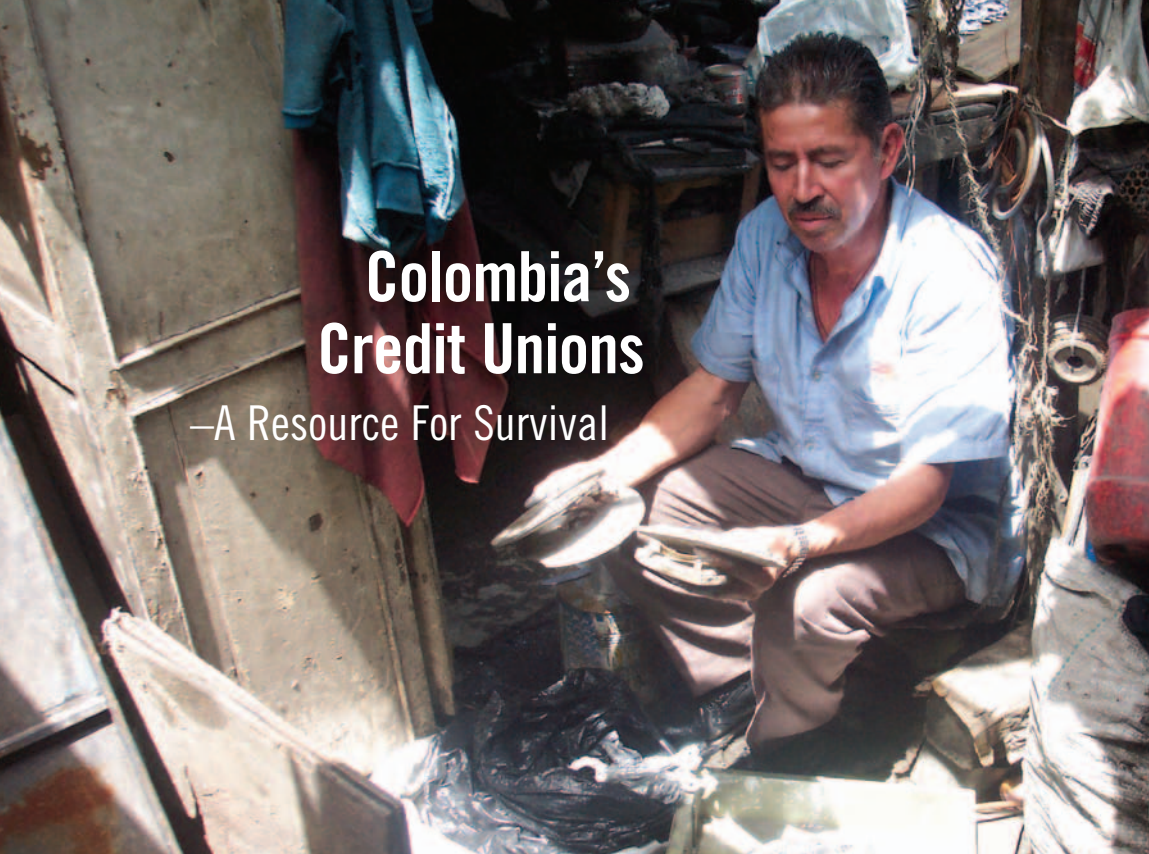


Colombia's Credit Unions

—A Resource For Survival



COUNTRY INDICATORS

National Capital: Bogota
Government Type: Republic
Area: Total 1,138,910 sq km
Population: 42,310,775 (July 2004 est.)
Inflation Rate: 7.1% (2003 est.)
Currency: Colombian peso (COP)
Exchange Rate: 2,309/US\$1 (2/05)
GDP: \$263.2 Billion (2003 est.)
GDP per Capita: US\$6,300 (2003 est.)
Source: IMF/ CIA World Factbook 2004, World Bank

CREDIT UNION INDICATORS

Credit Unions: 5
Members: 251,563
Savings: US\$94,264,606
Loans: US\$80,101,593
WOCCU-Colombia Project Credit Unions Only (2003)

After more than 50 years of civil unrest, violence and rampant displacement from rural areas, the poor of Colombia have very few places to turn with the hope of creating a better future for themselves and their families. One beacon of hope is credit unions.

First established in the 1960's—with the help of CUNA Global Projects, the precursor to World Council of Credit Unions, Inc. (WOCCU)—Colombian credit unions are well established in both rural and urban communities. Credit unions have two distinct marketplace advantages in Colombia: they have become embedded in their communities and are identified as community-owned institutions, particularly in rural areas where other financial institutions have withdrawn in the face of civil unrest and violence. In recent years, public confidence in credit unions has been rebuilt gradually since the financial crisis of 1998, which resulted in some credit unions coming under supervision of the Superintendency of Banks.

Today, WOCCU-Colombia, together with ACCION International, is working to strengthen the capacity of credit unions and microfinance institutions in a three-year, US\$2.5 million dollar program. The project combines the experience of both organizations to expand market outreach and the range of savings and credit services offered to low income microentrepreneurs in Colombia, as well as introducing microlending technologies into credit unions.

WOCCU and Development

World Council has proven again and again that credit unions can reach more of the poor because they are community based institutions, which serve all economic social groups of society. William Bonilla, WOCCU contracts and grants manager explained, "When credit union membership is economically diversified it decreases correlated credit risk. Mixed

outreach attracts both the poor and the more affluent net savers who provide liquidity for small loans to the poor. Smaller loan sizes to the poor involve higher costs per dollar lent. Credit unions serving the poor help maintain sustainability by spreading fixed costs across loans of larger and medium sizes." The credit unions can reach a large absolute number of the poor on a sustainable basis. Yet simply reaching out to all sectors is not sufficient to reach the poor.

To be successful in sustainable outreach to the poor, credit unions are tailoring products to the specific financial service demands and circumstances of the poor. Francisco Estevez, WOCCU-Colombia project manager stated, "Instead of waiting for members to join, credit union staff members now actively conduct field work, visiting



families in their communities to see if they are eligible for microlending products.” The project credit unions began microlending products in August of 2004 and will serve as examples for other credit unions within the country.

WOCCU-Colombia project credit unions are focusing on serving two groups: productive microentrepreneurs with stable income flows and displaced refugees from rural zones of conflict, now living in cardboard and plastic shacks bordering most cities in Colombia. Credit unions have seen some success extending service to microentrepreneurs, but are finding it difficult to extend service to the displaced. Estevez continued, “Many Colombians are migrating to urban areas with the hopes of new opportunities. However, these people are often unskilled for urban living and will need to learn a new skill. WOCCU-Colombia is trying to help people build businesses based on former microenterprise experience or skills.”

Trying to change the public’s perception about saving is also difficult, especially when many are below the poverty level and are simply struggling to survive. Estevez continued, “Teaching people how to save, even in small amounts, will lead to success. Mobilizing savings used to be difficult, with some credit unions limiting savings accounts to those members who had a beginning deposit of US\$150. With Colombia’s average monthly income of US\$50, mobilizing savings was difficult. WOCCU-Colombia has changed that, altering the US\$150 requirement to US\$5 for savings accounts.”

Due in large part to targeted products and services, WOCCU-Colombia’s five credit unions have 5,804 new borrowers and have distributed 68,683 loans, of which 12,739 were given to members below the poverty line. The value of loans disbursed to members below the poverty line was over US\$5.7 million. The average loan, usually used to begin a microenterprise, was US\$369.



The Environment


There are 2.73-3.1 million internally displaced people in Colombia (World Fact Book), the most anywhere in the world. Colombian people are affected by displacement as a result of the armed conflict the country lived with for more than 50 years. In the last twenty years the situation has become worse through abductions, extortion and the drug trade.

From 2000 to 2003 the Colombian government registered more than one million internally displaced persons, although unofficial sources calculate the total number of displaced people as significantly higher. The United Nations refugee organization (UNHCR) affirms that three out of four persons internally displaced in Colombia are women or children. Requests for refugee status in nearby countries have skyrocketed. In the last three years nearly 21,000 Colombians have requested refugee status in neighboring Ecuador. In 2003 Ecuador received 10,086 applications and Venezuela received 2,386; this does not count forced migrations toward the Panamanian border and other “voluntary” migrations of Colombians to Europe, United States and Central America.

The five WOCCU-Colombia project credit unions have more than 80

branches, some of which are found in conflict zones. In these zones there is a presence of armed groups, including the FARC, the Army of National Liberation-ELN and the groups of United Self-Defense of Colombia, known as the AUC. By expanding outreach against all adversities and obstacles, credit unions have shown unwavering commitment to their members.

Credit unions are trusted intermediaries in conflict areas because they are community based and democratically controlled. WOCCU-Colombia’s goal is to provide access to thousands of families that lack financial services and resources for their survival—to use technology and microfinance products to support this population and give them opportunities for better living conditions. Credit unions are doing their part to serve displaced persons. The Colombian government supports these unprotected communities with housing and food programs.

Estevez explained, “Credit unions are assisting in stabilizing the economy and providing greater social order for the country. Members now have a safe place to save and receive loans to build a better life for their families. We are giving hope to people who had none.” 

—by Kimberly Johnston

Marketing & Communications Manager, WOCCU