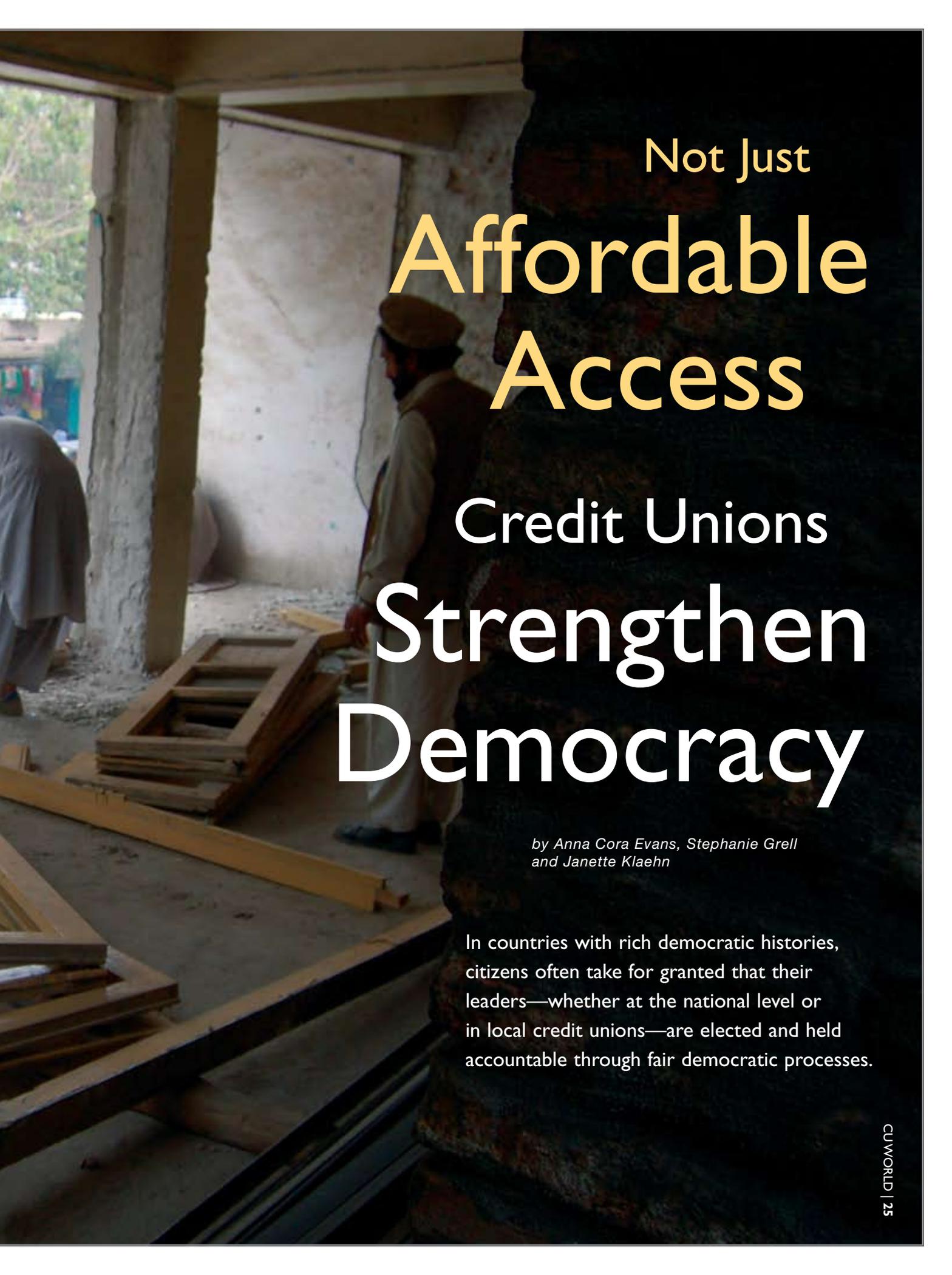


RANDY SPEARS

Afghans construct Jalalabad's first credit union, Nangarhar Investment and Finance Cooperative.



Not Just
**Affordable
Access**
Credit Unions
**Strengthen
Democracy**

*by Anna Cora Evans, Stephanie Grell
and Janette Klaehn*

In countries with rich democratic histories, citizens often take for granted that their leaders—whether at the national level or in local credit unions—are elected and held accountable through fair democratic processes.

In today's tense global environment, World Council's development programs not only provide access to financial services, but they also instill democratic principles and practices in countries struggling to build democracies.

Democratic by Nature

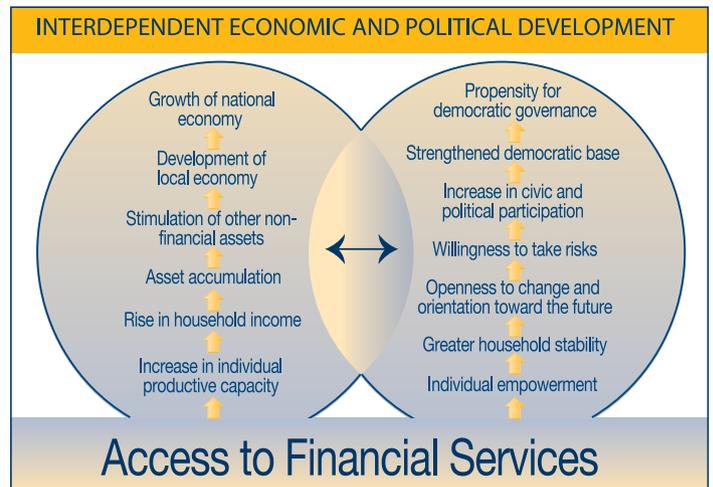
As member-owned institutions, credit unions educate members on values that allow them to embrace democratic principles. They teach members about democratic practices such as voting in fair elections, volunteering for the good of the whole, running for and holding elected office and exercising the power of the individual vote to ensure responsive and accountable leadership. Perhaps most important is that each member is an equal owner, regardless of how much money he or she has deposited in the credit union, and is entitled to one vote.

The foundations of democracy are reinforced in the three levels of credit union governance: external, internal and individual. While external governance responds to the demands of regulatory frameworks and government supervisors, internal and individual governance both respond directly to the credit union members. Credit union codes of ethics guide directors and managers to uphold effective governance.

Economic Opportunity

By providing access to financial services, credit unions empower members and strengthen their abilities to make the investments in human capital necessary to promote political and economic freedom. Investments in education, health, micro and small enterprises, agriculture and housing enable members to gain greater control over their lives and be more apt to participate in their communities.

The economic growth prompted by widespread access to financial services also contributes to democratic strengthening. Asset accumulation leads to individual empowerment, greater household stability, an orientation toward the future and a willingness to take new risks, which result in increased political participation and a strengthened democratic base. On the local and national levels, economic growth improves social conditions necessary for democracy to take root, creating a populace better positioned to demand and take part in democratic governance.



Focus on Members

Ongoing education and capacity building form critical pillars in the democratic structure of credit unions. For a credit union to function properly, it needs to be accountable to its members. It can only be accountable if all those involved in its governance and operation understand and are capable of fulfilling their roles and responsibilities.

Training serves to improve operations, increase transparency, reduce corruption and improve governance in a credit union. Elected directors focus on improving their oversight capabilities so that fraud or favoritism can be prevented. Managers and staff members strengthen their financial management skills so that operations can run safely and soundly. Members learn about the cooperative principles so they are motivated to be actively involved in ensuring the sound operation of their credit union.



Credit unions in Uzbekistan tailor products and services to meet the needs of diverse members and their small businesses.

Credit Unions Embody Grassroots Democracy

1. Empowering members with a sense that their lives can be improved as a result of combining self-reliance together with collective action at the community level.
2. Providing many members their first direct experience with democratic decision-making and election processes.
3. Presenting a local example of institutional responsiveness, accountability and transparency that can be used as a model for good governance on a broader scale.
4. Investing in human capital by training directors, managers, staff and members on the skills required to be effective participants in institutional decision-making.
5. Building trust among members of different income levels, political perspectives, religions and ethnic backgrounds to achieve social cohesion.

Advocacy at Multiple Levels

Advocacy at the local, national and international levels enables credit unions to form positions, present a credit union voice and demand more effective governance from national and international bodies. Directors, managers and members all participate in advocacy.

Sustainable Over Time

It is the unique combination of the cooperative model grounded in democratic principles and the creation of economic opportunities for members that make credit unions essential to democracy building. They provide members on every rung of the poverty-to-wealth ladder with access to the financial services they need to manage their personal, house-

hold and community economies in a way that enables them to create opportunities for the future. ■

Excerpted from A Technical Guide to Increasing Citizen Participation: How Credit Unions Strengthen Democracy by Anna Cora Evans, development finance manager, Stephanie Grell, new business development associate and Janette Klaehn, senior manager of communications at WOCCU.

For the full publication and further information about WOCCU's approach to strengthening credit unions around the world, visit www.woccu.org.



By incorporating local customs, credit unions in Afghanistan provide both men and women with the opportunity to join, staff and participate in credit union activities.



Participating in educational sessions in the Philippines teaches women topics such as nutrition and small business administration.