The United Nations declared 2012 the International Year of Cooperatives. This provides the opportunity to recall “the amazing power of cooperatives” in the field of microfinance, as expressed in the title of the closing conference of the International Year to be held in Quebec City from 8 to 11 October, with the support of Crédit Agricole. Overall, 14% of Microfinance Institutions (MFIs) listed on the MIX have adopted the cooperative format. Even if the cooperative status is just one of the legal forms adopted by microfinance institutions around the world, we must recognize that there is a natural fit between the cooperative concept and the goals pursued by microfinance.

Historically, first of all, it is worth remembering that cooperative banks, as we know them today in Europe, were born during the second half of the 19th century from a desire for emancipation by small farmers and artisans, totally deprived of access to credit through traditional banks. Local mutual agricultural credit agencies in France, Raiffeisen cooperatives in Germany, Austria and the Netherlands, and the Credit Unions in England and Ireland were created as local institutions to allow their members to finance their activities through pooling of their savings resources and financial solidarity. They are regulated by specific governance rules, in particular the principle of “one man, one vote”, so as to ensure management that is independent of political power and the power of money, guided solely by the interests of members.

This cooperative approach has been implemented in many developing and emerging countries to fight financial exclusion and to provide the poor with micro savings, credit and insurance services tailored to their needs. Depending on the context and the legal tradition in each country, the relative importance of cooperatives may vary. The cooperative model is particularly widespread in West Africa, where 70% of borrowers and 78% of depositors of cooperative microfinance institutions in sub-Saharan Africa are concentrated, while the cooperative model is virtually absent in East Africa (excluding Madagascar).

As long as it is properly implemented, the cooperative approach in microfinance has many advantages: it focuses on the establishment of precautionary savings and not just on the credit function, thus promoting the financial autonomy of the institution; it establishes financial solidarity mechanisms between members, which brings together both the practice of “group lending” as it has been developed by the Grameen Bank, and the traditional mechanisms of tontines and village banks, as can be observed in Africa. Its proximity to its members and its democratic governance allow products and services to be adapted to the needs of the population served in a given territory. Cooperative MFIs are also a powerful tool for creating accountability of members, especially women, who find in these structures a unique opportunity for expression and empowerment. Finally, the setting aside of results reflects the disinterested nature of management and is a guarantee of independence, while cooperative governance can be an effective protection against interference from political power.

In contrast, cooperative structures may face funding problems if the level of equity does not grow at the same rate as the operations. Many cooperative MFIs are forced to become commercial enterprises
Fears of Professor Yunus justified: the Bangladesh Government deprives millions of women borrowers and shareholders of their right to choose the Managing Director of Grameen Bank

It is this uniqueness that Sheikh Hasina, Prime Minister of Bangladesh, wanted to abolish, by approving last August an edict that modifies the rules for the selection and appointment of the Managing Director of Grameen Bank and gives this power to the President of the Bank, appointed by the government. Indeed, all the attempts to intimidate the nine women elected to the Board having failed, the government decided to take control of the bank, of which it holds only 3% of the capital, with all the risks of politicization and corruption, as denounced in advance by Professor Yunus in a public statement published in early June. These fears had struck a chord in the United States: in a bipartisan letter dated 27 June, the U.S. women senators showed their support for the institutional model represented by the Grameen Bank, and expressed concern about actions that could undermine women’s rights in Bangladesh.

Many observers question the reasons for the Government, faced with the challenges of poverty and climate change, attacking the only Asian organisation to have ever been awarded the Nobel Peace Prize, and the respected figure of Professor Yunus.

The Grameen Crédit Agricole Microfinance Foundation is on the side of the women of Bangladesh in their struggle to preserve their right to manage the bank they own and to safeguard its independence and ethics.

* M. Shahjahan is currently the acting CEO. He is also a Director of the Grameen Crédit Agricole Microfinance Foundation.

Christian Talgorn elected president of the European Association of Co-operative Banks (EACB)

CHRISTIAN TALGORN, director of the Grameen Crédit Agricole Foundation, Chairman of Crédit Agricole du Morbihan, has been elected President of the European Association of Co-operative Banks, replacing Piet Moerland, Chairman of Executive Board of Rabobank, who held this post for four years.

Founded in 1970, the European Association of Cooperative Banks (EACB) represents, promotes and defends the common interests of its 28 member institutions and cooperative banks, in terms of banking services and European legislation.
The main objective of this visit was to learn and analyse what has been done so far in India to cover small operations against the risk of crop loss using index insurance. India is an interesting case study because the country has experimented with various indices. It has a significant commitment from the government and private insurance companies and has extensive experience in both public and private or community programmes.

This study tour brought together 23 participants from four continents and 12 countries (France, Germany, Azerbaijan, South Africa, Benin, Guatemala, Kenya, Nigeria, Uganda, Philippines, Senegal, and Togo) with very different professional backgrounds: regulators, insurers, managers of microfinance institutions, private foundations, donors, academics. This diversity was an additional enriching factor in the study tour.

FABRICE LARUE from FARM Foundation (Foundation for Agriculture and Rural life worldwide), was impressed by the Indian experience: “We knew we were going to visit one of the pioneering countries in this area, but I discovered that research has been conducted in India on agricultural insurance since the 1920s and that their current position in this field comes from a long-standing commitment to this issue.”

With an agricultural sector that contributes 18% of GDP and employs 60% of the population, climatic hazards are monitored by the government, which plays a key role in the financing of agriculture in general and of agricultural insurance in particular. Climatic risks, particularly rainfall, have a significant impact on the yields of farmers whose farms have an average size of 1.2 hectares. These farms are rarely irrigated, are poorly supplied with water and depend on the monsoons. While the first agricultural yield indicators were developed in 1979, the first climate-indexed agricultural insurances were sold in 2003, in connection with harvest loans. With 22 million farms covered by insurance based on a performance index, three million farms covered by an insurance based on a weather index and 340.000 farms covered by an insurance that combines both indexes, India is probably now the most innovative and experienced country in the field of agricultural indexed insurance worldwide.

For BRUNO LEPIOIRE from PACIFICA, the Insurance Company of Crédit Agricole, “the Indian experience with index insurance is a “laboratory” for our future index-based contracts. The challenges are quite different but their approach gives us ample feedback on how to succeed in the marketing of these contracts.”

During the week, participants became familiar with the benefits and issues related to risk management tools for farmers. At the end of the study tour, everyone left with a clearer picture of the conditions for success in the implementation of these mechanisms in their respective countries. As MARTINE DAHOUN, in charge of regulating insurance in Benin, said: “As a regulator, I realise that I cannot just be sitting there waiting for innovative products to appear. The insurance industry is constantly changing and we must conform to this reality. We must become part of this movement and encourage the creation of new products.”

The growth phase of pilot projects is often difficult when faced with unresponsive farmers. In India, this problem has been partially solved by making insurance mandatory for agricultural loans; although in reality this is only applied to 22% of loans granted, it has helped to significantly increase the volume of insurance policies. In addition, the federal government and the States subsidise between 50 and 70% of the premiums and require private insurance companies to generate a defined percentage of their turnover in rural areas.

The design of an insurance product based on the weather is a complex exercise requiring close collaboration with the government. Coupling this with other actions such as credit or the provision of non-agricultural products facilitates distribution to the level of each village.

OSCAR CHAMALE, from the Aseguradora Rural insurance company, was surprised during the field trip by the close link created by an NGO between farmers and their insurer: “I was surprised by the commitment of the producers’ organisation to product management, which can even result in settling compensations. This is very well integrated with other support
activities to farmers and it also fits into the value chain. In Guatemala, I have never seen any producer organisation playing this role.” The NGO helps farmers fill in insurance policies and intercedes with the insurance company to accelerate compensation and to refine the index.

The two-day field visit provided the opportunity to meet Indian farmers, who are familiar with these products, in order to get their feedback on their experiences. MOMATH NDAO, insurance controller in Senegal summarises the experience: “Farmers are the key actors in the implementation of agricultural insurance and should be consulted at every stage. It is important to listen to the farmers, as we have done today, because they are smarter than us. They know what they want and what is good for them, as do farmers in Senegal!”

THÉRÈSE SANDMARK, in charge of agricultural microinsurance for the Grameen Crédit Agricole Microfinance Foundation, and who designed the study tour programme, in partnership with CIRM, draws this conclusion: “The CIRM’s motto is safety nets for all. In India, this motto is a reality for a significant proportion of small farmers. What we have seen in India will inspire crop insurance policies and projects in many countries, especially in Africa.”

**New investments**

**The Foundation makes new investments**

In July and August 2012, the Grameen Crédit Agricole Microfinance Foundation approved five new investments in as many countries.

**VIATOR (Azerbaijan)** started operations in 1999 as a development programme managed by Normisijon, a development organisation created by the Lutheran Church of Norway. Viator operates in six of the poorest districts in the north-west of the country and is the tenth microfinance institution in the country in terms of portfolio and sixth in number of active borrowers. In August, the Foundation granted Viator a loan in local currency equivalent to 500,000 euros over a three-year period. As of 30 June 2012, Viator had 18,049 active clients, of which 39% are women and 62% are rural clients.

**CAURIE (Senegal)** is the sixth MFI in the country in terms of portfolio and third in terms of number of active borrowers. It was created in 2005 as a result of the merger of the microfinance programmes of CRS (Catholic Relief Services) and CARITAS in Senegal. This cooperative targets primarily poor women in rural and suburban areas. As of 30 June 2012, Caurie had 39,267 active clients, of which 90% are women and 55% are rural clients.

**TPC (Indonesia)** targets mainly women in rural areas and the agricultural sector. In Cambodia, TPC is among the leading MFIs in terms of number of clients. It has managed to maintain a relatively low average loan amount compared to most competitors. As of 30 June 2012, TPC had 104,080 active clients, of which 88% are women and 99% are rural clients.

**KOMIDA (Indonesia)** is an Indonesian microfinance NGO created in 2004 under the name YAMIDA and which began offering microloans in August 2005 to the population affected by the Banda Aceh (North Sumatra) tsunami. The institution was transformed into a savings and credit cooperative in 2008. Komida is now present in three Indonesian regions and finance exclusively women living in rural areas, 20% of its portfolio being dedicated to the financing of agricultural activities. The Foundation repurchased an outstanding debt in IDR from Grameen Foundation USA, equivalent to 484,560 euros and which matures in March 2014. As of 30 June 2012, Komida had 85,513 active clients, all of them women, of which 90% are located in rural areas.

**Phileol Madagascar**

Concerning its Social Business activity the Foundation strengthened its support to Phileol Madagascar. Thus, in July and August, it increased its stake in the capital of the Malagasy company with a shareholders’ current account advance of a total equivalent to 37,500 euros disbursed in two tranches. Since 2008, Phileol Madagascar has been established in the Androy region, the driest and poorest region of Madagascar. It is developing an inclusive oil-seed industry there, collecting jatropha and castor-oil plants from local farmers, transforming these oils locally and exporting them to the region and to Europe, where they are highly prized by the green industry. Thus, Phileol secures farmer incomes and enhances the local agricultural production. It also helps to strengthen the farmers’ structuring and capabilities.
Chamroeun is a Cambodian microfinance institution whose social purpose is at the heart of its approach. It provides financial services to the poorest, excluded from those of the mainstream microfinance institutions. To maximize the impact of the credit and to effectively help very poor families, it also offers them a range of training and economic, social and personal support services. Chamroeun reinvests all its profits in its activities so as to strengthen its social mission.

CHAMROEUN supports families living in disadvantaged urban areas by helping them to cope with unexpected expenses and by implementing long-term entrepreneurial dynamics. It helps them to manage their small business activities and to develop their management skills as well as their confidence through training and professional monitoring. Finally, it supports them socially by directing them to specialised agencies.

Managed as a social business, Chamroeun plans to develop three main actions to make the best possible use of the profit generated by its activities:
- lower interest rates for all loans,
- promote, through microfinance, products or micro-businesses with strong social added-value,
- strengthen mechanisms for the poorest.

The Grameen Crédit Agricole Microfinance Foundation supports Chamroeun through loans (two loans to date in local currency), an offer of technical assistance as well as through a 15% stake in its equity.

As of end of August 2012, Chamroeun had 36,614 active clients.

The Foundation is also present in Cambodia through AMK, HKL and TPC. This strong presence in the country has led the Foundation to organise its next Board meeting there on 16 October, as well as a conference entitled «Microfinance and Social Business: responsible and innovative approaches for economic and social development in Cambodia», organised in partnership with the Cambodian Microfinance Association (CMA) and under the patronage of the National Bank of Cambodia. The conference will be held in Phnom Penh on 18 October. Among others attending the Conference will be Chanto Chea, Governor of the National Bank and Jean-Marie Sander, Chairman of Crédit Agricole SA and of the Foundation. The Conference will address a range of topics such as social responsibility and transparency in microfinance, financing of agricultural activities and Social Business in the service of the poorest.

This conference will be a unique opportunity to deepen one's knowledge of the microfinance sector in Cambodia while focusing on the development of Social Business as a new innovative approach in the fight against poverty. Mark this date in your diary and join us in Phnom Penh.

18 October 2012
Phnom Penh, Cambodia

MICROFINANCE & SOCIAL BUSINESS

Responsible and innovative approaches for economic and social development in Cambodia

Under the patronage of the
National Bank of Cambodia

For more information on the Conference and to register, please visit our website.
TCX: The Currency Exchange Fund

TCX is a special purpose fund providing market risk management products to its investors and their clients active in emerging markets. This unique fund focuses on currencies and maturities that are not covered by regular market providers.

Borrowers in emerging markets with local currency assets often have to choose between two equally risky and unattractive alternatives for long-term funding. Either they fund long-term local currency assets with short-term liabilities in local currency, thus incurring a term mismatch, or they fund them with long-term, hard currency debt from international investors, thus incurring a currency mismatch.

The Currency Exchange Fund N.V.’s (“TCX” or the “Fund”) mission is to be a leading catalyst for the development of long-term local currency hedging products to bridge this market gap.

As part of its activities in emerging countries, the Foundation wanted to contribute to and participate in an innovative project that can broaden the range of coverage solutions with longer maturities and currencies that are not yet offered by major financial markets. This is why the Foundation has taken a $2.4 million stake in the TCX fund, alongside Oikocredit.

In an interview granted by Joost Zuidberg, CEO of TCX, to the Foundation, he stated: “TCX values highly its relationship with the Foundation. The pro-active strategy of the Foundation and its particular focus on institutions at the bottom of the pyramid makes it a highly committed change agent in its efforts to avoid foreign exchange lending practices”.

As of 30 June 2012, thanks to its partnership with TCX, the Foundation had successfully completed 12 investments in seven exotic currencies.