

THINK:

How can the work you do in schools be paralleled to the use of Credit Unions and Microfinance as a worldwide tool for economic justice, fighting poverty and empowering communities?

REFLECT on:

- Charity as an unexplored economic relationship, as opposed to trade and commerce, might foster feelings of benevolence, achievement and re-enforce images of powerlessness and dependency.
- How can we help young people understand ways that communities, including themselves, can express rights and seek to solve or confront problems?

QUESTION:

How can creating a savings institution in your school help your children to learn about the global need for people who are poor and powerless to have savings and access loans?

Checklist:

- ✓ The Credit Union branch is set-up and run as a children's co-op, with adult supervision.
- ✓ In training the young members of the Credit Union their work and project is paralleled with similar work in Southern Countries.
- ✓ In creating a 'constitution' for the 'branch' the values statement can express state that Credit Unions are vital to fight poverty around the world, and for such schemes as Fairtrade .
- ✓ Ensure that the values of the Credit Union, as a co-op, promotes the values of co-operative learning and working.
- ✓ Link the Credit Union to Fairtrade as a part of your school becoming a Fairtrade School (it can count towards promoting Fairtrade in the school, & in the curriculum).
- ✓ Allow fund-raising projects etc in the school or the school council to have accounts in the Credit Union.
- ✓ Start a micro-finance system.

Next steps:

1. find a member of staff/parent who is willing to support a school 'branch' of the Credit Union, they may already be an enthusiastic member.
2. contact your local credit union.
3. get the support material for setting-up and running a credit union branch.
4. set-up the system with the credit union for staff acting as a cashier for the children.
5. create a group of children who can act as a set-up committee.
6. decide when and where your 'branch' will be open, and how it will be staffed by adults and children.
7. how will the money be kept secured and how often will it be put into the account(s)?
8. how will you promote and explain it to other children/parents and staff?
9. as savers are members, you can issue member's cards.
10. what will your constitution be? That is rules for how things work?
11. once it is all going you can call members meetings to discuss how things are going and what should happen next.
12. your group may like to run a micro-finance group and give loans to school/class projects...

Credit Unions and Microfinance

Micro-credit and micro-finance play important roles in poverty eradication and empowerment of vulnerable groups particularly of women. It has proven to be an effective anti-poverty tool. This certainly is one of the effective means to reach the Millennium Development Goal.
Fakhruddin Ahmed, former governor of Bangladesh Bank

The Key elements of the Colombo Women's Thrift and Credit Co-operative Society:

Decentralised development – the members of the credit union are the heart of its activities. They and their elected committees manage the business, unlike banks that are hierarchies run from above.

Saving is promoted – you can only join by saving, and you can only get access to loans by saving. The money, or capital, for lending is created within the credit union from its member's savings.

Common bond – the bond can be either living in the same area, or belonging to the same profession, also there are credit unions specifically for women to address issues of discrimination and power structures.

Common ownership – through the selling of shares to its savers ownership of the credit union is promoted.

Equity – voting is not based on how many shares are owned but simply on membership. One member one vote.

They took their affairs into their own hands, and what is more to the purpose, they kept them in their own hands.
Rochdale Pioneers 1844

Toolkit for Active Global Citizenship School Credit Unions & World Development

Finance education is a growing priority in education, especially in terms of learning to save and budget. Supporting your children running a branch of a credit union in your school will bring together several very important strands of learning. As co-ops credit unions allow your children to learn about democratic decision making. As vital tools for combating poverty in the UK and in countries around the world it allows them to learn how this works. It is a brilliant way for your children to become active global citizens.

Around the world, amongst poor communities, there is a significant problem of lack of finance for investing in small businesses, nowhere to save money safely and no insurance for covering problems like the family's main wage earner becoming ill. Illness and accident, as well as natural disasters, are events that tip many families over the edge of poverty into starvation and destitution.

Lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty. Microcredit is one such means. Development from below also serves to advance democracy and human rights.
The Nobel Peace Prize Committee citation for Muhammad Yunus, founder of the Grameen Bank

Savings and loans are major tools for protecting the family from destitution and indeed for improving their business and lives.

In Bolivia, Cooperativa de Ahorro y Crédito "Jesús Nazareno" Ltda. (CJN) handled 25% of the savings in 2002.

Credit Unions are set-up within poor communities to give the poorest people access to financial security, savings and loans. They are co-operative savings groups, owned and run by their members, the savers.

They are a way for the poor to take control of their own lives in contrast to other development support that comes from above and is delivered by NGO workers. The processes of creating and running the Credit Unions are as important as the financial outcomes.

The communities whose efforts are described here may be 'poor' by material standards of the so-called 'rich', but are immensely rich themselves in culture and values. This is illustrated in the collective endeavour of the credit union. We are working towards better standards of living through credit and savings, but our development is also about our strength as a union and a voice for the poor.
The Colombo Women's Thrift & Credit Co-operative Society

Worldwide there is an estimated 86 million individual members of credit unions, who belong to more than 40 thousand local branches.

Dabi - Poverty alleviation for poor landless women

Dabi is the core component of our microfinance programme. We organise landless groups of women in rural, semi-urban and urban slums into self-selected groups commonly known as village organisations (VOs). These VOs serve as platforms for various financial and non-financial development activities including savings, credit, health, education, social development and livelihood support. Dabi members have access to microloans and savings schemes that help reduce their vulnerability and support their self-employment initiatives.

The loans are used to support a wide range of activities that the poor engage in to sustain their livelihoods. These range from agricultural activities such as growing rice, maize or vegetables and livestock rearing to non-farm activities such as running a restaurant or grocery store.

All Dabi members are women and the average loan size in 2007 was BDT 8,227 (US Dollars 121). As of 2008, the total number of outstanding borrowers was 5.02 million and BDT 30,755 million was disbursed in 2008.
BRAC website <http://www.brac.net/index.php?nid=218>

Democracy and Co-ops in Iran

... there is a public interest in democracy and civil society. In this respect, the cooperatives as social enterprises and democratic institutions inspired by worthwhile values and principles such as "Voluntary and Open Membership," "Democratic Member Control and ...," have the potentiality of being real schools for educating people and helping democracy to be flourished. These schools (cooperatives) can play an efficient role in practicing and generating democracy...

Aliasghar Maghsoudi, Iran's Ministry of Cooperatives, October 2006
http://www.entreprises.coop/UPLOAD/mediaRubrique/file/151_ABSMaghsoudi.DOC

What others say

Half the world's population is supported by co-ops. 100 million jobs are provided by co-ops – more than multinationals.

Iain Macdonald, Director-General, International Co-operative Alliance (ICA)

Cooperative banks are also involved in the promotion of credit unions in the South. Credit unions and similar financial cooperatives have demonstrated that micro-finance services can be delivered to the poor in a sustainable way. Being rooted in local communities and managed by local people, such cooperatives can take advantage of social capital in situations where financial capital is scarce. Capacity building for the poor in money management, saving approaches and enterprise planning have proven to be essential building blocks for effective and sustainable cooperatively managed microfinance.

11th UN International Day of Cooperatives, 2 July 2005, "Microfinance is OUR business! Cooperating out of poverty"
<http://www.copacgva.org/idc/2005.html>

A small loan, a savings account, an affordable way to send a pay-cheque home, can make all the difference to a poor or low-income family. With access to microfinance, they can earn more, build up assets, and better protect themselves against unexpected set-backs and losses. They can move beyond day-to-day survival towards planning for the future. They can invest in better nutrition, housing, health, and education for their children. In short, they can break the vicious circle of poverty.

If we are to reach the Millennium Development Goals, that is exactly the kind of progress we need to make.

Let us be clear: microfinance is not charity. It is a way to extend the same rights and services to low-income households that are available to everyone else. It is recognition that poor people are the solution, not the problem. It is a way to build on their ideas, energy, and vision. It is a way to grow productive enterprises, and so allow communities to prosper.

Kofi Annan, UN

Over the past five years, the micro-finance sector worldwide has grown at an average rate of 25 percent to 30 percent with 63 of the world's top micro-finance institutions having an average rate of return of about 2.5 percent of total assets.

Fakhruddin Ahmed, former governor of Bangladesh Bank

Credit Unions as Co-ops

| Co-operative value | Your credit Union branch fulfils (tick) | Suggested criteria |
|---|---|---|
| open membership | | no discrimination based on gender, race, religion etc |
| democratic member control | | decisions made openly through votes or consensus |
| autonomous, self-help organisations controlled by their members | | A document that describes how the panel is formed and how it works, this is called a constitution, could ensure that it expresses these values. |
| provide education and training for their members | | Panel ensures its members has relevant training – eg in project application evaluation, decision-making, co-op working |
| promote co-operative working in the community | | Possibly including such values in its criteria for 'teamwork' for its applications, and in describing its work to the community. |
| share and network with other co-operatives | | Inform other co-ops of its work in terms of being a co-op, encourage other similar panels to see themselves as co-ops, use coops and credit unions as possible sources of training... |
| work for the sustainable development of their communities | | This is the aim of what you do – funding projects for the development of your community. Are there criteria for selecting appropriate projects to fund that includes issue of sustainable development? These might include community cohesion, empowerment, democracy, rights, environment, energy reduction... |

Setting-up a Credit Union School 'Branch'

Many schools in Uganda have their accounts with their local Credit Union, or what is called a SACCO. As will their staff and the parents of their children. The children can also have Junior Accounts.

As the money for loans, once the Credit Union is of a sustainable size, comes from the savers themselves, and as they own and run the Union it is a very powerful tool for empowerment. It is used as such in all countries around the world. It is a way of communities sharing and taking control of their finances. Sharing is vital as each family will not have enough money to have economic power, but together, co-operatively, they can gain enough to protect and insure their savings, and to access loans.

Fairtrade, in terms of the majority of its work with small farmers, cannot work without co-operatives, or unions, and Credit Unions.

You can work with your local Credit Union to set-up a 'branch' within your school. This can be a cashier desk, that is open regularly in the

mornings, before school, or lunchtimes or after school (once a week or more). Children can have account books and put their savings into the Credit Union, they can have membership cards created by the school and Credit Union. There could be awards for saving.

The children who save can be invited to school members meetings, in which they could stand for election for posts of responsibility (eg chair, treasurer, secretary), and in which decisions could be proposed and voted on – eg about how to promote to other children and parents/ about how to link it with Fairtrade in the school/ about what training and support do they need/ about holding social/promotional events...

If it is successful the members could then look at giving loans to school projects eg fund-raising days or events or the school council. This would allow them to act like micro-finance group. This is a very powerful way your children can learn active global citizenship as well as financial literacy.

Active Citizenship Projects - Credit Unions & Microfinance

There have been many projects, national and local, that have looked at how project work in schools and youth groups can be organised as social enterprise projects, thus allowing the young people more control over what they are doing whilst increasing the learning objectives to include business planning, finance, marketing, democratic decision making in teamwork, and evaluation.

These projects normally start with the creation of a business plan and a selling presentation. The presentation is made to a panel who review the plan, and either give a loan or grant to the project, with or without conditions for improving the plan.

The project must have a budget and a treasurer, and at the end of the 'trading' can feedback on the success of the venture, including in the multiple bottom line the 'profit' or 'loss'.

For annually repeated projects, any profit could go into a 'credit union' to be allocated as start-up money for the new projects the following year. The panel could be students who ran last year's projects applying what they have learnt to advise the new students, and teaching about the role of micro-finance in supporting communities around the world.

Contacts and websites:

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Banking on the World: www.global.lgfl.net 020 7364 6405 Michael.newman@towerhamlets.gov.uk

MyBnk, an educational charity, works with schools, colleges and youth groups creating & running their own banks, with a micro-finance element. The young people provide micro-loans to entrepreneurial young people for businesses/projects. This was inspired by what BRAC has been doing in Bangladesh with micro-credit. For information, support, training/case studies: <http://www.mybnk.org/> tel:020 7739 1828 info@mybnk.org.

Pfeg Personal, Financial Education Group has learning materials, website, partners that work with schools, and will support the school's focus. So approach them to support your Credit Union project. www.pfeg.org