not be ignored (or forgotten).

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Développement international Desjardins (DID) is a component of the Desjardins Group and has been providing support for 35 years to financial institutions in twenty countries in Africa, Latin America, Asia and Central and Eastern Europe. DID specializes in providing technical assistance and investment in the field of community finance. DID works with the Canadian International Development Agency (CIDA), the World Bank, the Government of Québec, and other multilateral organizations.

DID is partner of 34 co-operatives networks and community finance institutions that are serving more than 3 million members and clients and managing total assets of \$CAN 950 million.

DID adheres to the commitment of Microcredit Summit to ensure that 100 million of the world's poorest families, especially the women of those families, are receiving credit for self-employment and other financial and business services by the year 2005.

DID ACTUAL PARTNERS

- Fédération des caisses d'épargne et de crédit agricole mutuel du Bénin - FECECAM, Benin (419,409 members or clients)
- Fédération des caisses populaires du Burkina Faso (FCPB), Burkina Faso (905,746 members or clients)
- Fédération nationale des coopératives d'épargne et de crédit, Burundi (87,183 members or clients)
- Coopérative d'Épargne et de Crédit Mutuel, Burundi (19,721 members or clients)
- Banque Nationale pour le Développement Économique, Burundi (4,221 members or clients)
- Cameroon Co-operative Credit Union League (CAMCCUL), Cameroon (97,647 members or clients)
- Réseau des caisses populaires d'épargne et de crédit Yètè Mali, Guinea Conakry (31,801 members or clients)
- Association nationale des caisses populaires haïtiennes (ANACAPH), Haiti (210,457 members or clients)
- Basix, India (250,495 members or clients)
- Credit Union Lithuanian Association (ALKU), Lithuania (61,032 members or clients)
- Réseaux (5) Ombona Tahiry Ifampisamborana Vola (OTIV), Madagascar (140,621 members or clients)
- Réseau des caisses d'épargne et de crédit Nyèsigiso, Mali (170,030 members or clients)
- Réseau Kafo Jginew (Fédération des caisses mutuelles d'épargne et de crédit de la zone Mali Sud), Mali (203,000 members or clients)
- Agence de promotion des caisses populaires d'épargne et de crédit (PROCAPEC), Mauritania (47,316 members or clients)
- Servicios Financieros Rurales (SERFIR) Huasteca and Chiapas, Mexico (30,124 members or clients)
- Federación Centro Sur, Mexico (86,862 members or clients)
- Federación Integradora Nacional de Entidades (FINE), Mexico (741,399 members or clients)
- Federación Noreste, Mexico (174,567 members or clients)

- Federación UNISAP, Mexico (360,362 members or clients)
- Federación Victoria Popular, Mexico (80,252 members or clients)
- Fedrural, Mexico (38,826 members or clients)
- FINDESA, Nicaragua (29,561 members or clients)
- Mutuelle d'épargne et de crédit des femmes - MECREF, Niger (19,876 members or clients)
- Central de Cooperativas del Área Nacional Limitada - CENCOPAN, Paraguay (75,420 members or clients)
- National Confederation of Co-operatives - NATCCO, Philippines (65,579 clients or members)
- Altay Association of Credit Unions, Russia (17,452 members or clients)
- Kuzbass Association of Credit Unions, Russia (71,557 members or clients)
- National Union of Non-Commercial Organization of Mutual Financial Assistance, Russia (127,167 members or clients)
- South-Russian Association of Credit Unions, Russia (22,234 members or clients)
- Volgograd Association of Credit Consumer Cooperatives, Russia (22,430 members or clients)
- Centre financier aux entrepreneurs (CFE) – AGASEKE, Rwanda (24,245 members or clients)
- Union des mutuelles du partenariat pour la mobilisation de l'épargne et du crédit au Sénégal - UM-PAMECAS, Senegal (271,807 members or clients)
- Dunduliza et les caisses associées au projet, Tanzania (34,734 members or clients)
- Faïtière des unités coopératives d'épargne et de crédit du Togo - FUCEC, Togo (184,708 members or clients)
- Central Credit Fund (CCF), Vietnam (Number of members or clients: N/A)
- People's Credit Funds (PCF), Vietnam (168,800 members or clients)
- Centre d'innovation financière (CIFsa), West Africa (Organization gathering 6 networks)