

IRU
Courier

No. 1 / August 2017

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Articles which are designated by name express the opinion and view of the author which are not necessarily those of the International Raiffeisen Union.



Dear reader,

Summer break has arrived and many of you are going off for vacation. Before the new working season begins, it is time to have a look back at the first part of the year.

At IRU – International Raiffeisen Union some changes occurred, whereof one of the most important ones was the leaving of IRU Vice President Mr. Dirk Lehnhoff who retired on 31st July 2017 (see p. 3). We are thankful for the commitment which he had contributed to the organization for many years and we wish him all the best for the next steps and projects in his life.

The IRU has taken a significant step forward in the modernization of its communication approach: the new website was launched on 1st August 2017 and now appears in a fresh and clean design. We are very happy to have a cutting-edge tool now for representing the organization (p. 3).

Another topic which is keeping us busy since some months is the Raiffeisen anniversary

year 2018. Some important decisions were taken, such as the date and location for the IRU jubilee event combined with the XIVth General Meeting. You can find the dates on page 4.

We thank Prof. Dr. Hans Groeneveld, Director International Cooperative Affairs at Rabobank, for a great study on European co-operative banking, which was conducted by TIAS School for Business and Society at Tilburg University/Netherlands and supported by EACB (p. 5).

Further topics about happenings in the co-operative world are also included in this edition of the IRU Courier (p. 7-12).

The IRU Secretariat General wishes you happy and relaxing holidays and a good restart after the summer break.

Andreas Kappes
Andreas Kappes
Secretary General

Mandy Pampel
Mandy Pampel
Coordinator SG

IRU NEWS

- Change in the IRU Board of Directors -

As of August 1st, 2017, Dirk Lehnhoff, Vice President of IRU – International Raiffeisen Union, is leaving his function as Member of the Board of DGRV and thus his position as IRU Vice President.

He always perceived the strong and fruitful collaboration at the IRU-Presidium and the Board of Directors as very enriching and appreciated the personal contact as well as the strong support of the cooperative idea on an international level.

From August 1st, Mr. Lehnhoff's colleague, Dr. Eckhard Ott, CEO of DGRV, will take his place in the Board of IRU until the next election in 2018.

- Launch of the new IRU Website -

The new IRU website has been launched on August 1st, 2017. The new look and feel and the fresh and clean design of the website are meeting modern standards.

GET PERSONAL: We gave the website a much more personal appearance, by presenting the bodies and the people who are standing behind the organization.

UP TO DATE: Discover the latest news of the international cooperative world in the media section.

MORE OPTIONS COMING SOON: The website will be further developed to become more and more interactive and dynamic. An own space for each member of the IRU, a calendar for world wide co-operative events, a large section for the

Raiffeisen anniversary year 2018 and many other items are currently under construction.

Visit us under: www.iru.de



- SAVE THE DATE: Jubilee Year 2018 -

To celebrate the 200th birthday of Friedrich Wilhelm Raiffeisen and the 50th birthday of the International Raiffeisen Union, IRU will organize an international event in 2018.

The event will take place in a very special location: in the Fortress Ehrenbreitstein in Coblenz/Germany which is situated close to Raiffeisen's living and working domain.

- IRU Secretary General meets CEO of
KUSCCO in Kenya -



SAVE THE DATE: The event will be combined with the IRU General Meeting at the previous day and the possibility to discover the region the day after.

- **Thursday, 27-09-2018**
IRU Presidium and Board Meeting
+ XIVth IRU General Meeting
- **Friday, 28-09-2018**
IRU Jubilee Event
- **Saturday, 29-09-2018**
Optional program in the area, e.g.
discovering Raiffeisens' roots in
Westerwald

Further information will be published on the IRU website www.iru.de soon.



In June 2017, Andreas Kappes, Secretary General of IRU – International Raiffeisen Union and Head of the Department International Affairs at German Cooperative and Raiffeisen Association (DGRV) met George Ototo, CEO of the Kenya Union of Savings & Credit Co-operatives Ltd. (KUSCCO) in Nairobi, Kenya. DGRV is currently expanding its project activities in Eastern Africa.

KUSCCO is not only a long-standing member of IRU but also a partner of DGRV. During a business trip for DGRV, Mr. Kappes and Mr. Ototo met to strengthen the ties between both organizations. Being already partners, they agreed on an even closer cooperation between KUSCCO, DGRV and other cooperative organizations for the new projects.

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A BRIEF ASSESSMENT OF EUROPEAN CO-OPERATIVE BANKING

by Prof. Dr. Hans Groeneveld

Director International Cooperative Affairs, Rabobank

Professor 'Financial Services Cooperatives', TIAS School for Business and Society at Tilburg University/Utrecht, Netherlands

In a recent publication, the performance of eighteen co-operative banking groups in thirteen European countries is investigated and compared to that of the entire banking sector in the same countries.¹ It is acknowledged that the performance of any co-operative bank cannot be assessed by looking solely at quantitative indicators or hard data. Besides, the concept of 'performance' has many dimensions: the degree of customer satisfaction, customers' perception that the bank acts in their interests, the access offered to networks and knowledge of the bank, the stability/duration of relationships, the perceived attention/concern for the environment and local communities, etc.

The external environment poses many challenges for all banks. The European economy shows signs of recovery, but many uncertainties remain. Furthermore, the business model of retail banks, and co-operative banks in particular, has been upended by the monetary authorities' decision to drop interest rates to historic lows and into negative territory. Increasing regulatory costs and competition from incumbent and new players put additional pressure on net profits.

In these turbulent market conditions, co-operative banks managed to enlarge their member base in recent years to almost 80 million in 2015. Today, one out of five inhabitants is member of a cooperative bank. In line with their long-term member growth, their average domestic loan market share rose by more than 1 percentage point to 22 over the last five years, whereas their deposit market position improved by 0.5 percentage point to 22 as well. The branch market share jumped by around 2 percentage points to almost 32, because all other banks closed more branches than co-operative banks. The branch network density of co-operative banks signals their emphasis on 'proximity' to members and customers in local communities.

The relatively large number of co-operative banks' branches does not lead to structurally higher cost to income ratios. On the contrary, their average efficiency levels were alternately higher or lower than those of entire banking sectors since 2011. In 2015, the cost-income ratios were actually very close and considerably lower than a few years earlier. Co-operative banks realised cost-efficiency gains as a result of continued consolidation in the sector, i.e. mergers between local banks, headcount reductions and virtualisation.

Indexing balance sheet data at 100 in 2011, one can observe clear dispersions between co-operative banks and the entire banking industry. Since 2011, total assets and retail loans of all other banks contracted, whereas they grew at co-operative banks. Moreover, the deposit expansion (10 per cent) of all other banks catches the eye. This reflects their strategic shift towards greater reliance on retail funding in recent years.

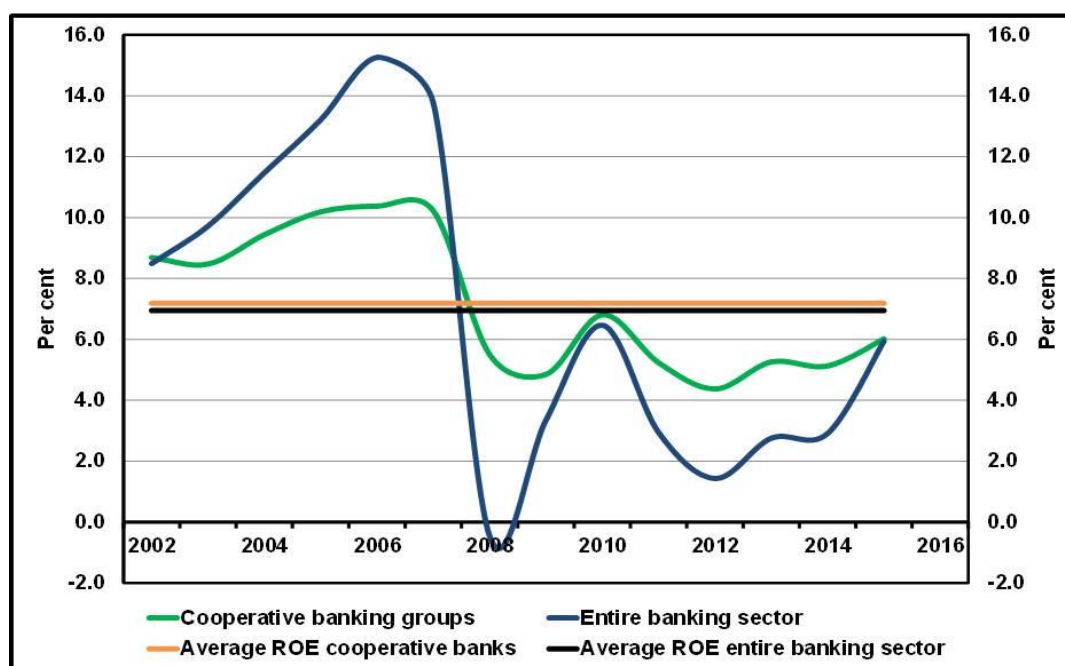
Over a longer term horizon, co-operative banks have on average outperformed all other banks in terms of Return on Equity (see Figure). The ROE of co-operative banks also exhibits a more stable pattern

over a longer time period. This might be due to the fact that co-operative banks are more involved in retail banking, which is normally associated with limited volatility in revenues. Overall profitability improved particularly for all other banks in recent years. The average ROE of both clusters of banks equalled 6% in 2015. The profitability prospects for banks remain bleak,

have particular implications for financial stability, because enforced uniformity in banking (models) could eventually lead to financial fragility instead.

We argue that policy-makers and supervisors should refrain from measures that eventually yield a strong convergence of business models, governance structures

Figure: Return on Equity of co-operative banking groups and entire banking sector



Source: calculations by TIAS based on data from co-operative banking groups, national supervisory authorities, the ECB, and World Bank. // Note: The orange and black lines represent the average return on equity of respectively co-operative banks and the entire banking sector over the time span 2002-2015.

though. Finally, bank capital positions improved further, helped by both capital increases and risk weighed asset declines. Viewed over a longer time span, co-operative banking groups have always stood out from entire banking systems regarding many financial metrics. However, we have observed considerable convergence in the indicators for both groups of banks in recent years. We think that regulatory forces are pushing banks in the same direction and/or prompt them to make similar choices, even though they have different ownership structures. This may

and scale of banks. A marginalisation of biodiversity in banking will have a detrimental impact on competition and stability. It could also lead to negligence, or exclusion, of certain customer, business and/or economic segments in society. Recent history has learned that a kaleidoscopic banking sector lowers the risk of fierce market disruptions.

¹ This article is largely based on [‘Snapshot of European Co-operative Banking 2017’](#).

NEW ENERGY FOR AFRICA . COOPERATIVE – DECENTRALIZED – RENEWABLE

by Dr. Andreas Wieg/Dr. Julia Veßhoff,
DGRV – Deutscher Genossenschafts- und Raiffeisenverband e. V. (German Cooperative and Raiffeisen Association)
Germany

Almost 60 percent of the approximately 1.1 billion Africans currently live without access to electricity. And the need for it is increasing rapidly. By the year 2040, Africa's energy demand will rise by about 80 percent. This demand is to be covered mainly by resources such as sun, wind and biomass. The African continent offers great potential in the field of renewable energies.



Berlin: On June 27, 2017, over 300 international guests discussed these potentials and challenges in the house of the DZ BANK in Berlin. In cooperation with the German Federal Ministry for Economic Cooperation and Development (BMZ), the DGRV held a conference on “New Energy for Africa. Cooperative – Decentralized – Renewable “. In addition to numerous practitioners from the renewable energy industry – including many energy cooperatives – and development cooperation organizations as well as representatives of research institutions, ministries and the media, some Bundestag representatives and the ambassadors from 13 African republics had followed the invitation.

Minister Müller presents the energy initiative of the BMZ

The congress was opened by the chairman of the board of the DGRV, Dr. Eckhard Ott. He emphasized that the approximately 850 energy cooperatives founded in Germany in the past ten years enabled a broad participation of the population in the energy turnaround. “In addition, they promote the regional economy and strengthen the acceptance of renewable energies. These benefits are also to be used in Africa. With its many years of experience in international development cooperation, the DGRV is a partner to support the initiation of community energy projects on the African continent,” said Ott.

Subsequently, the German Development Minister Dr. Gerd Müller presented the cornerstones of his “Green Community Energy for Africa” initiative. He thus concretized the ideas for reforms to supply the African continent with energy, which had already been launched at the beginning of the year under his Marshall Plan for Africa.



“Without energy no development, without development no jobs. Together with cooperatives, municipalities and the private sector, we bring solutions for a green energy supply to the rural regions of Africa,” said the minister. “This is how we contribute to a climate-friendly economic development and create sustainable perspectives for the people. Africa can be the first continent to be completely powered by renewable energies.”

Cooperatives, municipalities and the private sector will play a major role in the implementation of these plans. The initiative aims to establish community energy partnerships, in which German citizens, cooperatives and local authorities can share their knowledge with African partners. In addition, over the next five years, the ministry intends to support the establishment of a legal and administrative framework for community energy cooperatives in eight selected African countries. A training initiative for energy professionals is planned as well.

A representative of the countries, which the BMZ initiative is focussing on, came to speak afterwards. Irene Muloni, Minister of Energy and Raw Materials of the East African Republic of Uganda, presented her plans for a green and decentralized energy future for her country. Although many energy projects have already been launched in recent years, Uganda still has about 80% of people without access to energy. The Minister therefore stressed her keen interest in an exchange with the German energy cooperatives and expressed her hope that they could help to provide all people in Uganda with energy in the coming years. “Let’s turn the dark continent into a green continent!”, she said to the congress guests.

How this call could become reality, was concretized by Dr. Christoph Beier, Member of the Board of the German Association for International Cooperation (GIZ) and Peter Pichler, consultant for development cooperation for the GaiaAfrica project. The latter reported on his experiences from Mozambique and stressed the great potential but also the challenges for community energy cooperatives in this region.

Talk of practitioners from Community Energy and Local Authorities

The first part of the program ended with an exciting round table. Under the heading “Cooperatives and Communes – Partners for Africa” discussed: Josef Göppel, CSU member of the Bundestag, Katharina Habersbrunner, member of the Board of Community Energy Cooperative BENG eG, Manuel de Araújo, mayor of the city of Quelimane in Mozambique, Günter Mögele, mayor of the Swabian city of Wilsbried (awarded with numerous national and international energy prizes) and Serge

Etoundi, solar entrepreneur from Cameroon.

In the afternoon, the conference participants were able to further develop their ideas for an energy dialogue with Africa in three parallel forums. The central question were: "What concrete contributions can energy cooperatives make to decentralized energy projects in Africa?", "What are the basic conditions for a successful cooperation of communities, cooperatives and municipal enterprises?" and "What are the greatest potentials and problems of a decentralized energy supply in developing countries? ".

At the end of the congress, all participants agreed: The enormous need of energy represents great challenges for Africa but also offers great opportunities to invest in green energy. Good legal framework conditions, an affordable technology as well as the know-how and the personal initiative of the local people are the key to success. Therefore, partnerships with German energy cooperatives can provide an important impetus.

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SCIENTIFIC SYMPOSIUM: RAIFFEISEN 2018 ECONOMIC INNOVATION – SOCIAL ORIENTATION

On June 30 and July 1st, 2017, the Raiffeisen Symposium at Schloss Montabaur, the Academy of German Cooperatives (ADG), explored the co-operative idea of Friedrich Wilhelm Raiffeisen. The approximately 80 participants and academics discussed the economic innovation and social orientation of the cooperative idea and the relevance of cooperatives to present times. The guests were invited by the German Friedrich-Wilhelm-Raiffeisen-Society and Prof. Dr. Theresia Theurl, Managing Director of the Institute for Cooperative Studies at the Westphalian Wilhelm University of Münster.



“What cannot be one by one, can be done by many.” Werner Böhnke, chairman of the German Friedrich-Wilhelm-Raiffeisen-Society, recalled the life guideline of Friedrich Wilhelm Raiffeisen and looked ahead to the Raiffeisen year 2018. The anniversary year is an opportunity for cooperatives to recall the origin, development and fascination of the cooperative idea.

The academics and participants came from the USA, Switzerland, Italy, Austria and from across Germany. In several lectures and two panel discussions, they presented and debated Raiffeisen’s cooperative idea, the opportunities offered by the cooperatives business model and the practical experience with newly founded cooperatives.

Cooperatives are our today’s popular types of enterprises, explained Josef Zolk, deputy chairman of the German Friedrich-Wilhelm-Raiffeisen-Society. “People know that team spirit and not profit is at the forefront”. Daniela Schmitt, State Secretary

at the Ministry of Economic Affairs, Transport, Agriculture and Viticulture of the State of Rhineland-Palatinate, praised the work of the numerous cooperatives: “We have a lively cooperative culture in Rhineland-Palatinate. In many areas, the cooperatives have been active for more than 100 years and are working on solutions for the challenges of our time. They recognize and take advantage of future potentials and thus make a valuable contribution to the community,” says Schmitt.

Source:
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Source Picture:
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Montabaur

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THE IDEA AND PRACTICE OF COOPERATIVES ARE INTANGIBLE CULTURAL HERITAGE

On 11th May 2017, Minister of State Maria Böhmer handed over the UNESCO diploma in recognition of the “Idea and Practice of the Organization of common Interests in Cooperatives” as Intangible Cultural Heritage to the German Hermann-Schulze-Delitzsch-Gesellschaft e. V. and the Friedrich-Wilhelm-Raiffeisen-Gesellschaft e. V. The two organizations were decisively involved in the nomination of Germany for the Representative List of UNESCO.

Minister of State Böhmer congratulated all the people involved in cooperatives in Germany for the recognition of their work as Intangible Cultural Heritage of Humanity. “The cultural form of the cooperative connects us with people all over the world. Around 800 million people in more than 100 countries are organized

in cooperatives, thus contributing to the sustainable development of their region. Therefore, I can well imagine that the cooperatives in many countries are now inspired to join the first entry of Germany into the UNESCO list of Intangible Cultural Heritage.”



Prof. Dr. Christoph Wulf, Vice-President of the German Commission for UNESCO, pointed out the cultural importance of cooperatives bringing together people with different backgrounds, but common interests to achieve common goals: "I cordially congratulate all cooperatives in Germany to be honoured as Intangible Cultural Heritage of Humanity. They show how much our cultural heritage contributes to social development."

Dr. Axel Viehweger, Chairman of the German Hermann-Schulze-Delitzsch-Gesellschaft e. V. emphasized: "In many educational institutions, hardly any knowledge about the cooperative is conveyed. We want to work on that. The cooperative has to be embedded much more in school and university education. UNESCO's recognition will help us."

Werner Böhnke, Chairman of the Deutsche Friedrich-Wilhelm-Raiffeisen-Gesellschaft e. V. added: "For us, the UNESCO award is a wonderful lead to the great anniversary year 2018. This year, Raiffeisen would have turned 200 years old. This event will give us again an oppor-

tunity to highlight the significance of the cooperative idea for the present and the future. Moreover, the recognition by UNESCO is an appreciation for all those who are involved in cooperatives around the world."

Cooperatives are a form of social self-organization open to everyone, a model of cooperative self-help and self-responsibility. Globally, around 800 million cooperative members are active in more than 100 countries, of which 21 million are in Germany. The high number of cooperative members in Germany and the legal protection of their principles by a cooperative law are internationally extraordinary. On 30th November 2016, the cooperative idea and practice was incorporated into the International Representative List of the Intangible Cultural Heritage of Humanity.

Background information on the Intangible Cultural Heritage

The Intangible Cultural Heritage includes lively traditions from the sectors of dance, theater, music, oral traditions, rituals and

customs, natural sciences and craftsmanship. Forms of Intangible Cultural Heritage are decisively based on human knowledge and skills. They are an expression of creativity and inventiveness, convey identity and continuity. They are passed on from generation to generation and are always redesigned

Since 2003, UNESCO supports the protection, documentation and preservation of these cultural forms. Individual elements from the national lists of the contracting states may be proposed for one of three UNESCO lists of Intangible Cultural Heritage. 429 customs, dramatics, craftsmanships and natural sciences from all over the world are currently listed, including the German cooperative idea and practice, the rumba of Cuba, traditional Chinese medicine and Italian violin making. To date, 172 countries have joined the UNESCO Convention on the Conservation of Intangible Cultural Heritage. Germany is a contracting state since 2013.

Source:

German UNESCO-Commission

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