



2015 MCPI ANNUAL CONFERENCE  
*Microfinance and Inclusive Growth*

# **GOOD GOVERNANCE for INCLUSIVE DEVELOPMENT**

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# Quick background...



## Asia-Pacific Rural and Agricultural Credit Association

*Acknowledged leader in rural and agricultural finance*

An international association dedicated to work for the farmers, fisher folk and rural communities through Rural and Agricultural Finance and Development

- ▶ Establish in 1977 under the auspices of FAO
- ▶ 37 institutions from 16 countries when it started (1977)
- ▶ 62 institutions from 21 countries (May 2015)
- ▶ Central Banks; Government Banks; GOCCs, Regulating Agencies, MFIs and others
- ▶ Coordinating and collaborating with other RACAs (rural and credit associations) in the world

### **FOCUS PROJECT: FinServ ACCESS PROJECT**

- ▶ Enhancing the Access of the Rural Poor to Sustainable Financial Services Rural Finance and Agricultural Development and Replicating Global Best Practices



# Quick background...



## Asia-Pacific Rural and Agricultural Credit Association

*Acknowledged leader in rural and agricultural finance*

- Relates with: Food and Agriculture Organization
- Swiss Agency for Development Cooperation
- German Agency for Technical Cooperation
- Economic and Social Commission for Asia and the Pacific (UN-ESCAP)
- German Foundation for International Development (DSE, now InWent)
- International Fund for Agricultural Development (IFAD)
- International Labor Organization of the United Nations (UN-ILO)





**21 Member countries**

**62 member institutions**



# Good Governance –APRACA's viewpoint



- APRACA working towards rural inclusion and transformation believes and strongly advocates the principles and pillars of good governance : fairness, accountability, social responsibility and transparency within and beyond its network of rural and credit associations in the area of policies, processes, investment and development practices.



# The Drivers for the Call on Inclusive Development



## ▶ The Millennium Development Goals

- 1 Eradicate extreme poverty and hunger
- 2 Achieve universal primary education
- 3 Promote gender equality and empower women
- 4 Reduce child mortality
- 5 Improve maternal health
- 6 Combat HIV / AIDS, malaria and other diseases
- 7 Ensure environmental sustainability
- 8 Develop a global partnership for development



The World Bank

- ▶ The World Bank Global Financial Inclusion (Global Findex) Database indicates that 2.5 billion adults globally—about half the total adult population—have no access to financial services delivered by regulated financial institutions. While account penetration is nearly universal in high-income economies, with 89 percent of adults reporting that they have an account at a formal financial institution, it is only 41 percent in developing economies.

Many people are excluded from development because of their gender, ethnicity, age, sexual orientation, disability or poverty. The effects of such exclusion are staggering, deepening inequality across the world. The richest ten percent of people in the world own 85 percent of all assets, while the poorest 50 percent own only one percent.



# Philippine enablers

- ▶ Enabling Laws like banking legislations, coop legislations, microfinance legislations, insurance legislations and the like
- ▶ “In 2014, the Economist Intelligence Unit (EIU) named the Philippines as the top country in East and South Asia and the third in the world, with the most conducive environment for financial inclusion. “
- ▶ “Under any (methodological) framework, the Philippines will score well, because it benefits from having a highly capable regulator (BSP), optimal credit regulation and effective dispute resolution.” EIU Global Microscope 2014
- ▶ Improved regulatory environment ( CDA, IC, SEC and others...)



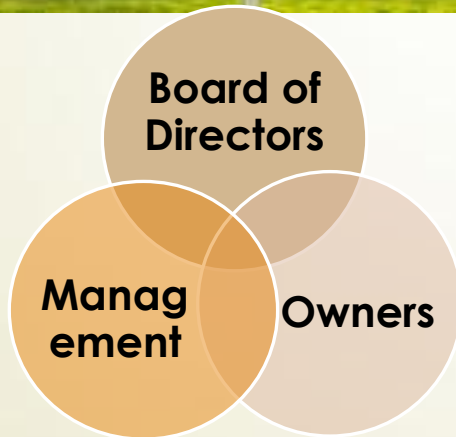
# How safe is your rudder?

*Megawat, a Hanse 371, sank in the Irish Sea in 2005 after the rudder stock broke, rupturing the hull (see PBO 464). The official report said possible factors include a retrofitted autopilot and rough machining and corrosion of the aluminium stock.*



Governance = boat rudder

# GOVERNANCE



- SYSTEM - designed to control and distribute power within an organization
- IDEALS - principles, ideas, or standards that seem very good and worth trying to achieve
- RELATIONSHIPS Set of relationships among the board of directors, management, and owners of a business enterprise through which the objectives are decided and the means for achieving them and monitoring performance are determined.

# GOOD GOVERNANCE in cooperatives and other rural financial institutions

External	Pillar
<p>As financial institution, expected to comply the aspects of <u>transparency, compliance, and public accountability</u></p>	<p>The Cooperative Code and the corresponding CDA issuances:</p> <ul style="list-style-type: none"> <li>•Reportorial Requirements (120 days of the calendar year)</li> <li>•Compliance to training requirements (BODs and Officers)</li> <li>•Posting of reports for members and public</li> <li>•The call and conduct of Annual Gen Assembly</li> <li>•Holistic audit required ( financial, social and performance audit)</li> <li>•The adherence to Standard Chart of Accounts</li> <li>•The establishment of Performance Standards for Cooperatives (COOP PESOS, PISO)</li> <li>•Compliance to Truth in Lending Act</li> <li>•The engagement of (professional) External Auditor</li> </ul> <p>The UNIVERSAL STATEMENT OF COOP IDENTITY</p> <ul style="list-style-type: none"> <li>•The Coop Definition, the coop values, the coop principles</li> <li>• Call to live with it, anchor on it, deepen it</li> </ul> <p>Other enabling laws and issuances</p> <ul style="list-style-type: none"> <li>•The Credit Information systems Act</li> <li>•The NIRC</li> <li>•The Local Government Code</li> <li>•Others</li> </ul>

# GOOD GOVERNANCE in cooperatives and other rural financial institutions

Internal	Pillars
<p>Addresses the aspects of Structure, Continuity, Balance and Accountability</p>	<p>The cooperative by-laws and Articles of Cooperation</p> <ul style="list-style-type: none"><li>• Ensuring the sustainability and strategic direction of the coop</li><li>• Upholding the democratic structure</li><li>• The valuing and practice of self regulation</li><li>• The principle of one man –one vote</li><li>• The composition of the Board of Directors</li><li>• The delineation of roles and responsibilities</li><li>• The soundness of systems, policies and procedures</li><li>• The adoption of standards and disciplines</li></ul>

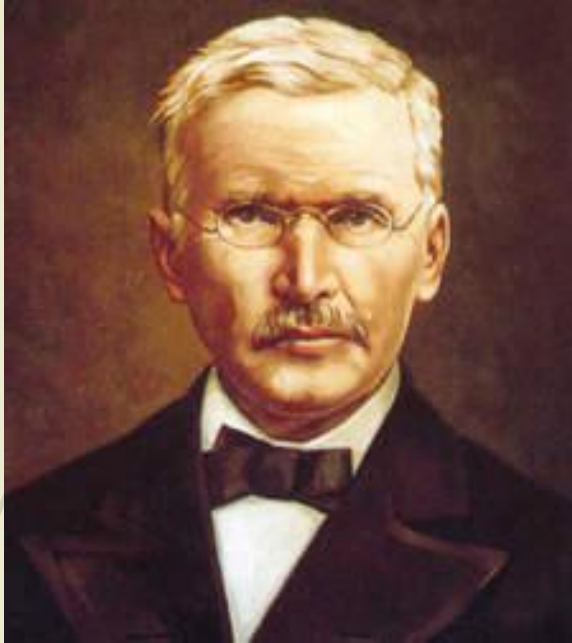
# GOOD GOVERNANCE in cooperatives and other rural financial institutions

## Individual

The aspects of Integrity, competence and Commitment

## Pillars

- Meeting the required fitness as Board of Directors and Managers and Officers (character and competence)
- Awareness of their Authority, Responsibility and Accountability
- Living the Cooperative Citizenship
- Full understanding and awareness of their Fiduciary responsibility and obligations
- The continuing education and capacitating of Board and Officers
- The observance of the Code of Conduct and Ethical Standards
- Strict observance of prohibitive relationship
- The principle of succession
- The Board composition and term of office
- Consideration of demographic and gender balance
- Conduct of Self Evaluation and assessment



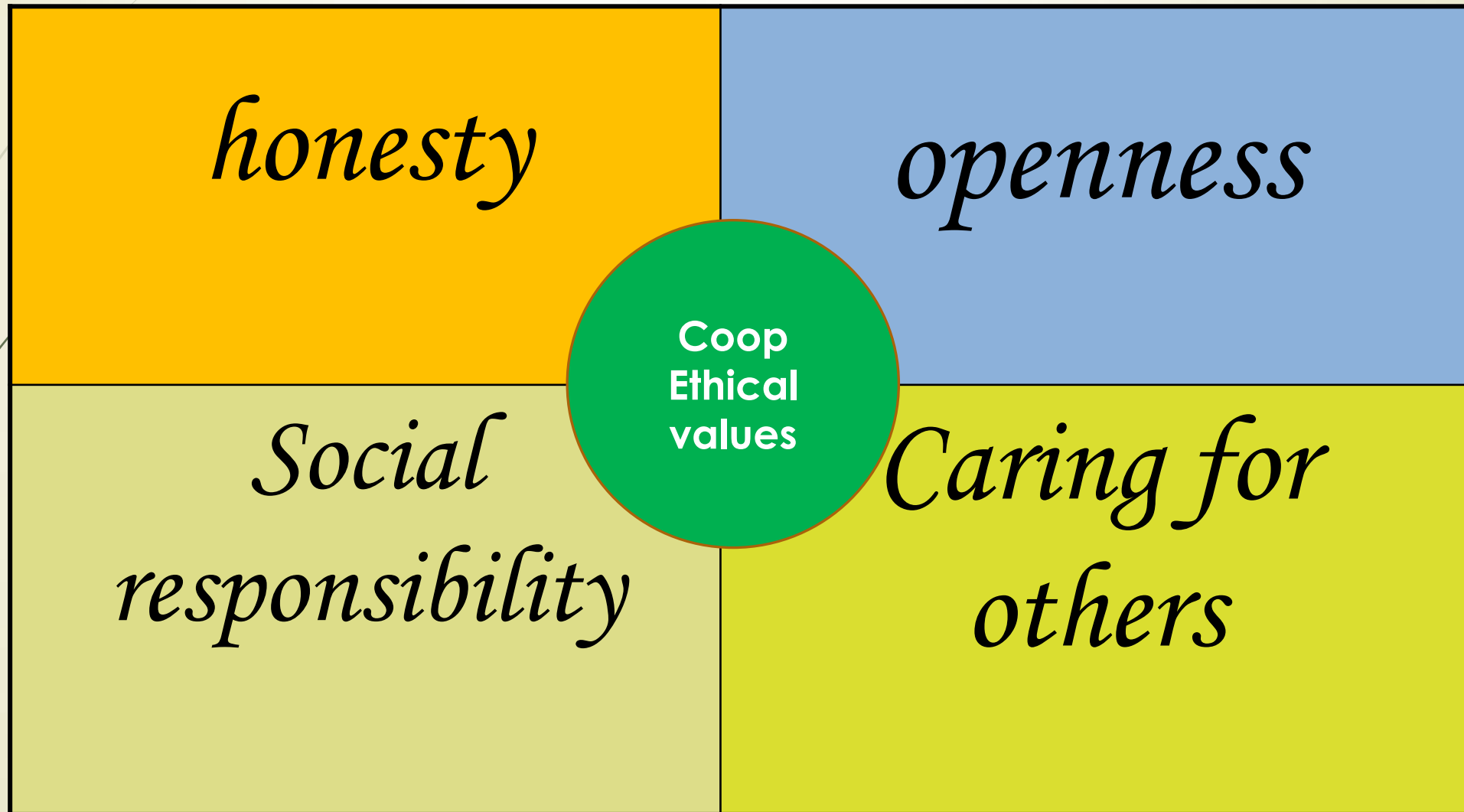
F. W. Raiffeisen (1818 -  
1888)

“Credit Unions and  
coopratives must not  
confine themselves to  
granting loans. Their main  
objectives should be to  
control the use made of  
money, and to improve the  
moral and physical values  
of people, and also,  
their will to act by  
themselves.”

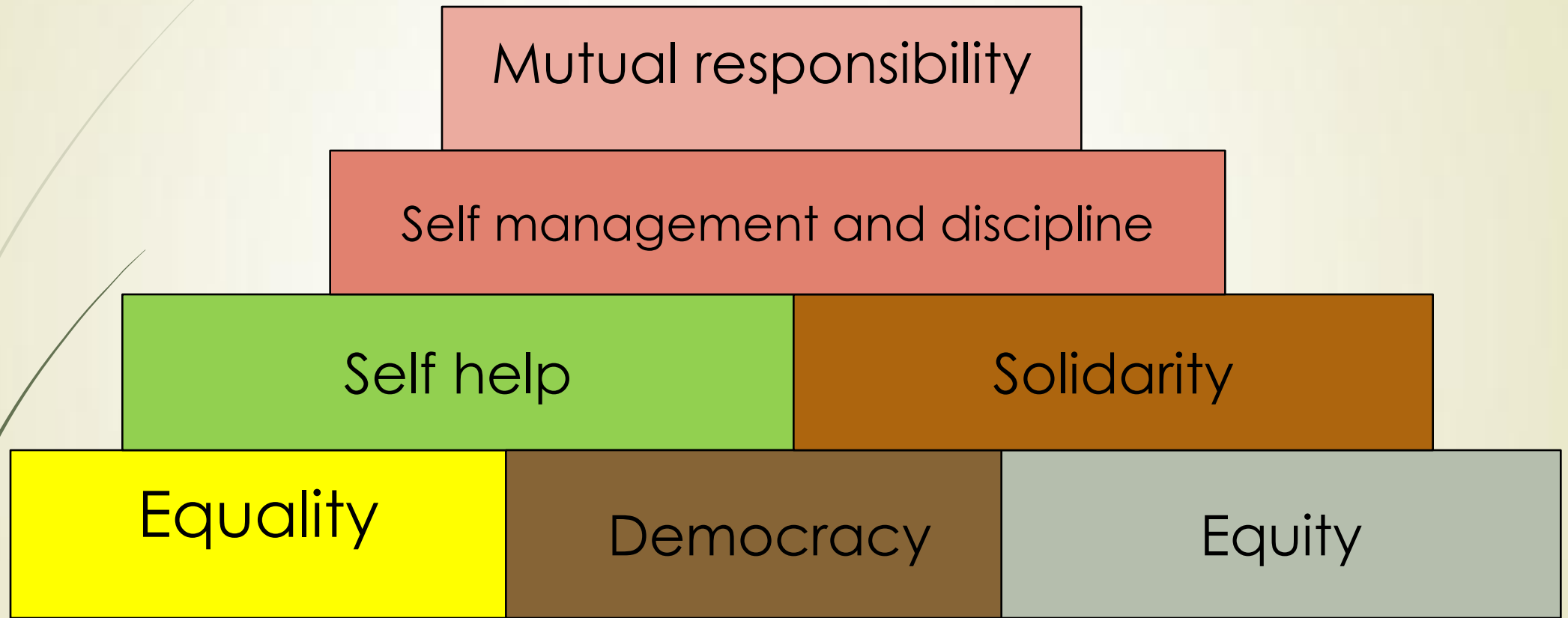
# Cooperative principles



In the tradition of their founders, every members believe in the Ethical values of:



# The Universal Cooperative Values



The building blocks to shaping every cooperative

# Good governance towards inclusive growth

- ▶ Good governance are ideals and principles, a set of disciplines and standards. It is a system where the end is total human development (economic, social cultural, political) and brotherhood of men.
  - ▶ For cooperatives, this is their reason for being, their essence that is why the Principles of Open and Voluntary Membership, the Democratic Member Control, Education, Training and Information and the Concern for Community
  - ▶ As a set of standards and discipline, this is the compass where the running of the business (management) and the ensuring that it is properly run (governance) is directed.

“The result of good governance is development that “gives priority to the poor, advances the cause of women, sustains the environment, and creates needed opportunities for employment and other livelihoods.”

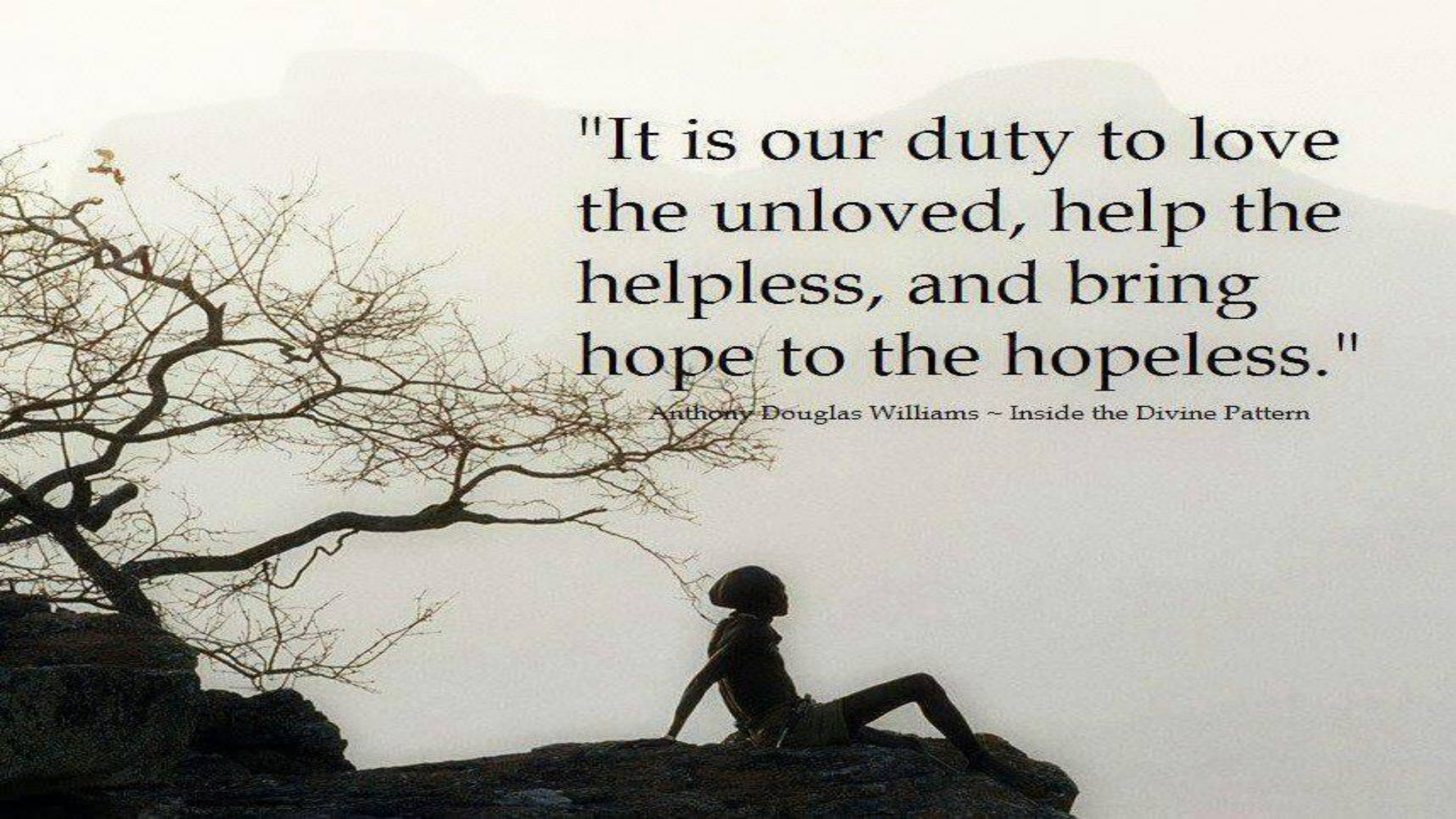
*Source: Re-conceptualizing Governance, UNDP,  
1997. Pp.1*





# MY VISION OF PHILIPPINES

- ▶ A country where constitutional rights are fully upheld, where privileges and opportunities are open to all, where every individual's basic needs are addressed and cooperative will no longer be a structure but a strong apparent Filipino values along with integrity, honesty, compassion and social responsibility; where good governance will no longer be just an Ideal but a practiced principle, a norm, a destination and definition of our every endeavour.

A person is sitting on a dark rock in the foreground, looking towards a large, bare tree silhouette on the left. The background is a hazy, light-colored landscape with distant hills. The overall mood is contemplative and serene.

"It is our duty to love  
the unloved, help the  
helpless, and bring  
hope to the hopeless."

*Anthony Douglas Williams ~ Inside the Divine Pattern*



I ask you to ensure  
that humanity is  
served by wealth  
and not ruled by it.

Pope Francis  
Message to the World Economic Forum  
Annual Meeting 2014





Thank you.

