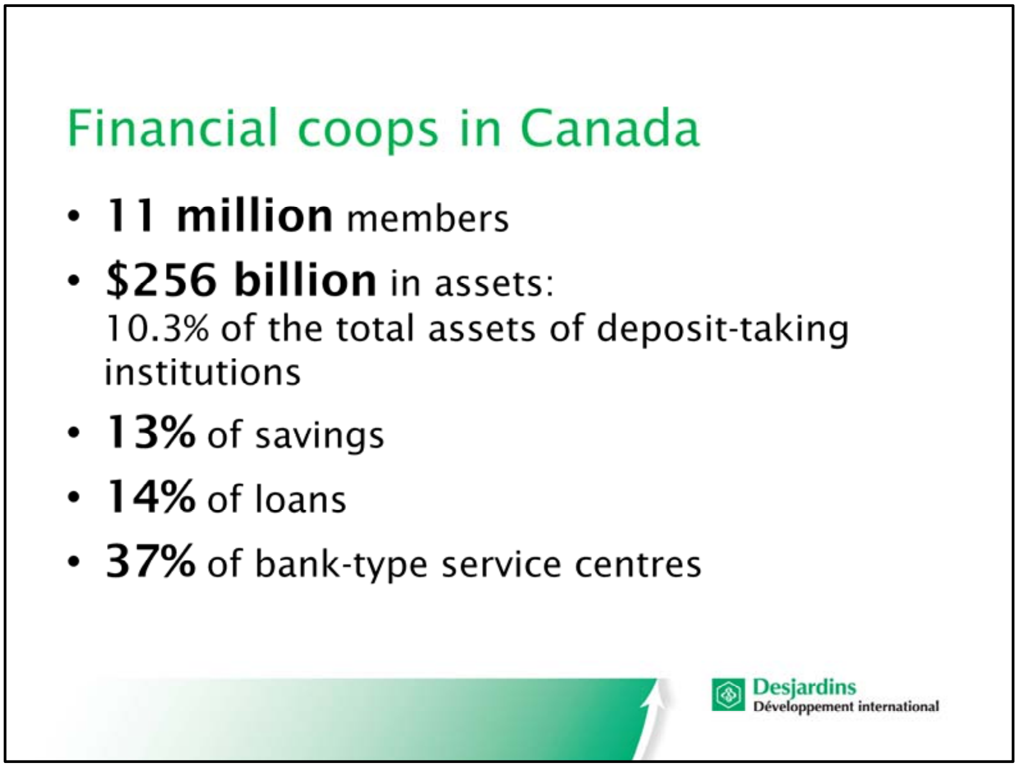
With this presentation I wish to show how current and pertinent the cooperative model is in the financial sector:

Both in the North, where financial coops managed to do much better than banks throughout the recent financial crisis,

And in the South, where coops have a tremendous contribution in reaching greater financial inclusion – local coops, but also Canadian financial coops that partner and share their experience with these local coops.



- In Canada, 1 out of 3 individuals is member of a caisse populaire or credit union. In total, there are 900 *caisses* or credit unions in the country .

- These financial institutions have total assets of more than 250 billion dollars:
- That's over 10% of total assets of all deposit-taking institutions
- 13% of all savings collected
- 14% of all loans give out
- and 37% of all bank-type service centres, which is proof of the greater accessibility provided by coops.

- … So financial coops hold a very important place on the financial market in Canada

- In Quebec, Desjardins Group is the largest private employer with *42,000 employees* and Canada's sixth largest financial institution *with its 6 M members*

- In B.C., Vancity Credit Union is the 2nd largest autonomous coop in the world, with *500,000 members*

Now… To understand the importance of financial cooperatives in developing and emerging countries, it is good to first outline the situation as to financial inclusion in these countries.

According to the World Bank, 2.5 billion individuals, three quarters of the world's poor, still do not have an account in a formal financial institution.

This financial exclusion is not only due to poverty, but also to
- The high cost of financial services
- The distance that must too often be traveled by people to reach a bank outlet
- And all the paper work involved.

According to recent surveys, **cooperatives reach significantly more individuals and families** than other financial institutions, making them the actors who are truly responsible for improving access to financial services for all, and thereby increasing local economic growth and reducing poverty.
MIX Market and CGAP, 2012

Coops help overcome the obstacles shown on the previous slide…

- First by being open to all– which is the first cooperative principle
- By making members participate economically
  - The members start creating collective wealth by participating in the social capital of their coop;
  - And it's by pooling the savings collected that loans can be given out
- Coops also help by being closer, including in rural areas
- They will also tend to offer more affordable services
- They provide education and help people understand how financial services work
- And of course, they adjust to members' needs, meaning that they won't only make financial services more accessible, but also secure and diversified, including essential services such as insurance, fund transfers, etc.

Recently, some events had microfinance making headlines for its negative impact. You may have heard, for example, of the events that took place in India, where a political party advised overindebted clients of microfinance institutions to no longer repay their loans since the interest rates were considered too high and collection methods, unscrupulous.

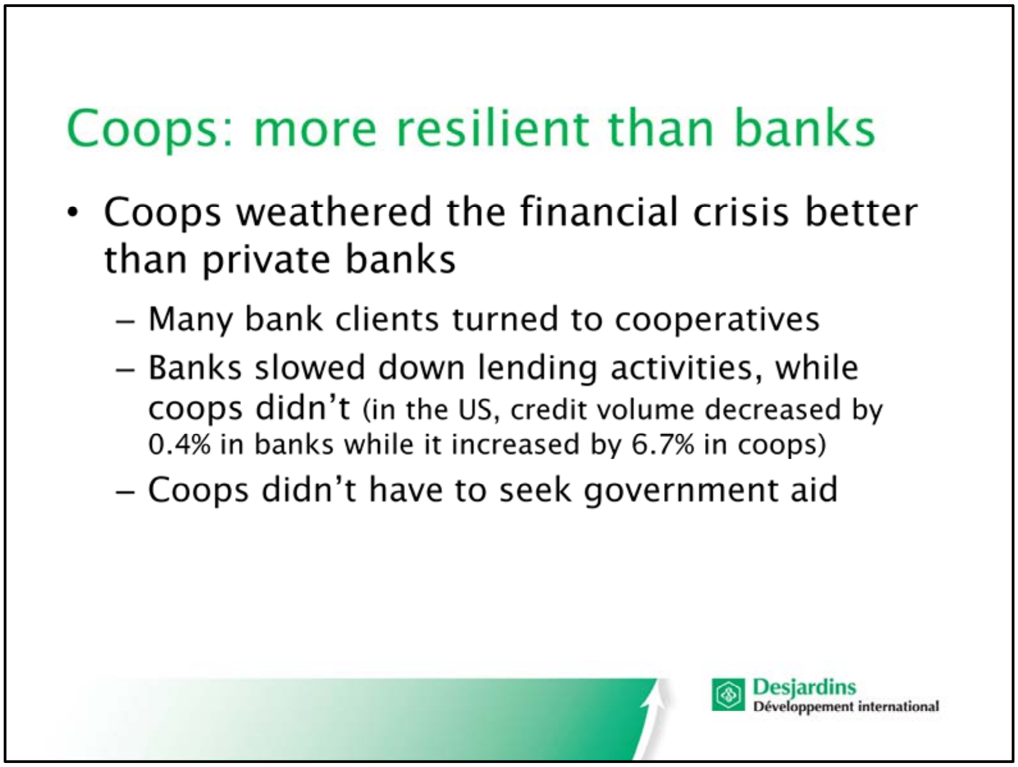
Cooperative principles act as a safeguard against such risks and overly aggressive practices:

- First, their action is based on collective ownership and governance, as well as their sound practices and their roots in the community.

- They also rely on the savings and capital of their members as sources of financing, which makes them more independence and more resilient to external shocks, but also less tolerant to taking excessive risks. In this way they contribute to stabilizing the global financial landscape.

- Cooperatives contribute to educating, training and informing members. By doing so they help them to better understand credit, evaluate their borrowing capacity and understand the commitments they make when they take out a loan, therefore preventing overindebtedness.

- In brief, unlike profit-oriented financial institutions, coops pursue sustainable prosperity. They create wealth sustainably by offering accessible and secure financial services.



Everywhere around the world, coops clearly demonstrated their **resilience** by riding out the financial crisis of 2008-2009, which can mainly be explained by the factors presented on the previous slide.

- During the crisis, cooperatives remained accessible and attractive to all. Numerous bank clients even turned to cooperatives because these inspired more confidence: the result was increased membership, assets and volumes of savings for cooperatives

- While banks were slowing down their lending activities, cooperatives were able to continue this activity that is so essential for recovery (in the United States, credit volume decreased by 0.4% in banks while it increased by 6.7% in cooperatives)

- Nowhere, were cooperatives obliged to seek government aid. As a consequence, they sometimes suffered from increased competition from banks since these were in effect subsidized and they were therefore able to offer better interest rates.

(International Labour Organization)

- In brief, coops are much more than a simple alternative to the traditional banking model and they should play an important part in redefining the global financial sector.

- Yet, coops sometimes find themselves operating outside the limits set by current definitions and systems. When it comes to regulating them for example, governments often find that traditional bank laws are not suitable. This calls for openness and special efforts, both from cooperatives and law makers.

- In a general manner, the importance and the specific nature of cooperatives must be recognized in order for them to fully assume their role in redefining the global financial sector.

- This is one of the main themes that was addressed in October at the International Summit of Cooperatives in Quebec City. DID and its partners were present and took an active part in this event. Five DID partners, all representatives of the Proxfin international network (www.proxfin.org) , were speakers during this event. They presented various winning practices and innovations, such as the index-based crop insurance product that was developed for rice growers in Sri Lanka. Together, they proved that coops can make finance more inclusive while being efficient, performance – driven and profitable.

In Burkina Faso, over 75% of individuals with access to financial services do business with the RCPB network of financial cooperatives, making it, by far, the biggest inclusive financial institution in the country.

The RCPB currently has 177 service outlets, 1000 employees and assets worth 253 million dollars (a number that may not impress some North Americans… but knowing that the average loan in Africa is less than 1000$, then you realize that these 250 millions $ mean many, many people reached: the RCPB provides 1.6 million members in both rural and urban areas with diversified and quality financial services.

The RCPB has also pushed the intercooperation principle up to the point where it decide to create a regional confederation with 5 other coop networks covering 4 other west african countries, all of them being dominant financial institutions in their respective countries in terms of financial inclusion.

A few examples

In Lithuania

- The LKU coop network is the only locally-owned financial institution
- Its managers participate in elaboration of national financial policies

Photo: Jean-Marc Crevier

Desjardins
Développement international

In Lithuania, the network of Lithuanian financial cooperatives is the only locally-owned financial institution in Lithuania, since all banks operating there are owned by foreign interests. It therefore provides key leverage for the country's socio-economic development.

Despite its short history, this institution already has an excellent reputation and the opinions of its managers are regularly sought on various questions related to development of the country's financial sector.

A few examples

In Haiti

- The *Le Levier* coop network is responsible for 45% of financial access
- It played a key role in post-earthquake reconstruction efforts
- Being networked, its coops survived economic difficulties

Photo: Karina Turgeon

Desjardins
Développement international

In Haiti, 45% of individuals with access to financial services do business with the Le Levier federation of financial cooperatives.

Thanks to its deep roots in the community, this network has played a key role in the reconstruction of Haiti since the earthquake that shook the population and the economy of this country in January 2010.

Furthermore, the fact that the base coops are integrated within a federated network makes them much stronger and helped them survive the economic difficulties that resulted from the earthquake. Today, most of the indicators posted by Le Levier show a clear growth compared to 2008, in spite of the tragic events of 2010.