

# WOCCU Uses Unique Funding Source to Strengthen Sri Lanka



## COUNTRY INDICATORS

National Capital: Colombo  
 Government Type: Republic  
 Population: 20,064,776  
 (July 2005 est.)  
 Area: 65,610 sq km  
 Inflation Rate: 11.2% (2005 est.)  
 Exchange Rate: 100.19 Rupees/US\$1  
 (2005 est.)  
 GDP: US \$86.72 billion (2005 est.)  
 GDP per Capita: US\$4,300  
 (2005 est.)

Source: CIA World Factbook

## CREDIT UNION INDICATORS

CUs: 8,444  
 Members: 865,230  
 Assets: US\$56 million  
 Loans: US\$38 million  
 Shares & Savings: US\$27 million  
 Project Data July 2005

World Council of Credit Unions, Inc. (WOCCU), with the help of the United States Department of Agriculture (USDA) Food for Progress Act, is funding credit union development in an innovative way. The USDA donated bread flour—or processed wheat—to the WOCCU-Sri Lanka project for WOCCU to sell in the local commodity market in Sri Lanka. WOCCU then used the proceeds—over US\$2.7 million—to carry out its “Credit Union Finance Facility Restructuring” program.

The Federation of Thrift and Credit Cooperative Societies of Sri Lanka (SANASA) signed on as WOCCU’s local project partner, lending technical assistance through its Institutional Development Unit (IDU). WOCCU employed a private U.S. company to transport the wheat in three shipments from December, 2005 through January, 2006.

In the past several years there has been a steady increase in the consumption of flour in Sri Lanka as its people consume at least one flour-based meal per day. The monetization of wheat flour will assist the country in meeting nutrient and quantity demands, while also decreasing the country’s wheat flour deficit.

Sri Lanka has also recently emerged from nearly two decades of civil war, and the vast destruction from the tsunami of December, 2004 wreaked further havoc on the struggling society. Redevelopment is sorely needed to heal Sri Lanka’s wounds. Credit unions can aid in that redevelopment, but first they need to rebuild themselves.

District Credit Union Financial Facilities (DFFs) were once a major source of liquidity for Sri Lankan credit unions. However, many DFFs ceased operations during the war and now struggle to catch up with credit unions’ demands. Thus, phase one of WOCCU’s program is the restructuring and recapitalizing of four DFFs. These four facilities represent 80 credit unions, 25,000 members and US\$3.6 million in loans. DFF success is crucial to the success of their credit unions.

As part of the program, each DFF is assigned an internal auditor to perform continual onsite supervision and provide technical assistance. Restructuring includes measures such as revising lending policies and installing an acceptable system of records, while recapitalization involves issuing the DFFs subordinate debt.

During phase two, the WOCCU-Sri Lanka Project will turn its attention to the credit unions themselves, focusing on rehabilitation. WOCCU’s previous work in the country has identified several areas in need of improvement, including accounting practices, management systems and credit administration. One IDU role is to provide training in these and other key areas. Finally, in the third stage of the project, a supervisory framework will be established to protect against future credit union failure.

Sri Lanka’s primarily agricultural economy is growing, but it struggles with the repercussions of a

long conflict. Fortifying the country’s credit unions is a necessary step towards rebuilding the economy, but it will take time. Fortunately the effects of the WOCCU-Sri Lanka project will last beyond WOCCU’s presence in the country.

“We are proud of our accomplishments in Sri Lanka, not just in this three-year period, but for future generations,” says Pete Crear, WOCCU chief executive officer. “We’re working side by side with Sri Lankan credit union professionals, training them and giving them the tools to continue with their own initiatives once the project is completed. An added bonus of this program is that through practice, the IDU will continue to enhance its capability to restructure other District Credit Union Finance Facilities.”

—by Kimberly Johnston

Marketing & Communications Officer, WOCCU