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In the United Nations Millennium Declaration in 2000, the international community pledged its support for the **guiding principle of globally sustainable development** and reducing extreme poverty worldwide. The German government follows this guiding principle in its development policy.

The international community has set itself momentous goals. Along with the Millennium Summit, the major conferences of recent years include the Millennium+5 Summit (2005), the Monterrey Conference on Financing for Development (2002), the Johannesburg World Summit on Sustainable Development (2002) and the Paris High Level Forum on Aid Effectiveness (2005). The decisions taken at these conferences define the framework for action in German development policy. Against this background, the German government has formulated **four goals for development policy**:

- **Reducing poverty worldwide**
- **Building peace and democracy**
- **Justice in globalisation**
- **Protecting the environment**
Last year, Germany was offered a twofold opportunity to campaign for just and sustainable global development. The dual presidencies of the Council of the European Union (EU) in the first half of the year, and the Group of Eight (G8) during the entire year changed things for the better for the people in developing countries.

The Federal Ministry for Economic Cooperation and Development (BMZ) sees development as a challenge to be addressed by the whole of society and therefore cooperates with development-minded forces in civil society both in its partner countries and in Germany. As part of this approach, the support of social structures has become an important instrument in helping us to achieve our goals.

The DGRV – German Cooperative and Raiffeisen Confederation, reg. Assoc. has proved a valuable partner with years of experience in various types of cooperative activity and the promotion of self-help, guided in its commitment and the design of its development policy programmes by the goals we both share.

The development work of the DGRV, a specialist organization with deep roots and a solid base within Germany, makes a considerable contribution to the implementation of policies pursued by the BMZ.

The Ministry has been supporting the international programmes and projects of the DGRV for many years. Their system-oriented approach contributes significantly to poverty reduction in the developing countries over the long term and creates sustainable structures that boost local economies.

I am pleased that the DGRV wishes to present its laudable work to a wider public with this brochure; I wish the organization continued success in its work.

Berlin, January 2008

Heidemarie Wieczorek-Zeul
The DGRV – German Cooperative and Raiffeisen Confederation, reg. Assoc. supports the building-up and development of cooperative systems across the world and, in so doing, seeks to contribute to poverty reduction in the partner countries.

In line with the principle of subsidiarity, its activities are based on the approach of "help for self-help", since sustainable development at local, regional, and national levels will be attained only if cooperation and networks are self-supporting and business-oriented.

According to estimates of the United Nations, cooperatives contribute to the livelihoods of a large part of the world population. As part of our economy and society, we undertake the obligation to confront the challenges of globalization alongside our partners in the project countries.

Cooperation is not restricted to Germany or Europe. Individuals have been cooperating in all cultures and at all times. In many countries, traditional as well as modern forms of cooperation open up and ensure access to financial services and the market. Economic cooperation has become ever more important since the Industrial Revolution, but never more so than today given the progress of globalization across all regions of the world.

Originally, cooperative self-help organizations were born out of hardship and, with it, the need to strengthen the individual’s economic position by working together. Friedrich Wilhelm Raiffeisen and Hermann Schulze-Delitzsch laid the foundations for business-oriented and viable cooperatives by developing the idea of cooperative self-help from the mid-19th century onwards. German cooperatives have supported and worked with cooperative initiatives in other countries for a long time. The cooperative form of enterprise continues to meet modern requirements and has lost none of its attraction. In Germany, more than 17 million members and an even greater number of customers use the services of cooperatives. Simultaneously, cooperative structures are faced with the challenge to adapt to the constantly changing economic framework conditions and to maintain their business viability.

The cooperative approach developed by Raiffeisen and Schulze-Delitzsch, modified to suit the existing situation in the partner countries, forms the basis of DGRV consultancy and development projects. It was and continues to be crucial for cooperation to be economically-oriented. Positive structural and social effects are one of the objectives. Cooperation must produce benefits which individuals would not attain on their own. Cooperatives are based on the principles of self-help, personal responsibility and self-governance: members join a cooperative voluntarily for the purpose of improving their market and competitive position. It must be possible to promote the economic situation of all cooperative members through their own efforts without relying on support by third parties or the State alone. However, the latter must put in place the necessary regulatory and legal framework which enables cooperatives to continue building a secure future.

Berlin, January 2008

Manfred Nüssel,
Raiffeisen Federation, reg. Assoc. (DRV)

Dr. Christopher Pleister,
National Association of German Cooperative Banks, reg. Assoc. (BVR)

Wilfried Hollmann,
Central Federation of Industrial Service, Craftsmen and Trading Link-Up Groups, reg. Assoc. (ZGV)
The commitment of the DGRV has the support of the entire cooperative organization, notably the regional and specialized federations, link-up enterprises, and our cooperative centres down to the individual cooperative society; a major part of this work is made possible through funding from the Federal Ministry for Economic Cooperation and Development (BMZ). Other important partners include the Bank of Reconstruction (KfW), the German Agency for Technical Cooperation (GTZ) and the World Bank.

The DGRV is committed to help achieving the Millennium Development Goals of the United Nations, using the BMZ concepts and its own long-term experience as a specialized organization for orientation in its development cooperation.

Every society must provide its citizens with opportunities to participate in economic, social and political life. In the developing and transformation countries, cooperatives seek to empower individuals to take part in the general economic, and thus social development. A development policy oriented towards sustainability is no longer conceivable without cooperatives as decentralized institutions of self-help. Cooperation and cooperative associations enable the individual to reap the benefits of economic and social progress.

Cooperative principles and structures combine humane and ethical norms with a modern business philosophy. Only countries and regions that pursue a policy of sustainable economic and social development and offer their citizens and enterprises stable general conditions will ultimately remain successful in the globalization process. Cooperatives contribute to positive changes in economic and social structures.

That is why the DGRV supports cooperative development across the globe. With this brochure, we would like to give you an idea of the background, philosophy and methodology of our work as well as examples of our development cooperation in the hope that you find our commitment and the important role of development cooperation interesting.

Berlin, January 2008

Dr. Eckhard Ott

Dirk J. Lehnhoff

Gero Hagemeister
Taking The Initiative – Supporting Self-help
Since its foundation in 1972, the DGRV has been actively involved in development cooperation. Yet the transfer of know-how from German cooperatives to other countries and regions of the world goes back much further. Over a 100 years ago, for example, Japan successfully adopted the cooperative idea and cooperative law from Germany in its efforts towards progress. Many other countries of the world followed the example and created legal frameworks for cooperatives, modified to suit their specific situation, with the aim of fostering economic development. In other words, international cooperation has always been part of the agenda of our cooperative organization and accepted as our obligation. By supporting business-oriented and cooperatively-organized forms of self-help, the DGRV is contributing to a reduction of poverty, safeguarding of peace and a dimension of justice in the process of globalization.

The Millennium Declaration of the United Nations

When the member states of the United Nations adopted the Millennium Declaration in 2000, they set themselves binding goals for poverty reduction and environmental protection. These goals are to be attained by the year 2015. At the centre is the reduction of poverty worldwide. Not only governments, but organizations of the civil society and enterprises are called upon to help achieving these goals.

Despite considerable progress in economic and social development in some countries, the large majority of the world population is still living in poverty. Many individuals are unable to use the opportunities provided by globalization. Unfavourable political and economic conditions in the countries themselves as well as detrimental international trade relations are the reasons for this. Structural distortions at national and global level have negative repercussions for the rural areas, in particular, and lead to migration from the countryside or the country itself. They cause problems for micro, small and medium-sized enterprises (MSMEs), which are an important factor in any prosperous economy. Such businesses are often without access to financial services, agricultural inputs and marketing opportunities, new technologies and know-how. However, inadequate resource allocations are only part of the problem. Legal security, transparent government action (good governance) and an economic order that ensures equal opportunities and a level playing field for all those who wish to start a business are particularly important for MSMEs to thrive.

Development cooperation

In its development cooperation, the Federal Government aims to foster economic and social development and, in so doing, contribute to the alleviation of world poverty and to security, among other things.

An important instrument used by the Federal Ministry for Economic Cooperation and Development (BMZ) is the strengthening of social structures. Programmes supporting structural development are specifically designed to improve the living conditions of the impoverished sections of the population. Self-help concepts play an important part in the promotion of both social structures and the economy because, in the final analysis, poverty can only be reduced effectively if individuals learn to help themselves. Structural development requires integrated economies, i.e. regional markets without access barriers.

In turn, institutions and firms are necessary to connect markets and enable individuals to participate in the economic development. The private sector plays a particularly important part in this process. It goes without saying that the structure-enhancing capacity of MSMEs must therefore be supported and self-employed business people given greater opportunities to create jobs and generate income.

Cooperatives and their networks influence the social and economic structure of a country in a positive manner. In many countries, cooperatives are the backbone of economic activities in the financial sector, in commerce, in crafts and in agriculture.
They boost the development of a country by making use of local initiative and economic strength in close proximity to the target groups. Cooperatives are amongst the most sustainable enterprises, combining the advantages of decentralized operations with the benefits of regional or national networks.

To this end, the DGRV is supporting the building-up of cooperative structures in the credit, commercial and agricultural sectors. Special emphasis is placed on the financial sector, notably microfinance. Savings and credit cooperatives are set up to provide marginalized groups with access to secure financial services.

The multi-level approach of the DGRV

Every cooperative must be competitive in order to be able to provide services to the members. Yet the performance of a cooperative does not depend on efficient operations alone. The necessary legal and regulatory conditions (macro level) need to be in place and provide opportunities for cooperatives. At the same time, the individual cooperative needs to be part of a subsidiarity-based network enabling it to benefit from the services of specialized centres and associations, in particular in the fields of training and auditing (meso level). At the micro level, consistent business orientation, an adequate internal organization and well-trained managerial and general staff are called for. In its project activities, the DGRV offers advisory and other services at all levels (macro, meso and micro levels).

A high degree of flexibility is typical of the DGRV approach in project activities. We are able to respond to requests for consultancy and programmes from countries or organizations on short notice. In parts, projects are implemented with the involvement of long-term experts based in the DGRV offices in the field. Specific expert know-how is made available through short-term experts.
Multi-level approach in the building-up of cooperative systems

central government, regional governments, ministries, central bank/supervisory authority

- legal framework for cooperatives, MSMEs, rural financing
- regulation, by-law, supervision, licensing, norms, standards
- refinancing programmes, support/coordination

national federations
(with diverse services such as consultancy, auditing)

regional federations
(with diverse services such as consultancy, auditing)

local cooperative societies
(savings and credit cooperatives, rural and small-scale industry commodity and service cooperatives)

members/customers of local cooperatives (MSMEs, farmers, general public), cooperatively-organized self-help groups
Our focus is on:
- empowering large sections of the population to take part in the economic and social development of their country,
- removing the causes and consequences of economic and social marginalization for good,
- strengthening the readiness for self-help and the capacity to assume personal responsibility,
- creating structures for a sustainable economic development.

We support:
- cooperatives and cooperative networks in the financial, crafts, and agricultural sectors,
- the establishment of centralized institutions such as cooperative central banks,
- the development of training and advanced training systems,
- the building-up of auditing systems in cooperation with national banking supervisory authorities and central banks, and
- meaningful framework conditions which are conducive to cooperatives, such as banking supervision, banking law, cooperative law.

We use for orientation:
- the development-policy guidelines and concepts of the Federal Government and international institutions,
- the situation in partner countries and the people living there,
- business-oriented self-help in the spirit of the cooperative pioneers Friedrich Wilhelm Raiffeisen and Hermann Schulze-Delitzsch, and
- long-term project experience as a competent implementing agency in development cooperation.

Our target groups and partners are:
- cooperative members and customers,
- cooperative societies and cooperative central institutions,
- policy-makers,
- portfolio ministries,
- central banks and banking supervisory authorities.

Focal areas of consultancy are:
- the building-up, organization and management of cooperatives,
- risk management, early-warning systems, management information systems,
- microfinance,
- cooperative and banking law; banking supervision,
- agricultural production (processing, marketing),
- trade,
- cooperative auditing systems; deposit protection schemes,
- training and advanced training; EDP.

Our services include:
- consultancy provided by long-term and short-term experts,
- seminars and teaching materials,
- expert opinions and expert studies,
- cooperation with central banks and banking supervisory authorities,
- work experience programmes in Germany and elsewhere (South-South cooperation),
- partnerships and various forms of cooperation,
- software solutions.
Bosnia-Herzegovina and Montenegro
Venturing a new beginning

With support from the BMZ, the DGRV has been promoting the development of the cooperative dairy industry in Bosnia-Herzegovina and Montenegro since the year 2001. The local population is still suffering from the after-effects of the disintegration of the Yugoslav state and the armed conflicts that ensued. By implementing this project, the DGRV seeks to support a decentralized form of economic development in structurally weak regions and to make an important contribution to poverty reduction and the integration of the various ethnicities in so doing.

Several small cheese-producing cooperatives have been set up primarily in the mountainous regions of these two countries during the last years; they produce high-quality cheeses (hard cheese, sliced cheese) with a flavour typical of this region. The families of many smallholders make a living out of processing milk for the production of cheese to be sold.

During the initial phase, cooperative pilot projects were supported in the partner countries; in the meantime, they are used as a model by others. Since the conclusion of the start-up phase in 2006, the pilot projects have gone through a phase of consolidation. Production yields are stable and product quality is excellent. A central trading cooperative has been established in Sarajevo in order to facilitate product marketing. It reduces the distance to consumers or customers, respectively, and thus makes it easier to market the products at considerably lower costs.

The pilot cooperatives are primarily supported by providing short-term consultancy and financial assistance for investments, for example in plant technology. This is done in cooperation with local banks: the cooperatives obtain long-term investment loans through the DGRV and repay into a fund, which is used in turn by the intermediary banks for future small-scale lending. Some of the newly-established cooperatives have become “bankable” only as a result of this procedure. In the meantime, banks already provide loans from their own portfolio.

A particularly positive result of these project activities are the close contacts which have been developing between the cooperatives in Bosnia-Herzegovina and Montenegro. For example, numerous seminars and practical work programmes have been held jointly either locally or in Germany. Such an international transfer of know-how and exchange of experience is particularly helpful for multiplying the pilot concepts.
Convincing regional networks

The DGRV has been supporting the building-up of savings and credit cooperatives (SCC) in the Russian Federation since 1998. Alongside the Central Bank, the Ministry of Finance, and the Ministry of Agriculture, the DGRV played a prominent role in the adoption of a federal cooperative law. Additionally, the DGRV assisted the National Federation of Rural Credit Cooperatives in Russia in the conceptual design of a three-tier cooperative financial structure, amongst other things.

The national federation pursues a strategic development plan based on regional networks between cooperative primary societies, i.e. cooperation between legally autonomous and economically independent businesses with operations primarily in the rural and sub-urban regions. In their respective regions, the local SCCs establish a secondary institution to support and supplement their own activities. These regional institutions also function as the link to the national structures. All organizational levels together form the cooperative financial network; it is based on a division of labour between them with support from the members. In parallel to this financial structure, a two-tier federational organization, consisting of regional federations and the national federation, supports the SCCs and their members.

Volgograd Oblast has spearheaded the development of regional networks across the country. The SCC sector, which has been growing steadily and strongly for more than 11 years, has considerably improved the financial service situation in the rural areas. The regional SCC network, which was supported by the DGRV first under the German government's "Transform" programme and later the BMZ, functions as a pilot project.

The growth rates in this sector are impressive: at the end of 2006, 67 registered SCCs had been established with slightly less than 200 bank outlets and more than 500,000 members. The lending volume, which had been increasing steadily during the last years, amounted to some 1.2 bn Roubles (approx. 34 m Euros) in 2006. Approx. 70 per cent of it comes from savings deposits. Loans are mainly used for production purposes in agriculture and small and medium-sized enterprises and auxiliary plants. Savings and credit cooperatives therefore make a crucial contribution to the economic development in the region.

DGRV consultancy and support is provided for credit banking and deposit management (credit and deposit manuals, application training), regulations concerning standards, ratios, data collection and evaluation, internal control and auditing.

The know-how and experience gathered in the Volgograd region is increasingly being made available to other areas of the Russian Federation through the national organizations. This reflects the high level of acceptance and sustainability of DGRV consultancy services.
Turkey
Offering new prospects through cooperatives

Turkish smallholders, micro and small-scale entrepreneurs and business people outside the metropolitan areas seek to improve their economic situation by working together. The DGRV supports them by promoting business-oriented cooperatives which facilitate access to markets and services.

The Turkish economy has been growing dynamically since the year 2002, yet not all parts of the country have benefited from this growth: more than half of the 82 provinces are defined as priority areas by the government. This includes the predominantly rural and structurally-weak areas in the eastern part of the country. A high proportion of the rural population generates a low income from agriculture based on smallholdings. Alternative forms of employment are non-existent. In most cases, a family farm consists of no more than two to four hectares. This farm structure and production and marketing deficiencies, which can be considerable at times, are the reasons for existing structural weaknesses.

Both politically and economically, Turkey has special importance for Europe. It will become the most important bridge head towards the Near East and Central Asia in the long term. In order to fulfil this function properly, Turkey must proceed rigorously with the reform process it has initiated. The massive social and structural disparities inside the country require substantial efforts in order to cope with the challenges of regional economic development, globalization and the EU rapprochement process. Marginalized regions are in need of comprehensive economic support and structure-enhancing measures as well as greater self-help efforts from the segments of the population in need.

Against this background, the DGRV offers targeted programmes to support the organization and networking of cooperative structures in rural areas. The DGRV cooperates closely with various agricultural cooperative organizations and the cooperative department in the agricultural ministry to this end.

Reliable and efficient structures must be put in place quickly with the aim of consolidating the agricultural cooperative sector and re-orient developments towards a market economy. Kastamonu province is planned to become a pilot region for the building-up of cooperative systems. By providing specific project support, the regional cooperative in the province is to give momentum to the development of the sector and cooperative members alike.
Kyrgyzstan
In cooperation with the BMZ, the DGRV has been supporting cooperative forms of cooperation in rural Kyrgyzstan by providing consultancy and assistance in funding investment since the year 2002. The DGRV has helped to establish adequate framework conditions for cooperatives, notably to draw up the new Kyrgyz cooperative law. In addition, the DGRV has set up the “Raiffeisen Fund Kyrgyzstan” with funds from the BMZ; this is a credit fund for the financing of investment loans and, to a lesser extent, current assets at favourable conditions for cooperatives in the agricultural and food-processing sectors.

In addition to fundamental reforms at the political and legal levels, a lasting political and economic stabilization of Kyrgyzstan calls for improved economic and social living conditions for the population generally. To achieve this, individuals must be urged to make greater efforts of their own and mobilize their own resources. Cooperative forms of organization are particularly well suited to foster such developments and add momentum to them, notably in the rural areas. Smallholders and small business people can be supported successfully by cooperative forms of self-help.

A Kyrgyz farmer owns on average some two hectares of land; the purchase of new farming technology is therefore an enormous burden on the individual. This is why many farmers’ groups have sprung up across the country to purchase (used) farming technology together and make it available to their members. Under certain conditions, the purchase of such machinery can be funded by the Raiffeisen Fund Kyrgyzstan. Other examples of funding include investments for the processing of fruit and vegetable, the establishment of milk-processing plants, the building of stables and potato storage facilities.

The cooperative investment projects make an important contribution to regional development and the rural economy. New jobs and better incomes can help to reduce poverty considerably, especially in structurally weak regions. In addition, democratic community initiatives are strengthened in Kyrgyzstan. Support of remote areas contributes to a more balanced development between the regions and revitalizes local trade when means of production are purchased locally. It invigorates local markets and opens up new market segments.

The positive results of DGRV project activities and the Raiffeisen Fund Kyrgyzstan have met with a great deal of interest in the country from both potential lenders and international organizations, which are increasingly cooperating.
During the last decades, access to financial services has considerably improved for marginalized segments of the population in Latin America: millions of individuals are benefiting from the steadily growing range of financial services provided by the savings and credit cooperatives (SCC). More extensive networking, the application of modern management and control mechanisms, and the gradual incorporation of the SCC sector under the system of State supervision have stabilized the situation and created greater confidence amongst the local population. The DGRV has accompanied this development process in many countries of Latin America for more than two decades and assisted in shaping it at various levels.

Previously country-based projects of the DGRV are gradually being supplemented or replaced by supra-regional project activities. This facilitates the design of joint concepts, systematic strategies and standardized instruments to carry out audits, training and advanced training across countries. Consultancy and seminars are then adapted to the concrete situation in individual countries. Trained staff and experts from the region are primarily employed for this purpose. National cooperative structures can be reinforced accordingly by using existing know-how and achieving considerable synergies.

DGRV partners include the general staff and managers of SCC and of purchasing and marketing cooperatives, staff members of cooperative federations and representatives of ministries, central banks and supervisory authorities. In line with DGRV’s systemic approach, priority is given to support of federation and cooperative central bank structures, and the improvement of the legal framework. The aim is to integrate cooperatives into the development of the financial sector systematically and, in so doing, support the strategies of decentralization pursued by Latin American states.

The DGRV’s technical support consists of targeted individual consultancy as well as training and advanced training: instruments for educational and consulting activities are designed specifically for managerial staff of cooperatives and multipliers in development. Major content areas covered in DGRV consultancy include supervision, regulation, auditing, internal control systems, risk management, management information systems (MIS) as well as information and communication technologies. Programmes are implemented in the form of courses, workshops, seminars, and direct consultancy. Special attention is paid to the training of multipliers (lecturers and consultants) for the application and development of joint concepts and methodologies. In addition, national and supra-regional study and exchange programmes are organized in Latin America, Europe, and Germany.

Controlling risks

For the stability and growth of the SCCs, it is indispensable to manage risks efficiently. Early warning systems are the first link in this chain of identifying negative developments at an early stage in order to take appropriate counter-measures. Early warning systems are not only used by the SCCs themselves but by cooperative federations, deposit protection funds and supervisory authorities.

The DGRV has developed the ALERTA TEMPRANA early warning system for Latin America. ALERTA TEMPRANA consists of an IT platform for the assessment and interpretation of key ratio figures generated from accounting and other data of the SCCs. This early warning system can be adapted to specific requirements of, for example, national supervisory authorities. Translations into other languages are possible.
Small step, big impact

In the early 1990s, the DGRV set up a credit fund in Ecuador. Medium and long-term investment loans for small and medium-sized enterprises (SMEs) were made available and channelled through savings and credit cooperatives (SCCs). This enabled the cooperatives to refinance long-term loans for farming inputs and investments to supplement the savings they had mobilized themselves. Training programmes for the cooperatives facilitated the processing and monitoring of these investment loans.

In 1999, sixteen regular users of the fund established FINANCOOP, a central credit cooperative with central bank functions. In 2003, FINANCOOP was able to meet the equity capital requirements specified by the banking supervisory authority, and was given a licence as a result. The number of members has risen to more than 70 SCCs in the meantime, including all cooperatives covered by statutory banking supervision.

The integrated cooperative structure which has evolved with support from the DGRV has contributed to a sustainable development of the SCCs in Ecuador. None of these cooperatives has failed despite the large-scale banking crisis in 1999. The consolidated balance sheet total of the Ecuadorian SCCs amounted to some 1.3 bn USD at the end of 2006, including savings deposits equivalent to 1.1 bn USD. The cooperatives have 1.7 m members out of a population of 11 m. This gives an idea of how important the SCCs are in this country both economically and socially. In many rural areas and small towns in Ecuador, SCCs are often the only providers of financial services for small business people, craftspeople and farmers.

By supporting the SCCs, the economic and social status of developmentally-relevant target groups could be invigorated. A major contribution has been made to the support of local economic structures and reduction of poverty, especially in the rural areas and small towns. The high proportion of women amongst both the membership and leadership of cooperatives is proof of the fact that a process of empowerment has also been initiated. Moreover, attention needs to be drawn to the fact that there has been greater environmental awareness amongst many SCCs during the last few years. Environmental campaigns are supported and funding made available for concrete programmes in the region’s tropical forests.

I pay you! (te pago)

The cooperative centre VISIONAMOS based in Medellín has approx. 300,000 members; among the institutions monitored by the Colombian supervisory authority for the financial sector, it is the first to operate a payment system (TEPAGO) for SCCs. TEPAGO (translated “I pay you”) is tasked with conceptualizing, developing, implementing and positioning low-cost financial services for geographically-dispersed cooperatives. TEPAGO has been specifically designed for segments of the population without access to the financial sector. The aim is to integrate these groups into the SCC system. Owing to the self-help approach with a local focus, transaction costs can be kept low. Two DGRV consultants are working in the VISIONAMOS project.
Money transfers without borders

Poverty and lack of prospects are increasingly forcing individuals to look for employment outside their native country in order to make a living there to support their families. A large part of the money which they send home regularly, so-called remittances, is paid in small sums, but it makes all the difference for the income situation of recipient households. Remittances increase visibly, especially in times of crisis. The money is used not only to pay for the costs of living, but education and healthcare and provisions for risks as well.

The volume of remittances has been increasing considerably during the last few years. While official development aid amounts to some 80 bn USD worldwide, officially recorded remittances were as high as 199 bn USD in total in 2006. Informal flows of money may be expected to be twice as much as those recorded officially.

Recipients of remittances are often confronted with major problems owing to non-existing financial institutions in remote areas, inadequate access to financial services for marginalized groups or non-integration of microfinance institutions into international payment systems. Local SCCs and their networks may therefore save the recipients long, expensive and hazardous trips to reach the next central cash points.

DGRV projects in Latin America have improved access to financial services, notably for the target group mentioned. Technical support from the DGRV for the development and expansion of money transfer systems has enabled SCCs to integrate into networks.

A good case in point is the cooperation with the "Mexican Federation of Credit Cooperatives in the Social Sector" in Sierra Norte de Puebla. In addition to previously existing financial services, local SCCs are now also handling money transferred from abroad for the rural population. This is supplemented by savings and microinsurance products to meet local demand.

During the short period since the foundation of TEPAGO, three of the six cooperatives affiliated to the network have issued 27,000 debit cards, and handled some 228,000 transactions and a volume of approx. 43 million USD for mostly impoverished members.

and assisting with the introduction and application of instruments developed by the DGRV. Their counterparts in cooperation are the affiliated TEPAGO cooperatives. This process involves an adaptation to the network, reinforcement of internal controls, and the building-up of management information systems. The fact that VISIONAMOS member cooperatives now apply accounting guidelines to standardize the handling of transactions by TEPAGO is the first indication of successful consultancy. Diagnostic mechanisms ensure the safe operation of the network and provide concrete information for strategic planning.
South Africa
Yes, it works!

By supporting cooperative structures, the DGRV is making an important contribution to black economic empowerment in South Africa. More than 10 years after the end of Apartheid, a large part of the black population is still living in poverty. Efforts by the democratic government and visible economic successes have not yet yielded a more equitable distribution of incomes.

The DGRV supports cooperatively-organized business initiatives, especially in the crafts and in trade, by assisting in the procurement of goods and marketing as well as in accounting, management and in training and advanced training. By building up savings and credit cooperatives, the target group is to be enabled to obtain and maintain access to financial services over the longer term.

In 2003, Yebo was founded as a central advisory and service cooperative of member groups with DGRV support. Yebo is a term from the Zulu language affirming “yes, it works”; the organization functions as a support centre for the approx. 80 cooperatively-organized member groups during their foundation phase. It provides education and training to support their development and self-governance structures and makes available funding from a credit fund.

Yebo and DGRV cooperate closely with local partners in providing consultancy services in the townships. The target group comprises mainly bakers, street vendors and other micro businesses. The support focuses on bakeries, predominantly family-run and groups who, unlike their big competitors, supply inhabitants of the townships directly with fresh and, more importantly, inexpensive bread. The group profile has been reinforced and internal cohesion improved by introducing a common brand “Yebo Baco” and standardized packaging material, amongst other things.

In addition, the DGRV advises State institutions in shaping or improving framework conditions in South Africa, for example regarding the revision of the Cooperative Act and the introduction of cooperative auditing.
Cooperation to get people into work

Sixteen young unemployed have successfully got into work by setting up their own bakery. The local government in Waterval Boven (Mpumalanga province) asked Yebo to assist the group in its efforts to become self-employed. The technical equipment was supplied by the electricity company Eskom for free.

The young persons were faced with the challenge of developing bread-baking skills in a short period of time. An experienced baker from the Yebo cooperative assisted them, and 600 loaves of bread were sold daily after only one week. Production has increased considerably in the meantime. Flour and other baking ingredients are procured through the Yebo cooperative at a better price than they would have paid individually. In the meantime, the young persons have also been trained to make cakes and pastries to earn a relatively better margin, i.e. generate higher earnings with such products.

The group obtained a loan of 5,000 Rand (approx. 560 €) from the Yebo credit fund for a period of six months with which to fund the connection to the electricity grid and minor electrical installations. The loan was completely redeemed from the proceeds of the sales even before it was due.

Investment aid for a bakery

Baker Wiseman Totose, otherwise known as Mister Muffin, is heading for growth with his own delivery van. For some years, he already produced some 120 muffins and 160 scones in his little bakery in the Gugulethu township each day, employing three staff to help with the baking, and two women for the sales. They had to deliver their products by taxi. This was extremely time-consuming, and therefore Wiseman Totose could only supply four customers a day.

At the end of 2006, he applied for a loan of 47,000 Rand (approx. 5,250 €) from the Yebo cooperative. With the money, he purchased a small delivery van, a mixer and an accessory for the baking oven so that he could bake bread as well in future. The second-hand van is now in use and Wiseman has been able to reach a larger number of regular customers.

The number of muffins and scones sold has greatly increased. Due to these additional earnings, he is no longer forced to accept an odd job now and then, but only looks after the bakery. He will soon have to employ more staff to cope with the larger quantities sold and the additional products offered.
Volksbanken and Raiffeisenbanken – pioneers in microfinance

Originally, cooperative self-help organizations developed in situations of economic distress. While the reforms in agriculture in the mid-19th century brought economic freedom and autonomy, the situation of many farmers deteriorated for lack of business experience. New dependencies evolved, and many lost their homes and farms as a result of dire financial straits.

Craftsmen also suffered when traditional structures disintegrated. Like the farmers, they had no access to financial services and depended on loans from private moneylenders at usurious rates. They were becoming increasingly indebted as a result and eventually lost their livelihoods.

Friedrich Wilhelm Raiffeisen was directly confronted with the hard times in the rural areas, and so was Hermann Schulze-Delitzsch in the urban areas; and that is why the two laid the foundations for cooperative self-help institutions of farmers and small business people in the mid-19th century. The first “disbursement societies” and “loan societies”, precursors of the current Volksbanken and Raiffeisenbanken, were established as a result.

Most of these very small savings and credit cooperatives accepted savings deposits and awarded microloans. In other words, these cooperatives were among the first microfinance institutions of the world.

And today, savings and credit cooperatives again offer access to financial services to broad sections of the population for the first time in many of our partner countries, especially in the rural areas. In addition to small loans, they provide a broad range of other financial services: saving opportunities, money transfer, house-building loans and insurances, as well as business advice and advanced training. In so doing, cooperative microfinance institutions generate and mobilize local resources and support local development processes. This, and their ownership structure, level of member participation and integration into a network account for the viability and large development potential of savings and credit cooperatives.
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