



TRAINING REPORT

Training on the Framework for Growth and Sustainability of Cooperatives in Myanmar

Man Myanmar Hotel, Naypyitaw, Myanmar

2nd – 5th May, 2017



INTRODUCTION

The regulatory body for cooperatives is the Ministry of Agriculture, Livestock and Irrigation. The Cooperative Department is the government body for the registration, supervision and monitoring of cooperatives. The Cooperative Central Society (CCS) serves as the apex body for all cooperatives in Myanmar. The Cooperative Department has three main functions: to organize, educate and regulate the cooperative sector.

The cooperative sector has a four-tier pyramidal structure – CCS at the apex, followed by 22 unions of cooperative syndicates, 465 township cooperative syndicates and 40,024 primary cooperative societies. The cooperatives are also classified into three categories according to their area: production, service and trade. As of 31st July 2016, the cooperatives' membership base totalled 4,114,675.

The cooperative sector is hampered by its image, which is linked to its history. It has suffered from overactive government involvement and control, as well as from lack of autonomy, distrust from the population, and limited knowledge of the roles and responsibilities of members. Further constraining factors include the lack of enabling law and regulations, insufficient verifiable data, lack of focus at the training institutions and low levels of member education. The government-controlled systems provide less incentive to members to play a role in growth and improved services.

The cooperative department has identified a need to increase their monitoring and systems to support and oversee the cooperative sector. This was heightened by the China EXIM Bank loan of USD 400 million but also the realization better Management, Organizational Development and Monitoring systems are needed.

In order to support the government of Myanmar in the implementation process of the Financial Inclusion Roadmap, UNCDF developed the "Expanding Financial Access (EFA) Programme" - planning its forthcoming action in target areas. A key component of EFA is to develop the capacity of selected financial services providers. This is why UNCDF was requested by the government to support the cooperative sector. ACCU was tapped as the technical partner of the training project.

The Association of Asian Confederation of Credit Unions (ACCU) has 45 years of evolving experience in credit union development, starting from promotion, leadership development, institutional development, professionalization, up until quality assurance of credit unions. ACCU provides value-added services to its members to address the challenges and exploit every inch of opportunity for the benefit of the entire credit union movement. ACCU's role has evolved over time based on the demands and growth needs of the Asian credit unions. ACCU has been working in Myanmar since 1997 in partnership with CCS, and works with UNCDF in the implementation of its project to develop savings-led financial services.

WORKSHOP SESSIONS & OBJECTIVES

Output 1: Strategic strengthening

Attended by Deputy Directors of the department, the workshop shall review cooperative development strategy, and the existing training programs and supports to cooperatives. The session aims to address the possible performance deficiencies of agricultural cooperatives on loan mitigation, bookkeeping/financial management, lack of autonomy and a failure to utilize best practice. Furthermore, the session will deliver and share with attendees various presentations on the best cooperative practices implemented by cooperatives around the world to highlight the important role that cooperatives today are playing in improving lives, as illustrated by the example of the successful cooperative movements in Asia, Canada, and the USA.

At the end of the training, the following is anticipated to be achieved:

1. Develop a National Policy Paper on cooperative development to build a sustainable and viable business model.
2. Prepare recommendations for policy advocacy on cooperative development.
3. Lobby the Ministry of Cooperatives on the approval of the National Policy Paper on cooperative development. The Policy Paper shall become a guideline for future cooperative development.

Output 2: Cooperative governance

This session will underline the principles of good governance and focus on related topics such as external governance, transparency, compliance, public accountability, internal and individual governance.

At the end of the training, participants will be able to:

1. Appreciate the concept and framework of cooperative governance
2. Understand the principles of good governance and consequently use them to evaluate their cooperative's compliance
3. Create awareness on their responsibility for the good governance of cooperatives
4. Prepare a governance framework to deploy in the cooperative sector

Output 3: Financial management and accounting

This session presents the financial responsibilities of cooperatives, potential conflicts of interest, budgeting processes, accounting methods and international standards. Financial statements reporting, bookkeeping forms and records for daily transactions, internal control systems, cash generation cycles, financial management systems and procedures will also be covered.

The objective of this training is to present finance and finance-related operations in such a way that it is user-friendly for non-finance executives. The goal is that they feel comfortable with finance functions and put various tools and techniques to use in their routine to benefit their organizations.

The session will be delivered through a mix of lectures, classroom discussions, and group exercises. Participants will be put through group exercises to analyze financial transactions, financial statements and calculate the costs of various products/services offered. They will also be exposed to break-even analysis, budgeting, variance analysis and other management accounting tools.

At the end of the training, participants will be able to:

1. Explain accounting, finance, and costing functions in organizations
2. Evaluate the impact of managerial decisions on the organization's revenues, costs, and surpluses
3. Define different financial terms in the financial statements
4. Develop skills for analysis and interpretation of financial statements

Output 4: Organizational development and operations

This output aims to present the broad picture of the operation manual of a cooperative. Items reviewed here will include the vision, mission and values of cooperatives; membership policy, definitions of loans, loan officers and credit committees; cash flow based lending, loan recovery techniques, loan policy development, risk assessment of the current management system and of potential clients; business plan development; and audit.

At the end of the training, the participants will be able to:

1. Identify the organizational policies needed for the efficient operation of cooperatives
2. Define the minimum management structure of a cooperative.
3. Adopt the comprehensive policy on organization and management of cooperatives introduced at the training

MESSAGES

His Excellency Dr. Aung Thu, Union Minister for Agriculture, Livestock and Irrigation:



The Ministry of Agriculture, Livestock and Irrigation (under which the Cooperative Department belongs) acknowledges the role of cooperatives as effective partners of the government in delivering poverty alleviation and agricultural development programs.

Dr Aung Thu understands that this training aims to position Myanmar cooperatives as potential players in financial inclusion space. He expressed gratitude to UNCDF and ACCU for organizing the event, and advised the participants to implement the new management technologies that they find useful and relevant in the local context.

Mr. Daniel Burns - Chairman of the World Council of Credit Unions

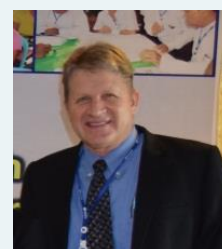


Mr. Burns emphasizes the importance of an integrated network of cooperatives in the country to demonstrate strength and to project an image of professionalism and stability.

He indicated that WOCCU and ACCU work in Asia and globally to promote sustainable credit unions by promoting modern management techniques and new information technologies while staying true to cooperative principles.

Paul Luchtenburg – Myanmar Country Coordinator, UN Capital Development Fund (UNCDF)

Mr. Luchtenburg explained that UNCDF is working on increasing access to appropriate, affordable financial services (financial inclusion) in Myanmar. UNCDF's MicroLead Expansion programme supports two southern microfinance market leaders to greenfield in Myanmar in addition to working with a ACCU to create new rural savings and credit cooperatives.



By the end of 2017, MicroLead will increase sustainable access to appropriate, demand-driven and responsible financial services (with a focus on savings) to more than 100,000 low-income people in Myanmar. Mr. Luchtenburg indicated how credit unions in other countries, even in developed ones, play an important role in serving the financial needs of its members. Mr. Luchtenburg recognizes what ACCU has been doing over the last three years in Ayeyarwaddy and Bago - building sustainable credit unions that can be replicated in other parts of Myanmar.

SESSIONS

Session 1 Cooperatives: Pathways to Economic, Democratic and Social Development in the Global Economy

Cooperatives have been devoted to conducting business in a way that is now being advocated as the most efficient in revolutionizing development:

- putting people in charge of their own destinies and helping them bring services to their communities;
- increasing decision-making;
- building trust and accountability through democratic participation;
- providing a profitable connection to the private sector;
- building and protecting assets at the community level; and
- working together to resolve issues and challenges

Cooperatives have also been working toward creating an enabling legal and regulatory environment by presenting core legal/regulatory principles of credit unions (CUs)

1. **Protect democratic member control:** Law must protect the democratic character of Cooperatives, vesting control of the organization in its members;
2. **Protect autonomy and Independence:** Law must protect the autonomy and independence of Cooperatives from government, persons, or entities other than members of the CU.
3. **Respect voluntary membership:** Law must protect the voluntary nature of membership in Cooperatives; membership in CUs should be determined by the CU, not mandated by the law or government order;
4. **Require membership economic participation:** Law must protect and promote the responsibilities of membership, including the duties to contribute equitably and to democratically control the capital of the CU.
5. **Promote equitable treatment:** Law and regulation should be no less advantageous to Cooperatives than other business in the same sector, while protecting and being sensitive to mutuality of Cooperatives.
6. **Provide coherent and efficient regulatory framework:** Regulatory framework should be simple, predictable and efficient; should minimize bureaucratic delay and obstructions to business operation; should avoid conflict and duplication with other laws. Regulation with respect to business of credit union should be handled.
7. **Avoid conflicts of interest:** The roles of the state in law enforcement, dispute resolution, licensing and promotion should be administered in a manner that avoids duplication and undue influence, and minimizes conflicts of interest.

8. **Promote access to markets:** Sector-specific regulations should provide reasonable accommodations and incentives where appropriate, that enable cooperative businesses.
9. **Protect due process:** Cooperative organizations and their members should be accorded due process of law, including applicable rights to hearings, representation, and impartial appeals decisions of the state that impact cooperatives or their members.

Session 2 Image of the Cooperative in the Marketplace

At the close of this session, participants will be able to:

- Understand financial institutions and their market segments
- Know the basic principles of a market economy and apply these to cooperatives
- Be aware of the current cooperative business and its operation bottleneck.
- Learn how to match financial institutions and their market segment.
- Understand the role of regulators in cooperative development in a market economy

Session 3 Framework on the Organizational Development of Cooperatives

This session aims to develop among the participants a critical understanding of:

- Institutional Development of Savings and Credit cooperative business
- Credit Union development and the roles and responsibilities of credit union leaders in stages of development.
- Cooperative Laws, By-laws, Regulation best practices, Operation Policies and Procedural Guidelines

Session 4 Strategies for the Growth and Sustainability of the Cooperative Sector in Myanmar

This session aims to develop among participants a critical understanding of:

- Cooperative development policy and its effects on growth and sustainability
- Current cooperative development strategies and policies.
- Lessons from other Asian Countries in development of strategy and policy.
- An integrated strategy for cooperative development and policy in Myanmar

Session 5 Cooperative Governance Structure

Governance is:

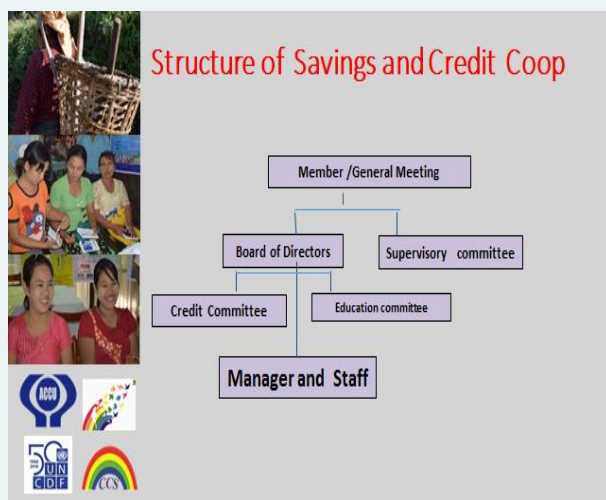
- A process through which a board of directors guides an institution in fulfilling its corporate mission and protects the institution's assets over time.
- A system of checks and balances between owners/members and other stakeholders who set the standard and objectives of accountability of a given institution.
- Guidance by the board of directors

"Corporate governance is the processes, structures and information used for directing and overseeing the management of an organization. It encompasses the means by which members of the board of directors and senior management are held accountable for their actions and for the establishment and implementation of oversight functions and processes."

Benefits of Good Governance

- Improves organizational performance
- Promotes economic/financial stability
- Facilitates growth
- Promotes more effective utilization of resources
- Enhances credibility for the organization - dependent on trust relationship
- Preferred employer & preferred directorships
- Greater respect for the organizational brand

Session 6 Organizational and Management Structure of Cooperatives



The basic structure of a co-operative is what fundamentally distinguishes it from other forms of businesses and societies. This is why they are so much more responsive to the needs of communities.

A cooperative has members, and those members have a direct say in how their co-operative develops, the products and services the co-op sells, and the prices that are charged. They do this by way of their voting power and control over the co-op's Board of Directors.

Session 7 Basic Regulatory Environment for Cooperatives



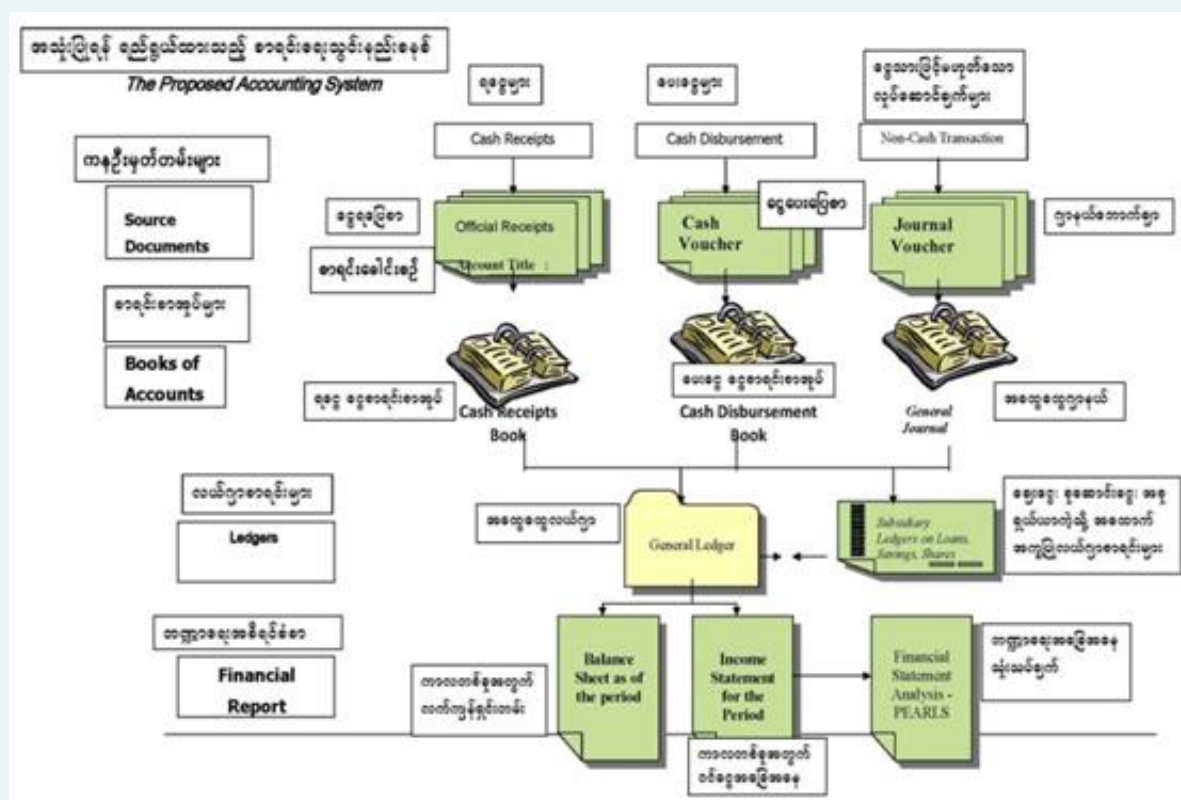
Session 8 Competencies Required for the Board and Professional Management

Essential Qualities of a Director:

- Serve Membership
- Willing and open to continuous learning
- Invest in systems & processes that develop and improve knowledge and skills as board member.
- Be a team player
- Willing to assume responsibilities and challenges
- Willing to think creatively and embrace change
- Seeks to renew board composition, embrace changes to bring in new qualified members.
- Personal ethics that are aligned with the credit union's philosophy.
- Monitor performance - establish systems for evaluating institutional, management & board performance; develop strategies to achieve objectives.
- Focus on providing strategic rather than operational direction to the management
- Proactive rather than reactive, monitors and keep abreast of changes in the environment so appropriate actions can be undertaken.

Collectively, the board should have an extensive range of relevant experience. Individually, directors should commit to doing the best job possible, expanding their range of expertise as they progress through their terms.

Session 9 Accounting System and Basic Financial Statement of Cooperative



The Balance sheet is a summary of the economic resources of a co-op and the claims against those resources at a specific point in time.

The Income Statement reports the co-op's economic performance over a specific period of time. It is also known as a Statement of Profit and Loss.

The Cash Flow Statement reports the co-op's sources and use of funds (also referred to as the Statement of Changes in Sources and Uses of Funds). It explains how a co-op obtains cash (sources of funds) and how it spends cash (use of funds) including the borrowing and repayment of debt, capital transactions and other factors that may affect the cash position. Together, these statements summarize all the information contained in the organization's accounts.

A fourth statement is widely used in the MFI industry in addition to the above: The Portfolio Report – which provides detailed information about the lending and/or savings operations of a co-op. It is prepared more frequently than the other statements and gives an indication of the portfolio quality.

Session 10 Financial Analysis Prudential Standards for Co-ops

PEARLS is the international prudential standard for credit unions developed by World Council of Credit Unions. The tool presented in the October 2002 PEARLS Monitoring System Monograph has 49 quantitative ratios.

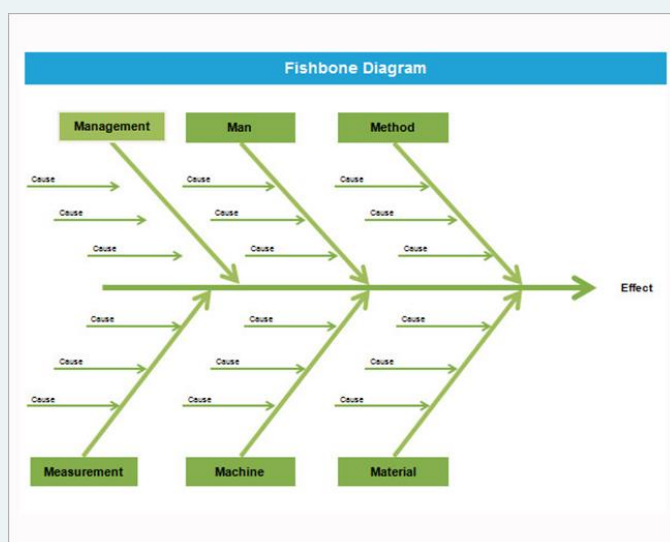
PEARLS can suit any credit union environment. For developing credit unions operating in volatile economic and political environments (such as in the case of Myanmar), PEARLS places a strong emphasis on growth ratios.

We highlight important indicators which the group will analyze and study, and focus on ratios and indicators suitable for Savings and Credit Unions in Myanmar.

PEARLS

- P – Protection
- E – Effective Financial Structure
- A – Asset Quality
- R – Rates of Return and Cost
- L – Liquidity
- S – Signs of Growth

Session 11 Using Financial Results for Future Planning



Session 12 Loan Assessment Tools and Delinquency Management

Loan Assessment Tools and Delinquency Management

- Credit Defined
- Concepts and Principles of Credit
- Elements of Credit
- 5Cs of Credit
- Effective credit/process/lending policy
- Housekeeping Measures

Session 13 Organizational and Operations Policy for Co-ops

The policy will cover the following topics:

- Purpose of the Policy
- Governing Rules and Regulations
- Capacities and Powers
- Cooperative Records
- Access to Records
- Cooperative Image
- Ethical and Professional Conduct
- Liability Indemnification
- Information and Implementation

Session 14 Policy on Financial Products and Services

At the close of this session participants will be able to:

- Understand the role of savings and credit cooperatives as trusted the wealth creation advisor for members
- Recognize and act on the financial needs of members and potential members
- Acquire knowledge on savings and loan product development for members.
- Recognize that financial needs are different across villages/communities/families and solutions should differ accordingly

The credit union's role as a wealth creation advisor works to enrich the lives of its members. Members are empowered to take charge of their financial futures. Thus, credit unions should develop a comprehensive approach that helps members to effectively model and analyze solutions to personal and business dilemmas. As each member represents a unique set of circumstances, a great deal of time should be invested in getting to "know your members", their financial capabilities and financial objectives. We believe that all front-liners, loan officers, collectors and training officers should have good skills in wealth creation advisory.

Annex 1 – Daily Schedule

1 May 2017	
15:00 - 18:30	Arrival, hotel check-in and Registration
2 May 2017	
08:00 – 08:30	Registration
08:30 – 08:45	Opening Speech by Union Minister, H.E. Dr. Aung Thu for Ministry of Agriculture, Livestock and Irrigation
08:45– 08:55	Keynote Speech by Mr. Daniel Burns, Chair of World Council of Credit
08:55– 09:05	Keynote Speech by Mr. Peter Batchelor, Country Director of UNDP
09:05– 09:10	Introduction Program and Vote of Thanks by Ms. Elenita V. San Roque, CEO of ACCU
09:10– 09:15	Photo Session
09:15– 09:45	Health Break
Output 1: Strategic strengthening	
10:00 – 11:00	Session 1 Cooperatives: Pathways to Economic, Democratic and Social Development in the Global Economy
1100 – 12:00	Session 2 Image of Cooperatives in Today's Marketplace
12:00 – 13:30	Lunch Break
13:30 – 15:00	Session 3 Framework on the Organizational Development of Cooperatives
15:00 – 15:30	Health Break
15:30 – 17:00	Session 4 Strategies for the Growth and Sustainability of the Cooperative
3 May 2017	
Output 2: Cooperative Governance	
09:00 – 10:00	Session 5 Cooperative Governance Structure
10:00 – 10:30	Health Break
10:30 – 12:00	Session 6 Organizational and Management Structure of
12:00 – 13:30	Lunch B r e a k
13:30 – 15:00	Session 7 Basic Regulatory environment for cooperatives
15:00 – 15:30	Health Break
15:30 – 17:00	Session 8 Competencies required for the Board and professional Management
4 May 2017	
Output 3: Financial Management and Accounting	

09:00 – 10:00	Session 9 Accounting System and the Basic Financial Statements of Cooperatives
10:00 – 10:30	Health Break
10:30 – 12:00	Session 10 Financial Analysis: Prudential Standards for Cooperatives
12:00 – 13:30	Lunch Break
13:30 – 15:00	Session 11 Using Financial Results for the future planning of cooperatives
15:00 – 15:30	Health Break
15:30 – 17:00	Session 12 Loan Assessment tools and Delinquency Management

5 May 2017	
Output 4: Organizational Development and Operations	
09:00 – 10:00	Session13 Introduction: Organizational and Operations Policy for Cooperatives
10:00 – 10:30	Health Break
10:30 – 12:00	Session 14 Policy on Financial products and services of co-ops
12:00 – 13:30	Lunch Break
13:30 – 15:00	Session15 Recommendation: Road map to sustainable development of the cooperative movement of Myanmar by 2020
15:00 – 15:30	Health Break
15:30 – 17:00	Prepare Action Plan, Evaluation and Closing

Annex 2 – List of Participants

1	U Myo Aung	Director	Cooperative Dept;
2	Daw Myint Win Kyi	Director	Cooperative Dept;
3	U Zaw Min Tun	Deputy Director	Cooperative Dept;
4	U Myint Tin	Deputy Director	Cooperative Dept;
5	U Htay Myint Aung	Deputy Director	Cooperative Dept;
6	U Nyan Win Maung	Deputy Director	Cooperative Dept;
7	Daw Thi Thi Myat	Deputy Director	Cooperative Dept;
8	Daw Khin Aye Maw	Deputy Director	Cooperative Dept;

1	U Myo Aung	Director	Cooperative Dept;
9	Daw Su Yin Myint	Deputy Director	Cooperative Dept;
10	Daw Khin Mar Aye	Deputy Director	Cooperative Dept;
11	Daw Win Win Aye	Deputy Director	Cooperative Dept;
12	Daw Ohnmar Myint	Deputy Director	Cooperative Dept;
13	U Khin Maung Win	Assistant Director	Cooperative Dept;
14	Daw Yin Yin Nwe	Assistant Director	Cooperative Dept;
15	Daw Mu Mu Win	Assistant Director	Cooperative Dept;
16	Daw Khine Tin Tin Htun	Assistant Director	Cooperative Dept;
17	U Thaug Htay	Assistant Director	Cooperative Dept;
18	U Than Naing	Assistant Director	Cooperative Dept;
19	Daw Aye Pwint	Assistant Director	Cooperative Dept;
20	Daw Saw Sandar Moe	Assistant Director	Cooperative Dept;
21	U Saw Phone Myint	Assistant Director	Chin State Cooperative Dept;
22	U Than Win	Assistant Director	Kachin State Cooperative Dept;
23	U Myint Swe	Assistant Director	Sagaing Region Cooperative Dept;
24	U Than Htut	Assistant Director	Bago Region Cooperative Dept;
25	U Kyi Lin	Assistant Director	Magway Region Cooperative Dept;
26	U Aung Win	Assistant Director	Mandalay Region Cooperative Dept;
27	U Aung Maw	Assistant Director	Mon State Cooperative Dept;
28	U Mg Mg Thet Lwin	Assistant Director	Rakhine State Cooperative Dept;
29	Daw Chaw Su Hlaing	Assistant Director	Yangon Region Cooperative Dept;
30	U Min Zaw Naing	Assistant Director	Shan State Cooperative Dept;
31	U Than Htut Aung	Assistant Director	Ayarwaddy Region Cooperative Dept;
32	U Aung Min	Deputy Director	Nay Pyi Taw Region
33	U Myint Zaw Htun	Assistant Director	Nay Pyi Taw Region
34	U Aung Ko Ko Myint	Staff Officer	Cooperative Dept;
35	Daw Chuu Thin Zar	Staff Officer	Cooperative Dept;

Annex 3 – Resource Team

1	Ms Elenita V. San Roque	Chief Executive Officer
2	Mr Ranjith Hettiarachchi	Chief Technical Officer / Myanmar Project Manager
3	Mr Brian Branch	Chief Executive Officer
4	Mr Dindo A. Meroy	Training and Development Officer
5	U Aung Kyaw Moe	Project Officer
6	U Thein Zaw Htun	Translator
7	Daw Cho Cho Yee	Translator

Annex 4 – Summary of Evaluation

How worthwhile was the training for you?

Very worthwhile	24
Fairly worthwhile	6
Not very worthwhile	0
A waste of time	0

How the program was conducted?

Very well	23
Fairly well	7
Poorly	0
Very poorly	0

Did the program have additional value in your particular job?

Yes	11
Partly	19
No	0

What are the strong points?

“The analysis of the international cooperative system and experience can be useful to local cooperative situation.”

What are the weak points?

“The training period is too short.”

“Training should be extended.”

Training Methodology

Too much discussion	10
About the right time of each	20

Visual aids

Not enough	0
Too much	0
Okay	30

Group activities

Too much group activities	0
Not enough group activities	0
About the right amount of group activities	28

Trainees' Participation

Too much participation by trainees	0
Too less participation by trainees	6
Okay	22

Time Schedule

Too short	14
Too long	2
Okay	12

How well did the trainers maintain a friendly and helpful manner?

Excellent	5
Very good	15
Good	6
Fair	1
Poor	0

How well did the trainers keep the sessions active and interesting?

Excellent	8
Very good	15
Good	6
Fair	0
Poor	0

How were the training facilities, board and lodging arrangements etc.?

Excellent	10
Very good	12
Good	7
Fair	0
Poor	0

What are the major benefits you received?

Help confirmed some of my ideas

Presented new ideas and approaches

Give me a good chance to look objectively at myself and my job

Acquainted me with problems and solutions from other cooperatives/credit unions

Other comments and suggestions?

"We learned from much international experience in a short period."

"The training period is very short."

"We need to see actual field work operations."